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INTER-ARAB TRANSIT TRADE
WITH SPECIAL REFERENCE TO LEBANON

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ARAB TRANSIT TRADE - Ghantus

A C K N O W L E D G M E N T

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E.T.G.

ABSTRACT

The purpose of this work is to study inter-Arab transit trade. Accordingly, the development of this trade will be described, its volume and the factors determining it will be estimated, its problems will be determined, and its prospects will be evaluated. Owing to the fact that Lebanon, by virtue of its geographical location and the abilities of its mercantile class, handles a large portion of inter-Arab transit trade special reference will be made to its activity in this regard.

For several years the economic circles and the press in the Arab World have been tackling the subject of transit trade in view of its importance to the Arab economy as a whole. Essentially, this importance stems out of the fact that the Arab area suffers artificial fragmentation and a large proportion of Arab trade, especially with the Arabian Gulf countries, requires the passage of goods in transit across one or more countries other than the country of origin. The same applies to goods imported and exported by the hinterland from and to Europe and the United States, unless such goods are channelled through the Suez Canal and around the Arabian Peninsula, in which case additional transport costs and longer shipping time are involved.

The Arab countries which are subject to the above facts fix the range of this study. They are Lebanon, Syria, Jordan, Iraq and Saudi Arabia. It is evident that transit trade is not of the same importance to all of these countries. To Lebanon, which acts as a receiving point for the bulk of transit goods as well as an entrepot center for the Arab hinterland, transit trade is a major source of income and offers employment opportunities for a large number of the Lebanese population. Whereas to the countries in the hinterland (i.e. Jordan, Iraq and Saudi Arabia) transit is a means for facilitating their trading activities over the shortest and, in good many cases, the least expensive route. Against this, Syria by being merely a link between Lebanon on the one hand, and the Arab hinterland on the other, is not in a position to derive significant benefits from transit trade, and accordingly it has always been putting transit restrictions to preserve its economic interests.

Having these major facts in mind, which set forth the terms of reference for this study, we can conclude that transit trade, besides being an economic activity, is a vital aspect of regional Arab economic cooperation.

For the purposes of this study, the term "transit trade" will stand to include all goods passing across the national territories of any one of the countries concerned from land or sea frontier without such goods being processed in any way. However, since the oil pipeline system in the Arab Middle East has its own problems and does not belong to the private domestic sector of the economies of the transit countries (the relations being between the oil companies and the governments concerned), the transit of oil will not be included in the study.

The plan of this work can be briefly summarized as follows: Chapter One will deal with the development of Arab transit trade, with special emphasis on the role of Lebanon as a transshipment point for a wide area in the hinterland. It will also present an account of the road and rail networks and seaports in the Arab countries which are used in transit operations. Chapter Two will discuss the evolution of the volume of Arab transit trade during the period 1953-1961, and will point out the principal factors determining the volume of this trade. Chapter Three will be devoted to a study of Arab transit problems, as well as transit agreements (bilateral and multilateral) and their

contribution towards solving these problems. Finally, Chapter Four will include an evaluation of the prospects of Arab transit trade in the light of present as well as future economic and political conditions.

All statistical data for this study will be relegated in Appendix I. A complete text of the inter-Arab transit agreement will be found in Appendix II.

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CHAPTER ONE

DEVELOPMENT OF ARAB TRANSIT TRADE

A) Introduction:

Until the end of the 15th century the geographic region presently forming the Arab countries⁽¹⁾ played an important role within the pattern of world routes, by providing the shortest routes over which the bulk of trade exchange between Europe and Asia was carried. But after the discovery of the sea route to India and the Far East via the Cape of Good Hope in 1497, this region lost much of its importance, since carriage by sea tended to be less costly; not to mention that speed, offered by the overland routes, was not a decisive factor in trade dealings at that time.

Though trade remained to flow around the Cape for more than 350 years it started to revert to the old overland routes during the second half of the 19th century, as a result of the improvement of transport facilities in the Arab

(1) Throughout this study, unless otherwise indicated, the term "Arab countries" is used to refer to Lebanon, Syria, Jordan, Iraq, and Saudi Arabia.

countries,⁽¹⁾ But the opening of the Suez Canal in 1869, and its development as an attractive alternative to the overland routes, did not allow the full restoration of the overland routes in east-west trade. However, the countries on the eastern littoral of the Mediterranean continued to act as a land bridge for a handsome portion of trade exchange between the western centers of production and the hinterland, since the carriage of goods to or from the hinterland through the Suez Canal and around the Arabian Peninsula involves a long journey as well as additional expenses in the form of canal tolls. In view of this consideration, the political fragmentation of the Arab countries after the end of the Ottoman rule in 1918, which led to the establishment of new customs and administrative frontiers,⁽²⁾ required that certain transit facilities should be offered by the Arab countries to facilitate regional trade, and ensure the quickest movement of goods with the least possible costs. Thus, Arab transit trade came into existence.

It is obvious that transit trade is a regional matter that concerns usually three or more countries: the country

(1) Mohammad M. el-Sayyad, Transportation In the Arab Countries, (Cairo: Arab League, Institute of Higher Studies, 1956) p. 16.

(2) Under the Ottoman rule the Arab countries formed a single economic entity with no trade restrictions.

in which the goods passing in transit originate, the country of transit, and the country to which the goods are destined. The concern of these countries about transit facilities, however, is not of the same degree; it varies in direct proportion with the benefits they derive from transit. On the one hand, the countries of **origin and destination** are always in favour of freedom of transit through a third country, since they are interested in facilitating their exports and imports, respectively, over the shortest routes and with the least possible costs of transport. On the other, the transit country has not much to gain from the transit operations across its territory and, therefore, it is likely not to be in favour of complete freedom of transit.

This diversion in attitude towards the freedom of transit can be easily detected in the case of the Arab countries. While Lebanon, Jordan, Iraq and Saudi Arabia are in favour of freedom of transit, Syria does not approve of it except with certain reservations. The attitude of Lebanon is justified by the fact that transit trade has been until very recently a major source of income for the Lebanese population,⁽¹⁾ as well as an important item of "invisible" earnings which

(1) In his pioneering study of the "National Income of Lebanon in 1950" Dr. Albert Badre estimated that income arising from transit trade is 5.6% of total national income (or 20% of income originating in the trade sector).

together with capital movements bridge up the gap incurred annually on the Lebanese balance of trade. In reality, transit income in Lebanon is derived from two major sources. The first consists of the returns arising from transit traffic through the Lebanese ports and across the Lebanese territories, such as port dues, storage and handling charges, commission for intermediaries, transport expenses, and fuel and other taxes. The second consists of profits accruing to the Lebanese merchants from the purchase of goods in transit by the Arab importers, either from the Lebanese free zones or from the Lebanese market by making use of the drawback facilities offered by customs authorities in Lebanon.⁽¹⁾

The Arab countries in the hinterland are also advocates of freedom of transit, although they do not derive significant material benefits from transit trade as Lebanon. This is partly because they do not have direct outlet on the eastern littoral of the Mediterranean, the nearest part of the Arab region to the Western countries. Thus for carrying out their trading activities they have to use either the transit route across Syria (and Lebanon) or the longer sea route via the Suez Canal. Obviously, the former route is

(1) The drawback system in Lebanon provides for partial or total remittance of customs duties as well as all indirect taxes charged on imported goods upon their re-exportation.

more desirable and logical (assuming that favourable transit conditions are predominant) especially when the time element is critical in trade dealings. Furthermore, these countries are in favour of transit because they obtain a large proportion of their imports from the Beirut free zone, rather than from the country of origin.

On the basis that it does not benefit from the transit traffic across its territory, Syria is not in favour of complete freedom of transit, and has always insisted on imposing transit restrictions to preserve its economic interests (Cf. Chapter Three). However, the development of the port of Latakia and the improvement of its connections with the interior might, as will be shown in the concluding chapter, change the attitude of Syria with respect to this question.

B) Lebanon & Arab Transit:

The most striking feature of Arab transit trade is the great importance of Lebanon as a transit center for the rest of the Arab countries, and consequently the role it plays in shaping and developing the pattern of this trade. Lebanon has assumed this capacity by virtue of its suitable

geographical location at a juncture of international highways and by virtue of the blockage of Palestinian ports as a result of the rise of Israel. The early construction of the port of Beirut and its preponderance for a long time over other ports of the eastern littoral of the Mediterranean has been also of paramount consideration in making transit trade the "traditional vocation" of Lebanon.

Constructed in 1887, the port of Beirut remained for a long time the only properly equipped port on the littoral between Iskenderun and the Suez Canal, which is accessible to vessels throughout the year and having rail and/or road connections with the principal trade centers in the Middle East. Although the competitive development of the port of Haifa after 1932 deprived Lebanon from acting as a principal commercial sea outlet and inlet for Jordan and Saudi Arabia, the competition was of short duration as the Palestinian War in 1948 led to the boycott of the port of Haifa by all the Arab countries. Thus, the port of Beirut was able to reassert its position as the only practicable and suitable port catering for transit trade to the Arab area. In this context, it is interesting to note that the distance by road between Damascus and the port of Beirut (110 kilometers) is one-third that between Damascus and the port of Latakia

(330 kilometers), while the distance between Amman and the port of Beirut (315 kilometers) is almost as that between Amman and the port of Aqaba (354 kilometers). On the other hand, although the distance between Baghdad and the port of Beirut (900 kilometers) is longer than that between Baghdad and the port of Basra (700 kilometers) the port of Beirut remains the natural seaport for Baghdad, since the difference in distance is more than offset by the long journey around the Arabian Peninsula if the port of Basra is used.⁽¹⁾

Coupled with this, the availability of a large free zone at the port of Beirut as well as the availability of drawback facilities have been vital factors in promoting transit trade, and in making Lebanon as a meeting point and a supply center for the hinterland. The success of Lebanon in this capacity can be attributed to three major factors. First, the development of the Beirut free zone as a huge storage place for a very large variety of goods which gives the Arab importers the opportunity to inspect the goods before ordering. Usually big Lebanese merchants have show-rooms in Beirut where the customer may inspect and select the goods he desires to buy; then the goods will be sent

(1) Goods destined to Baghdad from Beirut take between 3 and 4 weeks by sea, against 8 to 12 days by road.

from the free zone, where they are stored, to the customer's country, free of duty. Second, the nearness of the Beirut free zone to the Arab countries in the hinterland, which enables the Arab merchants to obtain their requirements in a much shorter period than would be the case if the goods were to be imported from the country of origin. Third, the free foreign exchange system of Lebanon which makes it possible for the Arab importers to pay for their imports in Lebanese currency rather than in hard currency.

It may here be noteworthy to mention that Lebanese traders, who have earned a world wide reputation for ability, have been able to establish business connections with western commercial centers and have thus contributed towards enhancing the position of Lebanon as a transit center for a wide region in the hinterland.

C) Arab Transit Facilities:

Before analysing the flow and composition of inter-Arab transit trade, it seems appropriate to make reference to the means of transport in the Arab countries which facilitate such trade in general. Accordingly, the remaining part of this chapter will deal specifically with two major items:

land transport facilities, and seaports.

1) Land Transport Facilities: Despite the fact that the development of modern means of transport in the Arab countries started in 1857, by the construction of a 112-kilometer road running from Beirut to Damascus for coaches,⁽¹⁾ inland transport remained the monopoly of camel caravans until almost the end of the 19th century. But after the turn of the 20th century the Arab countries witnessed a rapid progress in their transport facilities as a result of the construction of a number of railway lines connecting the major Arab cities. Furthermore, the advent of motor transport after World War I led to the construction of new roads and the improvement of existing ones to be suitable for vehicular traffic. Following is a brief presentation of the rail and road networks presently serving the Arab countries in their trading activities.

a) Railways: The railway network serving the Arab region consists of the following major lines:

(i) The Baghdad Railway: It is the section of the famous international railway known as the Berlin-Baghdad railway which passes across the territories of Syria and Iraq.

(1) Nicola Manassah, "Trans-Arab Routes", L'Economie Libanaise et Arabe, Vol. IX, No. 78, October 1959, p. 19.

It is a standard-gage line, starting at Baghdad, and runs to Mosul in Iraq then crosses the north-eastern end of Syria from Tel-Kotcheck to Qamishly, where it enters Turkey and follows the Turko-Syrian border until it turns south to Aleppo.⁽¹⁾

(ii) The Syro-Lebanese Railways:⁽²⁾ They consist of a standard line which links each of Beirut and Tripoli in Lebanon up with Homs, Hama and Aleppo in Syria, and links with the Baghdad Railway at Aleppo. This line carries the bulk of transit traffic to and from Iraq coming over the Baghdad railway, as well as the agricultural products of the Homs-Hama region. It also carries Syrian cereals and other products to Lebanon, and imported raw sugar for processing at the Homs refinery.⁽³⁾ Another standard-gage line runs

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- (1) The line again turns north to Turkey where one branch of it runs to Istanbul, and connects with the international railway system of Europe, and the other runs to Iskenderun.
- (2) Formerly known as "Chemin de Fer Damas, Hama, et Prolongements" (D.H.P.). This system, the concession of which was given to a French company in 1893, extended over Lebanese and Syrian territories, and was bought by the Governments concerned; the Lebanese Government paying in 1957 LL 6.4 million, and the Syrian Government paying in 1955 LS 9 mn. The sections falling in their respective territories are now known as the Chemin de Fer de l'Etat Libanaise (CEL) and Chemin de fer d'Etat Syrien (CES).
- (3) I.B.R.D., The Economic Development of Syria (Baltimore: The John Hopkins Press, 1956) pp. 130-131.

from Homs into Lebanon joining at Rayak the narrow-gage line of the D.H.P. which connects Beirut with Damascus.

(iii) The Hedjaz Railway: This is a narrow-gage line which was built between 1904 and 1908 to handle the pilgrim traffic. It joins the narrow-gage D.H.P. line at Damascus and runs south to Amman. Originally, it extended 1962 miles to Medina in Saudi Arabia, but the southern part of it was dismantled during World War I. In 1954, the Governments of Syria, Jordan, and Saudi Arabia reached an agreement to reconstruct the entire line to Medina. Most of the goods carried now by the Hedjaz railway are destined to Jordan.

b) Roads: On the whole, the Arab road network is considered inadequate and costly; nevertheless, in competition with the railways it handles the bulk of transit traffic among the Arab countries. The backbone of this network is the road connecting Damascus with Homs, Hama and Aleppo in the north, and Hauran, Djebel Druze and Amman in the south. This road continues from Jordan to Medina in Saudi Arabia. Almost parallel to it there is the coastal road running from Nakoura (on the Palestinian border) through Beirut, Tripoli, Banias, and Latakia to Iskenderun, in Turkey.

Intersecting these two roads there are three other principal roads crossing the Arab region from east to west, as follows:

(i) Beirut-Baghdad Road: Essentially, this road consists of two distinct sections: the first running from Beirut over the Lebanese mountains to Damascus, and the other is the all-weather trans-desert passage linking Damascus with Baghdad, Kuwait and Teheran. Although the first section is difficult congested and transport costs on it are high, it is not a serious barrier to traffic movement, especially that it is much more rapid than the narrow-gage railway line linking Beirut with Damascus.⁽¹⁾ The other section is no better than a track and therefore road haulage over it is costly.⁽²⁾

(ii) Latakia-Aleppo-Deir ez Zor Road: This road starts at the port of Latakia on the Mediterranean and crosses the Damascus-Homs-Aleppo road (mentioned above) at Aleppo, then proceeds to Raqqa and Deir-ez-Zor to serve the Jezirah area and the fertile land of the Euphrates valley.

(iii) Tripoli-Homs Road: It starts at Tripoli and crosses the Damascus-Homs-Aleppo road at Homs, and runs east

(1) Arthur E. Mills, Private Enterprise in Lebanon (Beirut: American University of Beirut, 1959) p. 12.

(2) Ibid., p. 13.

through the Syrian desert along the pipeline route of IPC. It is used mainly to patrol and serve the oil pipeline which carries Iraqi oil to Banias in Syria and Tripoli in Lebanon.

2) Seaports:

The role played by any seaport in facilitating transit trade in a certain region is usually determined by its geographical location in relation to the principal centers of production and consumption; the cargo-handling facilities at its disposal; and the availability of adequate transport facilities connecting it with the interior. In the light of these considerations the principal Arab seaports, by country, will be presented in the following paragraphs.

a) Lebanon: There are three major seaports in Lebanon located on its 120-mile frontage on the Mediterranean. In the north, there is the port of Tripoli which has a free zone (established in 1952), but still primitive and lacks adequate cargo-handling facilities. Nevertheless, it is important as a shipping base for oil coming in transit from Iraq through IPC pipeline. It has both rail and road connections to Homs (in Syria) and beyond, and handles certain cargo from nearby

regions of Syria, including raw sugar imports for the Homs refinery.⁽¹⁾ In the south, there is the port of Sidon which serves as a loading point for oil received through TAPLINE pipeline from Saudi Arabia.

In the middle, there is the port of Beirut which is justly known as the "Gateway to Asia" due to its privileged position between the east and the west. The modern development of the port of Beirut dates from "a concession granted in 1857 for exploitation of a Beirut-Damascus road, and subsequently transferred to the Compagnie Ottomane du Port, des Quais et Entrepots de Beyrouth (a later outgrowth of which was the DHP Railway)."⁽²⁾ Although the same company still operates the port, its concession reverted to the State as of January 1, 1961, against an indemnity of LL 10 million.⁽³⁾

(1) I.B.R.D., Economic Development of Syria, p. 446.

(2) Ibid.,

(3) The termination of the concession was effected by an agreement concluded on May 31, 1960, between the Lebanese Government and the above-mentioned company, according to which the French firm "Compagnie du Port, des Quais et des Entrepots de Beyrouth" was transformed into a Lebanese concern under the name "Societe de Gestion du Port de Beyrouth" as from January 1, 1961. Moreover, the company will continue to manage the port according to the terms of the agreement until 1990, the date the concession was due to expire, against 5 per cent of the gross revenue and 50 per cent of the profits.

At present, the port of Beirut has two large basins (40 hectares in area) which are well protected by a 1300-meter long breakwater and easily accessible in all types of weather. Its berthing quays are 2300 meters long, of which 1200 meters have a depth of 8 to 13 meters and 1100 meters a depth of 3 to 8 meters. Seven heavy tonnage vessels can berth alongside the quays simultaneously, while ten other vessels can be moored in the basins.⁽¹⁾ Moreover, the port has a number of warehouses allocated as follows (in square meters); custom warehouses (40,000), bonded warehouses (10,000), free zone warehouses (80,000), open-air storage space (40,000), and cold storage warehouses (26,000 cubic meters).

In comparison with other ports in the area, the port of Beirut is very well equipped. From the 50-ton floating cranes to the smallest 2-ton fork lift trucks there are almost 250 modern units of all types of cargo-handling facilities. Furthermore, the port of Beirut is linked with almost all parts of the Middle East by a rather widespread network of rail and road.

Amongst the other facilities offered by the port of

(1) Compagnie du Port, des Quais et des Entrepôts de Beyrouth, The Port of Beirut (Beirut: Dar al-Ahad, 1956) p. 4.

Beirut is the provision of a free zone.⁽¹⁾ Established by Decree No. 206/LR issued by the French High Commissioner Count Martel, on December 26, 1933, with an initial area of 8625 square meters and a single warehouse of 1125 square meters, the free zone covers now an area of 130,000 square meters.⁽²⁾ It has about 130 merchants and industrialists participating in it and employing on the average 1500 workers, and "constitutes today the basis of a very large trade with

(1) By definition a free zone is "an isolated, inclosed, and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unlading, for supplying fuel and ship's stores, for storing goods and for reshipping them by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured, and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and indeed, everything except the customs."

Richard S. Thoman, Free Ports & Foreign-Trade Zones (Maryland: Cornell Maritime Press, 1956) p. 7.

(2) The free zone of Beirut comprises of the following: (a) public warehouses in which cargo with no definite final destination as per bills of lading and manifests, may be stored until the time when the owners have found a buyer for it, and from which it may be reforwarded to any destination; (b) private warehouses which are leased by the port Company to merchants of all countries, or which may be built by the leasees as best suit the technical requirements of their trade on the areas leased by the port Company; and (c) factories and workshops which may be set up, and where manufacturers and merchants receive their raw materials from anywhere and transform them in anyway suitable and thence reforward the finished products to any country.

Op.cit., p. 12.

neighbouring countries."⁽¹⁾

To cope with the increase in the volume of traffic handled at the port of Beirut, and concurrently attract a larger volume of shipping in view of the new competition of East Mediterranean ports, especially Latakia, the Lebanese Government decided recently on the construction of a third basin at the port of Beirut. It is expected that the construction will increase the area of the basins to 65 hectares, and the length of the quays to 3300 meters, so that the port will be capable of mooring an average of 32 vessels worked simultaneously (of which 20 vessels can berth alongside the quays). Moreover, the area of the free zone will increase to 250,000 square meters, and the port will be able to handle an annual tonnage of 3.5 million tons, against 2.6 million tons at present.⁽²⁾

b) Syria: On its 85-mile frontage on the Mediterranean Syria has two major seaports -- Baniyas, which acts as a shipping base for the oil coming in transit through IPC pipeline,

(1) F.A.O., Lebanon (Country Report), (Rome: Food and Agriculture Organization of the United Nations, 1959) p. I-6

(2) Quoted in the inaugural address of the Minister of Public Works on the occasion of the commencement of works for the construction of the third basin. Al-Jatidah Paper, Beirut, September 28, 1962.

and Latakia which is the only port having all necessary facilities to accomodate modern seagoing vessels.

The development of the port of Latakia as Syria's national port was started in 1950, for, after the cession of Alexandretta to Turkey in 1938, and the severence of the customs union with Lebanon in 1950, Syria felt an urge to have a port on the Mediterranean to serve its northern agricultural region, and to relieve its great dependence on neighbouring ports for the bulk of its trading activity. "The fact that the distance between Latakia and Aleppo is only 186 kms, while from Beirut to Aleppo it is 383 kms, gives the port of Latakia an advantage in handling Syria's northern trade."(1)

In general, "natural conditions at Latakia, as indeed most of the eastern Mediterranean coast, are not particularly favourable to a port. There is no natural harbor and heavy winds from January to March impede port operations."(2) However, the construction of a huge breakwater some 4700 feet in length to enclose a water basin covering about 110

(1) U.N.R.W.A., Quarterly Bulletin of Economic Development No. 15, Beirut, Lebanon, March 1958, p. 77 (mimeographed).

(2) I.B.R.D., Economic Development of Syria, p. 144.

acres, with a depth of from 60 to 65 feet render the port of Latakia accessible to vessels throughout the year. The principal quay in the outer basin of the port is about 1800 feet in length, providing ample room for loading and unloading ten vessels at a time.⁽¹⁾ Besides, the port of Latakia has a free zone with an area of 40,000 square meters, and warehouses with a capacity of 15,000 cubic meters.

To improve transport facilities with the interior, a 472-mile railway line is being constructed to connect the port of Latakia with Qamishly in the extreme north-east via Aleppo, Deir-ez-Zor and Hasakeh. It is expected that this line will be completed within one year at a cost of about LS 200 million.⁽²⁾ Meanwhile, Syria is considering the extension of this line to Baghdad.

It must be mentioned here that the Syrian Government is launching a project to develop the port of Tartus (originally a fishing port 90 kms. south of Latakia) as another national port, in line with the policy of directing the largest share possible of country's imports and exports to Syrian ports.

(1) Lissan al-Hall Paper, Beirut, February 7, 1963.

(2) Middle East Economic Digest, Vol. III, No. 3, January 16, 1959, p. 35.

c) Jordan: The closure of the port of Haifa in the face of Jordanian trade, after the Palestinian War in 1948, increased the reliance of Jordan on the port of Aqaba, the country's sole seaport. But since Aqaba port was not equipped with proper handling facilities and its inland transport connection with Amman and other major cities were seriously inadequate, almost all Jordanian trade traffic had to come over the Lebanese mountains to Syria and then to Jordan. As a result transport costs became a heavy cost on the Jordanian economy and placed domestic export or potential export industries at a serious disadvantage.⁽¹⁾

This situation, together with the trend to autarkism expressed by the majority of Arab countries, forced Jordan to start improving its port in 1957. These improvements included the provision of a general cargo berth of 590 feet long, a well-paved open storage area of 108,000 square feet, and a transit shed of 325 feet in length and 197 feet in width. Moreover, the port facilities include a phosphate berth of 689 feet long and a handling plant which permits storage of 40,000 metric tons of phosphate and loading of phosphate into ships at the rate of 600 tons per hour. The present

(1) I.B.R.D., Economic Development of Jordan (Baltimore: The John Hopkins Press, 1957) p. 47.

cargo-handling equipment of the Aqaba port consists of a large lighter with a capacity of 600 tons, 9 lighters with capacities ranging between 70 and 300 tons, 2 towing launches, and 14 floating cranes whose capacities range between 2 and 30 tons.⁽¹⁾

In order to make fuller use of the Aqaba port, the Jordanian Government constructed a desert road between Amman and Aqaba. This road is 123 miles long, and involved the expenditure of JDs. 2.5 million, most of which was financed from British interest-free loans.⁽²⁾

d) Iraq: The port of Basra is the only seaport in Iraq.⁽³⁾ It lies on Shatt al-Arab (85 miles upstream from the Persian Gulf), and was developed as a modern port from initial installations built during World War I.⁽⁴⁾ At present, it has 14 wharves (70 to 80 feet wide) for discharging, and five mooring berths for loading with maximum

(1) U.S. Department of Commerce, Basic Data on the Economy of Jordan, September 1962, p. 6.

(2) Middle East Economic Digest, Vol. IV, No. 40, October 28, 1960, p. 478.

(3) Iraq has a tanker loading station for oil at Fao, 90 miles south of Basra at the mouth of the Persian Gulf.

(4) I.B.R.D., Economic Development of Iraq (Baltimore: The John Hopkins Press, 1952) p. 307.

depth of about 10 meters. It has also 8 sheds totaling about 200,000 square feet in area.

To link the port of Basra with Baghdad there is a meter-gage line (built by the British) which is being converted into a standard-gage line. Road transport between Basra and Baghdad is also available.

e) Saudi Arabia: There are two major seaports in Saudi Arabia. The first is Jeddah which lies on the Red Sea and serves the western part of the country, and the other is Dammam which lies on the Arabian Gulf. Although Dammam is primarily constructed to ship oil, it is far more important than Jeddah in handling general cargo, especially as it is linked with the interior (Riyadh) by a standard-gage 357-mile railway line built in 1951 by ARAMCO.

D) Conclusion:

Briefly to recapitulate, it can be said that transit trade forms an integral part of Arab economic cooperation, in which Lebanon occupies a unique position as a natural

transshipment point for a wide area in the hinterland. Lebanon has attained this position by virtue of its excellent geographical location and the abilities of its commercial community. This has led to the consideration of transit as a major source of income in the Lebanese economy, and as an important prerequisite for the trade exchange of the Arab countries in the hinterland.

With Beirut as a pivotal point, the Arab countries have widespread networks of rail and road serving their transit trade. But unfortunately these networks are old and costly: the rail network is considered generally ineffective and lacks standardization in gages which in turn necessitates transshipment, while the road network has the advantage of greater efficiency and greater frequency of trips between the principal cities.

The excessive reliance of the Arab countries on the Lebanese ports for the bulk of their trading activities -- especially after the blockage of the port of Haifa -- coupled with the existence of certain transit problems and the trend towards autarkism have led these countries to develop their own ports and expand their commercial facilities. As will

be shown in the following chapter, these developments have led to a decline in Arab transit trade in general, and Lebanese transit trade in particular.

CHAPTER TWO

VOLUME OF ARAB TRANSIT TRADE

A) Introduction:

The purport of this chapter is to give a statistical account of the development of inter-Arab transit trade during the period 1953-1961, and to analyse the main factors which determine the volume of this trade.

Empirically, Arab transit trade derives its main features from the pattern of foreign trade of the Arab countries. In this context, it is observed that there are two distinct flows of transit trade: one is the flow of crude oil from the oil-fields in Iraq and Saudi Arabia to the Mediterranean, and the other is the flow of agricultural products, and manufactured goods (the latter imported mostly from Europe and the United States) together with refined oil from the Mediterranean to the immediate hinterland and the oil-producing countries. It is obvious that the distinction between these two flows of transit is suggested by the commodity composition of each flow (oil vs. dry cargo). But what makes such distinction imperative is the difference in the transportation system used for each flow (pipelines vs. rail and road). This is justified by the fact that crude

oil flows across national boundaries without interruption through the efficient pipeline system, which is operated by the foreign oil companies under concession agreements concluded with the governments concerned; while the flow of "general cargo" goods on road or rail is subject to a multifarious of regulations and restrictions insinuated by the rather conflicting transportation policies of the Arab countries.

It stands to reason, therefore, that it is with respect to general cargo goods that there really exists transit problems, and it is the movement of such goods in transit across national boundaries that constitutes an integral part of Arab economic cooperation. Thus, the statistical survey of Arab transit trade presented below, while including oil transited in tank trucks, will not take into account the tonnage of crude oil coming in transit through IPC and TAPLINE pipelines from Iraq and Saudi Arabia to the oil terminals at Banias, in Syria, and Tripoli and Sidon, in Lebanon.

B) Statistical Survey:

In general, the statistical information on Arab transit trade is not enough for a detailed study of the development of such trade. But fortunately, the statistical abstracts of

Lebanon and Syria (which handle the bulk of Arab transit traffic) contain the necessary information which can give a general idea of the volume, composition and direction of Arab transit, and detect the incipient trends in its pattern. In view of this, the present statistical survey will be devoted to a study of the transit trades of Lebanon and Syria to and from the Arab countries.

a) Lebanon: The most distinct feature of Lebanon's transit trade over the period 1953-1961 is the serious decline in the tonnage of goods passing in transit to and from the Arab countries since 1957. Though the political crisis in Lebanon during the period May-September 1958 was the proximate cause for this decline, it is observed that the political events have only accelerated an already existing trend which began in 1956 and which had for object the desirability of encouraging the use of national ports as pertaining to each of the Arab countries concerned in preference to the use of the port of Beirut.

With respect to goods passing in transit to the Arab countries, Table (1) of Appendix I of this study shows that the tonnage of such goods, after increasing gradually from 684,867 tons (92.1% of total tonnage of goods transiting Lebanon)

in 1953 to 1,161,478 tons (94.6%) in 1956 and maintaining almost the same level in 1957, decreased to 540,050 tons (79.2%) in 1958 and to 267,834 (93.5%) in 1959, and finally reached 215,613 tons (92.9%) in 1961.

It is apparent from the same table that the decline was largely due to the fall in the tonnage of transit goods destined to Syria, which decreased from 829,500 tons (71.4% of total tonnage of goods destined to the Arab countries) in 1956 to 407,817 tons (75.5%) in 1958 and to 67,075 tons (31.1%) in 1961. In point of fact, this decline was largely due to the fall in the tonnage of mineral products (mostly refined oil) after 1957 as a result of the construction of the oil refinery at Baniyas, to meet Syria's demand for refined oil which was previously secured from the IPC refinery in Tripoli. Table (2) indicates that the mineral products decreased from 614,259 tons (77% of total) in 1957 to 307,592 tons (75.4%) in 1958 and to 77,825 tons (43%) in 1959, and finally reached 16,739 tons (25%) in 1961. Other commodities declined also during the same period, the most important of which were products of the food industries from 20,204 tons in 1957 to 1,253 tons in 1961; chemical and pharmaceutical products from 17,216 tons to 3,844 tons; textiles and textile products from 12,502 tons to 3,669 tons; base metals and manufactures thereof

from 32,988 tons to 2,318 tons; machines and electric articles from 17,104 tons to 4,811 tons; and transport facilities from 9,274 tons to 1,874 tons.

In conjunction with the fall of transit tonnage to Syria, Lebanon experienced an equally severe decline in the volume of transit goods destined to Jordan after 1957. Table (1) shows that the tonnage of such goods decreased from its record level of 213,911 tons (18.5%) in 1957 to 84,040 tons (15.6%) in 1958, and to 54,175 tons (25.1%) in 1961, inspite of its increase to 90,615 tons (38%) in the preceding year. It can be seen from Table (3) that this deterioration was mainly due to the fall of mineral products (including refined oil) from 131,462 tons (61%) in 1957 to 10,985 tons (20% of total tonnage destined to Jordan);⁽¹⁾ and textiles and textile products from 6,644 tons (3%) to 1,103 tons (2%). However, the tonnage of products of the vegetable kingdom increased from 22,077 tons (10.3%) in 1957 to 36,079 tons (66%) in 1961.

(1) In March 1958 an agreement was concluded between Iraq and Jordan according to which Jordan started to import its oil requirements from Iraq's Daura refinery instead of the IPC refinery at Tripoli in Lebanon.

On the other hand, the tonnage of goods passing in transit to Iraq and Saudi Arabia showed some revival after their drastic decline in 1958 as a result of the Lebanese civil strife. As indicated in Table (1) the tonnage of goods destined to Iraq, after reaching 121,105 tons (10.6% of total tonnage destined to the Arab countries) in 1957, decreased to 40,331 tons (7.5%) in 1958 to follow an upward trend until 1961 when it recorded 86,303 tons (40.1%).⁽¹⁾ The decline in 1958 was felt principally in the fall of the tonnage of products of the food industries from 22,780 tons (19% of total tonnage of goods transited to Iraq) in 1957 to 8,433 tons (21%) in 1958; textile materials and textile goods from 10,004 tons (8.3%) to 3,738 tons (9.3%); base metals and manufactures thereof from 21,297 tons (17.6%) to 3,996 tons (9.9%); machines and electric articles from 18,348 tons (15.1%) to 7,434 tons (18.4%); and transport facilities from 9,866 tons (8%) to 4,159 tons (10.3%). It is noticed in Table (4) that the above commodities tended to follow an upward trend after 1959.

Similarly, the tonnage of transit goods destined to Saudi Arabia decreased in 1958 to 7,862 tons (1.4% of total

(1) The deterioration of transit trade to Iraq after 1958 was due mainly, but not entirely, to the diversion of such trade from the Lebanese-Syrian route to the Turkish route via the port of Iskenderun.

tonnage of transit goods destined to the Arab countries), against 22,414 tons (19%) in the preceding year, then turned upward to 12,051 tons (5%) in 1960 and 8,060 tons (3.7%) in 1961.

Turning to the volume of goods passing in transit via Lebanon from the Arab countries,⁽¹⁾ Table (6) shows that there was an increase of 254,619 tons in the tonnage of such goods between 1953 and 1956. This increase, however, was followed by a serious decline which started by the fall of tonnage from 664,926 tons (54.2%) in 1956 to 626,540 tons (51%) in 1957, and continued until 1961 when the tonnage recorded was 8,289 tons (3.6%). Thus the decline in tonnage between 1956 and 1961 was 656,637 tons. It is definite that the main reason for this decline is the restrictions imposed by the neighbouring Arab countries to encourage local exports through their respective ports rather than the port of Beirut. Table (6) shows that Syrian goods passing in transit via Lebanon declined from 21,326 tons (5.2% of total tonnage of transit goods from the Arab countries) in 1953 to 5,901 tons (0.9%) in 1957, and finally to 1,663 tons (20.1%) in 1961.

(1) Excluding the tonnage of crude oil coming in transit from Iraq and Saudi Arabia through pipelines.

Similarly, the tonnage of Jordanian goods⁽¹⁾ decreased substantially, from 777 tons (0.2%) in 1953 to 80 tons in 1958 and to 15 tons only in 1961. On the other hand, the tonnage of Iraqi goods passing in transit via Lebanon increased from 263,879 tons (63.4%) in 1953 to 285,884 tons (45.6%) in 1957, but decreased to 124,556 tons (30.7%) in 1958 and to 5,414 tons (65.3%) in 1961; whereas the tonnage of Saudi Arabian goods, after increasing from 124,325 tons (30.3%) in 1953 to 391,215 tons (58.8%) in 1956, decreased at an accelerated rate to 1,197 tons in 1961.⁽²⁾

b) Syria: On the whole, Syria's transit trade to and from the Arab countries over the period 1953-1960 (figures of transit traffic for 1961 are not yet available) tended to follow a rising trend, despite the serious fall recorded in 1958 as a result of the disturbed political conditions then prevailing in the Arab area. This trend was by far the out-

(1) It is apparent that the Lebanese customs authorities did not take into consideration the tonnage of Jordanian phosphates (amounting on the average 65,000 tons annually) passing via Lebanon from Jordan to the free zone of the port of Beirut for export by sea, since customs regulations do not consider such movement as transit. Incidentally, the larger part of Jordanian phosphates is being now exported via the port of Aqaba.

(2) More than 85% and 98% of the tonnages of Iraqi and Saudi Arabian goods, respectively, passing in transit through Lebanon consist of mineral products (mostly oil and its derivatives).

come of the efforts exerted by the Syrian authorities to encourage the use of the port of Latakia -- rather than the port of Beirut -- as the principal transit outlet and inlet for the Arab hinterland. It needs no emphasis that the success of these efforts was due, in a large degree, to the fact that all goods transiting Lebanon must pass through Syria, and hence any restrictions imposed by Syria can slow down (if not cut off) the flow of transit traffic to or from Lebanon and consequently alter the pattern of Arab transit trade.

As far as goods transiting Syria to the Arab countries are concerned, Table (7) shows that the tonnage of such goods increased significantly, from 299,487 tons (77.4% of total tonnage transiting Syria) in 1953 to 501,007 tons (69.5%) in 1957, but experienced a sudden decline to 364,117 tons (71.4%) in 1958 as a result of a general fall in the tonnage of transit destined to each of the Arab countries. Nevertheless, a rapid recovery was made in 1959 and 1960 since as Table (7) depicts the tonnage in 1960 reached all-time record level of 585,324 tons (85%). This increase was due to the increase of transit trade to Jordan and Iraq, and, to a lesser extent, Lebanon and Saudi Arabia. On the one hand, transit tonnage to Jordan increased from 207,933 tons (57% of total transit tonnage to Arab countries) in 1958 to 307,004 tons (52%)

in 1960, because of the substantial rise in products of the vegetable kingdom from 104,529 tons to 150,416 tons, and mineral products (including refined petroleum from 59,434 tons to 108,271 tons (Cf. Table 8); while the tonnage of transit to Iraq increased from 91,118 tons (25%) to 164,065 tons (28%) mainly due to the increase of the tonnage of products of the vegetable kingdom from 14,567 tons to 61,270 tons, and products of the food industries from 22,779 tons to 47,981 tons (Cf. Table 9). On the other hand, the tonnage passing in transit to Lebanon and Saudi Arabia recorded a slight increase between 1958 and 1960; by rising from 45,235 tons (12%) to 76,899 tons (13%) in the case of Lebanon, and from 19,831 tons (5.4%) to 37,356 tons (6.4%) in the case of Saudi Arabia (Cf. Tables 10 and 11).

But with respect to goods passing via Syria from the Arab countries,⁽¹⁾ Table (12) indicates that there was a considerable increase in the tonnage of these goods during the period 1953-1960, although a decline was recorded in 1958. In 1953, the tonnage was 146,700 tons (37.9% of the total tonnage of transit goods passing via Syria), but

(1) Excluding oil coming through IPC pipeline to Banias.

is due to the fact that transit is a regional matter which concerns usually three or more neighbouring countries, and the political disturbances in one country or its political divergence with another will react adversely on the transit trade of the region as a whole. Taking for instance the political disturbances in Lebanon during the months May-September 1958, one can see that they have led to the fall of Syrian imports through the port of Beirut from 13,784 tons in April to 7,820 tons in May and to 545 tons in June. But after the disturbances were over these imports started to rise and reached 5,521 tons in December of the same year.⁽¹⁾ The Iraqi Revolution on July 14, 1958, was another political development in the area which had a more continuing significance on transit trade. This is due to the fact that Kassem's regime tended to isolate Iraq from the rest of the Arab countries, and resorted to economic measures for political retaliation -- as indeed the case is with most Arab countries.

2) Economic Factors: The fact that Arab transit trade is a reflection of the foreign trades of the Arab countries suggests that transit traffic is affected to a large extent

(1) Compagnie du Port, des Quais et des Entrepôts de Beyrouth, Traffic Maritime, Beirut, 1958.

increased gradually to 339,469 tons (47.1%) in 1957 and finally reached 397,291 tons (57.7%) in 1960 despite its fall to 272,321 tons (53.4%) in 1958. It is apparent from the above-mentioned table that the increase in tonnage was caused by the rise of the tonnage of goods coming from Lebanon and Jordan, especially after 1958. This increase, however, was slightly offset by the fall of transit tonnage coming from Iraq and Saudi Arabia.

C) Factors Determining Transit Trade:

It can be concluded from the foregoing section that Arab transit trade as a whole experienced a notable decline after 1957, chiefly as a result of the diversion of a large part of Jordan and Syria's foreign trades to their own ports, as well as the diversion of Iraq's transit trade from the Lebano-Syrian route to the Turkish route via the port of Iskenderun. However, it is reckoned that this trend was further accentuated by a number of factors which will be discussed at some length in the following paragraphs.

1) Political Factors: The tension which characterized the political relations between the Arab countries after 1958 reflected very badly on the flow of Arab transit trade. This

by the trade policies of the countries concerned and the trade restrictions they impose. As a corollary to this, it can be remarked that a part of the decline in transit traffic passing via Lebanon to Syria after 1958 was brought about by the trend towards autarky in Syria (then forming the Northern Region of the United Arab Republic), expressed by the adoption of a strict import policy and the application of the quota system.

In addition, certain administrative measures taken by the Syrian Government have affected considerably the flow of transit via Lebanon. Amongst these measures was the prohibition of the Syrian merchants to import any goods from the Lebanese free zones at Beirut and Tripoli.⁽¹⁾ In this case, the merchants were required to import their goods directly from the country of origin, or, upon the approval of the authorities concerned from other free zones in the area. Another measure which affected the flow of transit was the prohibition of the Lebanese merchants from acting as intermediaries for Syrian exports, with the effect that these exports were diverted to the port of Latakia, rather than the port of Beirut.

(1) This measure might have been taken to avoid the payment for imports in smuggled money. "Inter-Arab Transit Trade", L'Economie Libanaise et Arabe, Vol. IX, No. 75, May 1959, p. 9.

3) Competition of Ports: The ability of the port of Beirut to capture the bulk of Arab transit traffic and the autarkic trends in the Arab countries have led these countries to launch important projects for the improvement of their ports in order to relieve their heavy reliance on the Lebanese ports.

To start with, Syria developed the port of Latakia to serve its northern agricultural region and subsequently reduce its dependence on the port of Beirut. Although the port of Beirut is better equipped and has more adequate connections with the interior than the port of Latakia, the latter is a serious competitor of the former, especially as it is situated on the Mediterranean and constant improvements are being made in its cargo-handling facilities. It is expected that this competition will increase in the near future as transport facilities to the interior are improved by the construction of the Latakia-Qamishly railway line which will be linked with the Iraqi railway system in the future. It is worth mentioning here that Syria has taken a number of measures to ensure traffic for its port; amongst which is Decree No. 274 of the Ministry of Economy issued on May 26, 1959, prescribing that certain goods must be imported exclusively through the port of Latakia. The goods

include a wide range of agricultural products, food products, various items of chemicals, fertilizers, cement, timber, yarns, iron and steel, as well as engines, pumps, generators, agricultural machinery and electrical materials.⁽¹⁾ This Decree, however, does not apply to goods produced in the neighbouring countries and imported into Syria by land. It applies only to Syrian imports by sea and therefore it affects Lebanese-Syrian transit alone, and not further transit.

Likewise, Jordan developed its own port on the Aqaba Gulf with adequate road connection to the interior, and took measures to ensure wider use of it, instead of the traditional transit route through Lebanon and Syria. On June 12, 1958, the Jordanian Government announced that all imports from the United States must be effected via the port of Aqaba,⁽²⁾ supplementing similar regulations concerning imports from Austria, Czechoslovakia, Poland, East and West Germany,

(1) Economic Bulletin of the Chamber of Commerce of Damascus, Vol. IV, No. 1, 1959, pp. 109-112.

(2) It must be remarked here that Jordanian imports from the United States increased significantly after 1960 and are expected to increase more in the future, in consequent to a defence order issued in Amman on February 5, 1961, stipulating that certain types of goods must be imported only from the United States. Arab Economic Report, General Union of Chambers of Commerce, Industry and Agriculture for Arab countries, October 1962, p. 50.

Holland, Belgium and France.⁽¹⁾

As a result of these measures, the volume of goods handled at the ports of Latakia and Aqaba recorded a substantial increase after 1957, against a decline in the volume of transit handled at the port of Beirut to and from Syria and Jordan. Table (13) shows that the tonnage of imports through the port of Latakia increased from 334,448 tons in 1957 to 805,906 tons in 1959 and to 1,136,436 tons in 1961; whereas exports decreased from 703,392 tons in 1957 to 210,381 tons in 1959 (because of the drought and low agricultural production), but rose to the record level of 1,941,829 tons in 1961. On the other hand, Table (14) shows that there was also a sizeable increase in the tonnage of Jordanian imports and exports through the port of Aqaba: imports rose from 47,303 tons in 1960; while exports increased from 99,770 tons to 137,812 tons and to 223,343 tons respectively.

Against this increase the tonnage of transit goods handled at the port of Beirut for Syria and Lebanon decreased appreciably after 1957. Table (15) shows that the tonnage of transit to Syria declined from 140,843 tons in 1957 to

(1) Middle East Economic Digest, Vol. II, No. 11, June 20, 1958, p. 124.

43,786 tons in 1960, while the tonnage of transit to Jordan decreased from 89,043 tons to 44,378 tons, respectively. Furthermore, Table (16) indicates that the tonnage of Syrian and Jordanian goods passing in transit via the port of Beirut declined appreciably between 1957 and 1960.

The position of the port of Beirut after 1957 was further jeopardized by the severe competition of the port of Iskenderun (Turkey) vis-à-vis Iraqi transit trade. Primarily, the diversion of a large proportion of Iraqi trade to Iskenderun was motivated by the close ties between Turkey and Iraq as - then - members of the Baghdad Pact.⁽¹⁾ But what helped this diversion to continue after the dissolution of the Pact in 1958 was the subsequent political tension in the Arab countries. To take a fuller advantage of this situation and encourage the use of the port of Iskenderun, the Turkish Government resorted to the reduction of the port dues and transport costs by railway over its territory, by fixing a special rate of exchange between the Turkish pound and the U.S. dollar for paying expenses of goods passing in transit.⁽²⁾

(1) Ahmad Malak, "The Port of Beirut," L'Economie Libanaise et Arabe, No. 107, September 1962, p. 26.

(2) On August 4, 1958, the rate of exchange between the Turkish pound and the US dollar for the above-mentioned purposes was changed from £.T. 4.00 = 1\$ to £.T 9.00 = \$1. Hence transport costs were reduced from 6 fils per ton-kilometer (i.e. the uniform tariff agreed upon by Lebanon, Syria, Jordan and Turkey) to 2 fils only.

This measure proved to be very effective in that it caused a substantial reduction in the port and railway charges, in comparison with charges incurred when the Lebanese-Syrian route is used. The following figures show the difference in the average costs of transport per ton of general cargo from Iskenderun to Baghdad on the one hand, and Beirut and Baghdad on the other. (1)

(1) From Iskenderun to Baghdad (packages weighing 1-1000 kgs):

	<u>Turkish Pounds</u>
- Lighterage expenses and loading on railway wagons.....	14.00
- General expenses	5.50
- Railway transport expenses over the Turkish territory	29.00
	<hr/>
TOTAL	48.50
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	<u>Lebanese Pounds</u>
- (Equivalent, in Lebanese pounds after conversion on the basis of 9 Turkish pounds for each dollar, to)	17.17
- Transport costs over the Syrian and Iraqi territories on the basis of \$2.80 for each dinar	41.69
	<hr/>
	58.86
	<hr/> <hr/>

(1) "The Port of Beirut", L'Economie Libanaise et Arabe, Vol. IX, No. 77, September 1959, p. 35ff.

(2) From Beirut to Baghdad: (packages weighing 1-1000 kgs):

	<u>Lebanese Pounds</u>
<u>- Port Charges:</u>	
Lighterage	7.20
Free zone	2.10
Dike	1.00
Handling	7.00
	<hr/>
	17.30
<u>- Railway Charges:</u>	
Station expenses	5.00
General Expenses	7.00
Transport cost to Syrian frontiers (135 kms).	7.70
Transport cost from Syrian frontiers to Baghdad (1324 kms)	70.83
	<hr/>
	107.83
	=====

If goods are to be transported by TRUCKS then:-

<u>- Trucks' Charges:</u>	
From Beirut to Baghdad	65.00
Loading and unloading at Damascus	6.00
Add the port dues mentioned above	17.30
	<hr/>
	88.30
	=====

From the above figures it can be noticed that the transport from Iskenderun to Baghdad costs less than that from Beirut to Baghdad by LL 29.44 by trucks and LL 48.97 by railway. Also the journey by railway from Iskenderun to

Baghdad is 15 days while that from Beirut to Baghdad is 21 days. However, the use of the port of Iskenderun by Iraqi merchants has almost been discontinued recently as a result of the restriction of the issue of permits by the Iraqi Government for the importation of goods via this port.

Together with the above measures, it is believed that the high lighterage and port dues of the port of Beirut have been an important factor in diverting transit trade to other ports in the area. The following schedule shows clearly that the port of Beirut charges, in most cases, the highest lighterage and port dues, in comparison with the ports of Latakia and Iskenderun.⁽¹⁾

	In U. S. Dollars		
	Beirut	Latakia	Iskenderun
- Packages of general cargo weighing less than 1000 kgs.	5.40	4.00	1.55
- Packages of general cargo weighing 1001 to 3000 kgs.	10.38	13.14	1.55
- Packages of general cargo weighing 3001 kgs. and above.	9.90	12.57	1.55
- Per 1000 kgs. of sugar.	2.75	1.15	0.89
- Per 1000 kgs. of cement.	1.88	1.14	0.89

(1) These figures were privately obtained by the author.

The dues charged at the port of Iskenderun are extremely low by comparison, because of the special conversion rate between the Turkish pound and the US dollar, mentioned earlier.

4) Inadequacy of Communications: Another factor which affected the flow of Arab transit traffic via Lebanon after 1957 was the inadequacy of the communication system serving the Arab countries. As mentioned earlier, the rail and road network is old and costly, and many routes are little more than desert tracks and heavy investments have to be made by the governments concerned if transport costs are to be reduced significantly.

It must be remarked here that the difference in cost between rail and road transports from Lebanon to the hinterland is very high and acts as a trade barrier since certain goods have to be transported by railway, especially in the case of Jordan. In this connection it is worth mentioning that during the period 1957-1960 the cost of transport per ton of "general cargo" between Beirut and Amman by railway was approximately LL 52, while that by trucks was about LL 35 only. Accordingly, by using rail transport the trader had to pay about LL 17 in addition to the rate which he would have paid if the transit has been effected by trucks. (1)

(1) "Transit Problems", L'Economie Libanaise et Arabe, Vol. IX, No. 72, February 1959, pp. 15-20.

5) Transit Problems: Last but not least, the problems originating from transit regulations and restrictions acted as a serious barrier to transit traffic. The discussion of these problems will be deferred to the following chapter.

D) Conclusion:

Despite the scarcity of statistical information on Arab transit trade during the period 1953-1961, its general trend can be discerned from Lebanon's transit trade which accounts for the larger part of it. Accordingly, it can be said that the Arab countries have witnessed a notable increase in their transit trade over the year 1953-1956, and a decline thereafter which continued at an accelerated rate after 1958. In fact, this decline was caused by the shift of Arab trade from the port of Beirut to other neighbouring ports. On the one hand, Syria and Jordan transferred most of their trading activities to their respective ports, and took the necessary measures to push this trend further. On the other, Iraq transferred a large part of its trading activity to the port of Iskenderun, as a result of the close political ties between the two countries before 1958 as members of the Baghdad Pact, and the measures taken by the

Turkish Government after 1958 to reduce the port dues and transport costs by railway over its territory. The diversion of traffic from the port of Beirut was encouraged by the unfavourable political climate in the Arab region after 1958, and the difficulty of the Lebanese-Syrian transit route due to the inadequacy of communications as well as the existence of certain transit problems regarding the movement of transit goods and the means of transport carrying such goods.

CHAPTER THREE

ARAB TRANSIT PROBLEMS AND AGREEMENTS

A) Introduction:

As a principal pre-requisite to wider trade exchange, the subject matter of freedom of transit greatly pre-occupied nations ever since their means of transport and international exchange developed. But it was not until after the end of World War I that nations commenced to regard transit as an important ingredient of their respective economies, and henceforth they wanted to have provisions to secure and maintain freedom of communications and transit.⁽¹⁾

Being of this opinion, the League of Nations was the first organization to call for a conference in Barcelona during the period March 10, and April 21, 1921, "to proclaim the right of free transit and to make regulations thereon as being one of the best means of developing co-operation between States without prejudice to their rights of sovereignty or authority over routes available for transit."⁽²⁾

(1) Incidentally, Article 379 of the Treaty of Versailles of 1919 envisaged the conclusion of a general convention of the "international régime of transit".

(2) International Legislation, Vol. I (Washington: Carnegie Endowment for International Peace, 1931) p. 626.

The Convention on Freedom of Transit signed at this Conference introduced two major points in connection with international transit. First, it defined the nature of goods which can be termed as passing in transit across the territories of any one country; and, second, it recognized the necessity of the principle of freedom of transit according to which traffic in transit will not be subject to any special dues or taxes.

According to Article I of the above Convention the contracting countries⁽¹⁾ agreed to consider the following as "traffic in transit" across their territories:

"Persons, baggages, and goods, and also vessels, coaching and goods stock, and other means of transport, shall be in transit across the territory under the sovereignty or authority of one of the Contracting States, when the passage across such territory, with or without transshipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey, beginning and terminating beyond the frontier of the State across whose territory the transit takes place."⁽²⁾

(1) On September 1, 1931, ratifications of or adhesions to this convention had been deposited at Geneva by Albania, Austria, Belgium, British Empire, Bulgaria, Chile, Czechoslovakia, Danzig, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Iraq, Italy, Japan, Latvia, Luxembourg, Netherlands, Newfoundland, New Zealand, Norway, Palestine, Persia, Poland, Rumania, Siam, Spain, Sweden, Switzerland, Syria and Lebanon, and Yugoslavia.

(2) Op.cit., p. 632.

As far as transit dues and taxes are concerned, Article III of the same convention makes a clear mention of them. It reads:

"Traffic in transit shall not be subject to any special dues in respect of transit (including entry and exit). Nevertheless, on such traffic in transit there may be levied dues intended solely to defray expenses of supervision and administration entailed by such transit. The rate of any such dues must correspond as nearly as possible with the expenses which they are intended to cover, and the dues must be imposed under the conditions of equality laid down in the preceding Article,(1) except that on certain routes, such dues may be reduced or even abolished on account of differences in the cost of supervision."(2)

With the Barcelona Conference as a starting point, many countries have since then held similar conferences at which agreements were drawn up for the purpose of preserving their freedom of transit and communications and hence promoting their general economic interests. The most important of these conferences is the "Havana Conference on Commerce and Employment" which was held in 1948 under the sponsorship

(1) Article II of the Barcelona Convention states: "subject to the other provisions of this Statute, the measures taken by the Contracting States for regulating and forwarding traffic across the territory under their sovereignty or authority shall facilitate free transit by rail or waterway on routes in use convenient for international transit. No distinction shall be made which is based on the nationality of persons, the flag of vessels, the place of origin, departure, entry, exit or destination, or any circumstances relating to the ownership of goods or of vessels, coaching or goods stock or other means of transport."

(2) Op.cit., pp 632-633.

of the United Nations, and at which the principle of freedom of transit was once more confirmed.

The Arab countries were not an exception. They have recognized the vital importance of freedom of transit for promoting regional trade, and the need to conclude an agreement among them to institute this freedom. However, the existence of certain transit problems originating primarily from the desire of each of the Arab countries to benefit as much as possible from the transit traffic passing across its territories, has made the achievement of complete freedom of transit rather difficult without reaching an agreement which divides proportionately the transit traffic among them.

The purport of this chapter, therefore, is to study inter-Arab transit problems and the points of view of the countries concerned vis-à-vis these problems, on the one hand, and the arrangements taken by these countries to regulate transit trade among them, on the other.

B) Arab Transit Problems:

In point of fact, the general transit problem of the Arab countries consists of two simultaneously related problems:

the first relating to the movement of goods across the national boundaries of any one country, and the other relating to the movement of means of transport carrying goods in transit. Evidently, these problems arise from the different attitudes adopted by the Arab countries towards the principle of freedom of transit as it affects their economic interests.

With respect to the first problem, it is observed that Lebanon adopts a very liberal attitude, favouring the abolishing of special taxes or dues imposed by the other Arab countries on goods in transit, as well as simplifying customs and administrative formalities for these goods. Essentially this attitude is prompted by the fact that Lebanon derives a large part of its trade income from transit traffic which consists in a great part of goods re-exported from the free zone of the port of Beirut.

Likewise, the Arab countries in the hinterland (i.e. Jordan, Iraq and Saudi Arabia) support the principle of freedom of transit (although Saudi Arabia imposes a tax amounting to 2 per cent of the value of goods passing across its territory together with other dues),⁽¹⁾ on the basis

(1) "Inter-Arab Transit Trade", L'Economie Libanaise et Arabe, Vol. IX, No. 75, May 1959, p. 9.

that the port of Beirut is the shortest and fastest route for carrying out their trading activities. Needless to say that the free zone provides warehousing accommodation for a wide variety of foreign goods which gives the Arab importers the opportunity of obtaining most of their requirements in a much shorter period than would be the case if the goods to be imported from their country of origin.

On the other hand, Syria rejects the principle of freedom of transit, and has consistently obstructed the movement of Lebanese transit across its territory either by charging extra expenses for administrative and customs formalities or requiring extensive inspection of goods, on the basis that it will not derive any benefit from transit trade if complete freedom is allowed.

Turning to the second problem of transit, it can be seen that Syria repudiates again the principle of complete freedom of transit and requires that certain restrictions must be put on the circulation of means of transport across its territories to preserve its economic interests. For one thing, Syria does not allow Lebanese trucks (and prior to 1958 Iraqi trucks) to cross its international boundaries more than once; thus disabling them to reach Jordan, Iraq or Saudi

Arabia, if the point of destination for one journey and of return for that journey are outside Syria. However, it allows them to transport Syrian imports coming in transit via Lebanon. This means in effect, that goods loaded in Lebanese trucks and destined to Iraq, Jordan or Saudi Arabia have to be unloaded in Damascus for reloading into Syrian or Iraqi trucks, thereby causing additional expenses and delay which could be avoided if the goods were allowed to continue their journey by trucks in which they were originally loaded.

The rationale given by the Syrian authorities for these restrictions, is that Syria -- by virtue of its geographical location as a "liaison" between Lebanon and the hinterland -- does not benefit from transit traffic passing across its territories, and as a matter of fact it loses since the movement of non-Syrian trucks over its roads increases the road maintenance expenses. Moreover, the Syrian authorities feel that if complete freedom of circulation is allowed for all trucks, irrespective of parent country, Syrian truck-owners will face severe competition from Lebanese and Jordanian truck-owners who are able to quote competitive rates by reason of the lower taxes they pay to their respective governments.⁽¹⁾

(1) Ibid., p. 10.

For another, Syria requires that most goods (see bilateral agreements below) imported or exported by Jordan via Lebanon must be moved by rail irrespective of the wishes and interests of the shippers.⁽¹⁾ This being urged by the desire of the Syrian Government to increase the volume of goods carried over the Hedjaz Railway which is running at a chronic loss paid by the Syrian Treasury. However, the fact that the transport cost between Beirut and Amman per ton of "general cargo" is about LL 17 more than that by road, makes this requirement objectionable by the Jordanian traders, who besides bearing additional expenses suffer from the delay in the movement of goods by rail compared with the quicker transit by road transport, and from a high rate of pilferage on the way.⁽²⁾

In addition to the above restrictions on the circulation of means of transport, Saudi Arabia imposes an annual fee of £ 24 on every truck passing across its territories, as well as quarantine and other fees.⁽³⁾

(1) I.B.R.D., Economic Development of Syria, p. 232.

(2) Op.cit.,

(3) Ibid.

It can be concluded from the foregoing that the general transit problem of the Arab countries is the attitude of the Syrian Government towards the principle of freedom of transit and its constant desire to put restrictions on the movement of transit goods and means of transport across its territory. However, there is a strong conviction that Syria's rejection of complete freedom of transit does not stem from the justifications it gives, since the competition between Syrian trucks, on the one hand, and the Lebanese and Jordanian trucks, on the other, can be eliminated by imposing equal government taxes on trucks in all three countries, and allowing Syria to impose a reasonable transit tax which in no case should exceed the actual cost of road maintenance. It is believed that the Syrian attitude is motivated by the fact that Syria considers its geographical position a "national wealth" which has the full right to exploit.⁽¹⁾

C) Arab Transit Agreements:

In view of these problems, the Arab countries have constantly endeavoured to reach an arrangement for their

(1) Youssef Helbaoui, "Le Probleme du Transit Inter-Arabe", L'Economie Libanaise et Arabe, Vol. X, No. 83, March 1960, p. 8.

transit trade which can safeguard their economic interests and ensure the maximum possible degree of transit freedom. Accordingly, they have concluded a number of bilateral agreements, which were often supported by unilateral measures on the part of non-contracting countries, and a multilateral agreement which was concluded within the framework of the Arab League.

1) Bilateral Agreements: Although all bilateral trade agreements between the Arab countries include provisions relating to transit trade, there are only four agreements which are of real importance and deal extensively with the subject matter of transit:⁽¹⁾

(a) Amongst these agreements is the "Syro-Jordanian Agreement For Facilitating Trade Exchange and Regulating Transit Trade", which was ratified on April 2, 1953. Article XV of this agreement necessitates that all transit goods destined to or crossing the territory of any one of the two

(1) According to these agreements the following are considered as being in transit across the territories of the contracting countries: "Goods and personal effects, whatever their origin, whether transported or stored in warehouses, whether shipped or not, but so as to constitute a complete transfer, beginning and ending outside the frontier of the country crossed."

contracting countries should be transported by railways, in conformity with regulations in force in each country. The same Article, however, authorizes the transport of certain goods (listed in the agreement) by trucks⁽¹⁾ on condition that trucks registered in any one of the two countries do not engage in internal transport in the other,⁽²⁾ as well as the transport of goods from that country to a destination in a third neighbouring country. Furthermore, Jordanian trucks are prohibited from engaging in the transportation of goods between Syria and Lebanon.

Regarding transit dues and taxes, Article XVI of the above agreement states that goods in transit shall be exempted from customs duties, transit taxes, and all other taxes with the exception of reasonable expenses of transport and services

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- (1) The list includes the following: goods transported from Syria to a third country via Jordan; goods transported from Jordan to a third country via Syria with the exception of wheat and phosphates; goods imported into Syria from a third country via Jordan; Lebanese fruits and vegetables exported to Jordan; rice, vegetables and fruits imported by Jordan via the Lebanese ports; machinery and heavy equipment imported via Lebanon; fuels; Jordanian imports via Syrian ports; refugee provisions; goods exported from Syria to Jordan and vice versa; and cars imported by Jordan and forwarded on their own wheels.
- (2) Internal transport means all journeys beginning and terminating in any one country.

resulting from the transit operations. In addition, the contracting countries are not allowed to impose any restrictions hindering the movement of transit goods or means of transport across their territories.

(b) The second bilateral agreement is the Syro-Lebanese Economic Agreement which was concluded on March 5, 1953. According to Article X of this agreement, the contracting countries are pledged to facilitate transit across their respective territories, and to exempt goods, personal effects, and livestock passing in transit from customs duties and any other taxes, with the exception of sanitary taxes.

(c) Another agreement is the Lebano-Jordanian Agreement For Facilitating Trade Exchange and Regulating Transit Trade, signed on August 27, 1952. Article XIV of this agreement stipulates that each of the two contracting countries will exempt goods, personal effects belonging to the other and passing in transit from customs duties, transit taxes, and all other dues, excluding reasonable transport expenses and service fees incurred during transit.

Article XX provides that goods destined to any of the contracting countries should be moved by rail. However,

exception is made for certain goods (similar to those mentioned in the Syro-Jordanian agreement) which are permitted to be moved by trucks.

(d) Still another agreement is the "Syro-Iraqi Economic Co-operation Agreement" which was signed on November 3, 1961. Regarding transit trade, Article VIII of this agreement provides that each of the two contracting countries will exempt all goods passing across its territory from or to the territory of the other from transit taxes and dues. Article IX provides that Syria will grant Iraq all possible facilities for using its ports in transit trade. Moreover, means of transport belonging to either country will be granted all necessary facilities for entering and traversing the territories of the other, provided that they will not operate internally. The same article provides as well that the transport of goods from Syria and Lebanon to Iraq shall be effected in Iraqi and Syrian trucks, with the proviso that 50 per cent of them will be Iraqi trucks and 50 per cent Syrian.

Despite the fact that the above agreements have helped to regulate transit trade between the Arab countries on bilateral basis, they did not offer a regional solution for the transit

problems discussed in the preceding section. Furthermore, it may be noticed in the first and third agreements that the idea of safeguarding the railway interest, against the severe competition of trucks, was re-asserted by confining a large portion of transit goods to railway transport.

2) Multilateral Agreements: With the desire to bring about a sound solution for transit problems on regional basis which preserves the interest of all parties concerned, the Arab countries (including Egypt and Yemen) concluded a multilateral agreement on September 7, 1953, within the framework of the Arab League, entitled "Convention For Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League." Article IV of this agreement stipulated that the contracting countries are pledged "to facilitate transit across their territories by any kind of transport, allowed by the laws of the country being crossed."⁽¹⁾

But as this provision did not prove to be effective in solving the transit problems, the Economic Council of the Arab League decided at its meeting on December 15, 1954, to amend the above-mentioned Article along the lines indicated in the Barcelona Convention on freedom of transit, and to limit the proportion of transport for trucks registered in each of the

(1) "Convention For Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League", Basic Documents of the League of Arab States (New York: The Arab Information Center, 1955) p. 28.

contracting countries so as to preserve their interests.

In connection with transit trade, Article VI (paragraph "a") of the amendment-agreement considers the following as being in transit across the territories of any of the Contracting Parties: "goods and personal effects, whatever their origin, whether transported or stored in warehouses, whether shipped or not, but constituting a complete transfer beginning and ending outside the frontier of the country crossed. What is also considered as being in transit is the forwarding of motor cars on their own wheels, forwarding of cattle or livestock on foot or transported across the territory of one of the Contracting Parties towards the territory of other countries in conformity with the rules in force and customs regulations."⁽¹⁾

As far as means of transport are concerned, paragraph "b" of the same article states that the transport of goods in transit across the territory of any of the Contracting Parties is authorized by cars, trucks, wagons, or any other means of transport, without distinction of kind and nationality, and without any delay. Furthermore, "the means of transport registered in any of the Contracting Parties are allowed to go across the territory of any of these Parties in order to

(1) Ibid., pp. 33-34.

transport goods in transit belonging to any of these Parties and this without any obstacle or discrimination."

Paragraph "c" stipulates that "any of the Contracting Parties will exempt goods and personal effects belonging to the citizens of any of the Contracting Parties passing across its territory as well as the means of transport, from the customs and transit dues and any other dues except the reasonable dues for the services resulting from transit and on the condition that such expenses shall not in any case exceed those to which imported goods into that country are subjected." The same paragraph stipulates also that "goods and personal effects transported as well as the means of transport must not be subject to any restrictions."

In addition, paragraph "d" of Article VI of the amendment-agreement provides that the means of transport relating to any of the Contracting Parties enjoy the necessary facilities to enter and cross the territory of any other Contracting Party. The drivers also will enjoy reasonable facilities for passage and accommodation, on condition that the means of transport will not engage in any interior transport. Paragraph "e" on the other hand, states that the goods and personal effects should be accompanied by a manifest made

out by the owner of the means of transport or his qualified representative. This manifest will be accepted by the country of destination upon the entry of the goods at the frontiers, after the customs authority of the latter country has satisfied itself that the seals affixed to the goods and means of transport by the customs authority are still in place in conformity with the regulations in force.

Finally, paragraph "f" states that in compliance with this Article the contracting countries will agree among themselves on the ways and means for carrying out its dispositions and for limiting the proportion of transport for trucks registered in each country and for fixing transit services costs and others.

A number of meetings were held between the representatives of the Arab countries during the period 1955-1958 with a view to putting into effect the provisions of the above Article, but without any results. Thereupon the Economic Council of the Arab League took a decision at its Fifth Session held in Cairo during the period January 5-13, 1959, demanding that the countries concerned should meet within a period of two months to carry out the provisions of the said Article.

At the initiative of Syria (then forming the Northern Region of the United Arab Republic), a meeting was called in Damascus between February 14 and 17, 1959, which was attended by delegates from Syria, Lebanon, Jordan and Saudi Arabia. Iraq was not represented. Unfortunately no agreement was reached and the meeting was adjourned until the delegates consulted with their Governments. The second meeting was also held in Damascus between November 27 and December 10, 1959, and was attended by the same countries. The proposals forwarded by the participating countries in this meeting to reach an agreement centered around four major points:⁽¹⁾

- a) To set a limit for the goods in transit which must be moved by rail.
- b) To rule out the idea of imposing a transit tax on goods.⁽²⁾
- c) To limit the proportions of the transport of foreign goods passing in transit for trucks registered in Syria, Lebanon and Jordan.
- d) To allow complete freedom of circulation throughout the Arab world to trucks carrying goods of Arab origin.

(1) "Arab Transit Agreement", Al-Jaridah Paper, Vol. VII, No. 2127, December 2, 1959, p. 8.

(2) It was the Syrian delegate who requested that a transit tax amounting to LS 10 per ton should be levied to meet road maintenance expenses.

After fruitful discussions an agreement entitled "The Agreement for Limiting the Dispositions of Article VI of the Convention for Facilitating Trade Exchange and Regulating Transit Trade Between the States of the Arab League" was concluded.⁽¹⁾

Although this agreement did not achieve complete freedom of transit, it certainly abolished the principal obstacles hindering the flow of transit trade across the Arab countries, and as such it is considered an important step towards fostering Arab economic cooperation. Essentially, the agreement allows freedom of transit across the territories of the contracting countries in conformity with paragraphs (a,b,c,d,e) of Article VI of the amendment-agreement of the "Convention for Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League", signed on December 15, 1954. However, it stipulates that certain goods (including wheat, sugar, cement and a small range of industrial products) imported by Jordan via Lebanon, as well as an annual quantity of not less than 50,000 tons of Jordanian phosphates exported to Lebanon or to other countries via Syria must be

(1) An English translation of the text of this agreement is available in Appendix II of this study.

transported by railway.⁽¹⁾

Article IV of the said agreement provides that all foreign goods (other than those required to be moved by rail) imported by Jordan via Lebanon, as well as foreign goods exported or re-exported from Lebanon to Jordan should be transported by Syrian, Jordanian and Lebanese trucks only and in the following proportions: 40%, 38%, and 22% respectively.⁽²⁾ On the other hand, Article V states that goods of Arab origin (with the exception of the quantity of phosphates referred to earlier) exported from any Arab country to any other Arab country in transit via a third one, as well as the foreign goods passing in transit via Lebanon, Syria and Jordan to and from Saudi Arabia or any other Arab country, shall not be subject to any of the above restrictions.

In enforcing the provisions of the agreement, Article VII stipulates that trucks belonging to the contracting countries shall have the right to enter (empty or loaded) the territories of any of these countries up to the place of

(1) The quantity of phosphates can be reduced by 5 per cent and can be increased on condition that the necessary wagons are available. This provision, however, does not prevent the transport of phosphates by trucks of any nationality and at any time of the year provided that the quantity transported by railway is not less than 2,500 tons per month.

(2) The checking of these proportions will be taken once every four months, from registers kept by each of the customs posts on the Lebanese, Syrian and Jordanian frontiers.

loading or unloading, to pass (empty or loaded) across these territories, and to transport goods in transit from any Arab country on condition that they shall not undertake any internal transport in that same country. However, Article VIII stipulates that transport between adjoining countries which are signatories to the agreement shall remain confined to the means of transport belonging to these two countries.

Furthermore, to facilitate transit operations Article IX requires that all customs declarations made out at the country of transit shall be replaced by a visa noted on the manifest (mentioned in paragraph "e" of Article VI of the amendment-agreement of the Convention for Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League). This manifest shall be made out at the country of origin either by the owner of the means of transport, by his approved agent, or by transit transport companies, provided that they are duly guaranteed and authorized in transit countries without undertaking any formality of any kind other than the registration of the manifest and presentation of regulation engagement against a normal charge not exceeding LS 5 or the equivalent thereof in money of other interested countries.

Finally, Article XI provides for the formation of a "Technical Commission" composed of two representatives from each of the Contracting Countries to control the execution of this agreement. This commission shall meet once every four months and when the need arises.

The key feature of the above-mentioned agreement, which became operative as from August 1, 1960, is that it endeavours to achieve the maximum possible degree of freedom of transit, without jeopardizing the interest of the countries concerned. For one thing, it attempts to safeguard the Beirut-Damascus-Amman railway, against the competition of trucks, by confining to it the transport of certain Jordanian imports from outside the Arab countries, as well as an annual tonnage of 50,000 tons of phosphates. For another, it gives Syria the right to secure 40 per cent of the transit traffic of foreign goods for its trucks, against giving up the idea of imposing a transit tax on goods passing across its territory; while leaving the transit of Arab goods without any restrictions. But it remains to be understood here for how long this percentage will apply. Will it be per year, per month, or per week? What should be done if the Syrian trucks use their "quota" before the end of the period agreed upon? Should they, before

resuming transportation, wait for the beginning of the following period or not?⁽¹⁾

It must be mentioned finally that although this agreement is operative in principle, the contracting countries still do not adhere to its provisions, and transit traffic is still subject to the same restrictions. It is hoped, therefore, that the "Technical Commission" mentioned in Article XI will take the necessary steps to ensure the proper application of the agreement as soon as possible.

D) Conclusion:

In the belief that freedom of transit is a contributing factor to a wider trade exchange among them, and hence a vital aspect of their economic cooperation, the Arab countries have always been endeavouring to reach an agreement which institutes this freedom. But the desire of each of these countries to derive the maximum possible benefit from the transit traffic passing across their territories has rendered the achievement of complete freedom of transit

(1) Youssef Helbaoui, "Le Probleme du Transit Inter-Arabe", L'Economie Libanaise et Arabe, Vol. X, No. 83, March 1960, p. 12.

difficult, without arriving at an arrangement which divides proportionately the transit traffic among them. Thus, to regulate transit trade along the lines indicated in the Barcelona Convention a multilateral agreement was signed within the framework of the Arab league, and was followed by another agreement for limiting the proportion of transport of trucks registered in Lebanon, Syria and Jordan, and for fixing transit services costs and others. It is believed, however, that the second agreement offers only a provisional solution for Arab transit problems, and that the real solution will be to allow complete freedom of transit possibly by the formation of an Arab Transit Company.

CHAPTER FOUR

PROSPECTS OF ARAB TRANSIT TRADE

Through the preceding chapters on the development of Arab transit trade, its volume and its problems and agreements a number of facts have been bared.

First, the political fragmentation of the Arab area after World War I has led to the creation of administrative and customs barriers in the face of trade exchange. These barriers prompted the existence of transit facilities among the Arab countries to promote their trade exchange, and to facilitate the use of the Mediterranean ports by the Arab countries in the hinterland, especially that the use of their own ports involves a long journey via the Suez Canal. Accordingly, transit trade emerged as an integral part of Arab economic cooperation and as an essential pre-requisite for promoting regional trade and prosperity.

Second, the importance of transit trade to each of the Arab countries varies proportionately with the benefits derived from transit operations. Whereas Lebanon considers transit as a major source of income, Jordan, Iraq and Saudi

Arabia consider it as an important ingredient of their foreign trades. On the other hand, Syria by being a "liaison" between Lebanon and the hinterland does not benefit from transit operations across its territories, and that is why it has been imposing transit restrictions.

Third, by virtue of its excellent geographical position and the possession of a well-equipped port, Lebanon has until very recently been the principal transit center for the entire Arab region. The position of the port of Beirut in this capacity was enhanced by the adequate rail and road networks connecting it with the interior, on the one hand, and the blockage of the port of Haifa for Arab goods, on the other.

Fourth, after 1956 Arab transit traffic started to decline primarily as a result of the autarkic trends expressed by most of the Arab countries and the subsequent diversion of their trading activities from the port of Beirut. Syria and Jordan shifted the larger part of their foreign trades to the ports of Latakia and Aqaba respectively, while Iraq shifted its trade to the port of Iskenderun in Turkey. This decline was pushed further after 1958 by the existence of certain transit problems originating initially from the attitude of the Arab countries towards the subject matter of

freedom of transit, as well as the tension which characterized the political relations between the Arab countries.

Fifth, despite the conclusion of a multilateral transit agreement between the Arab countries which allows a large degree of freedom of transit without jeopardizing the economic interests of the parties concerned, some of the signatory countries still do not adhere to the provisions of this agreement and insist on imposing restrictions on the movement of goods passing in transit across their territories. Thus, impairing the functioning of the agreement.

It has been left to this last chapter to assess in the light of the above facts the prospects of Arab transit trade. To make a proper assessment an attempt is made to answer the following two major questions: First, will the Arab countries become more autarkic and accordingly increase their reliance on their own ports, rather than neighbouring ports, for their trading activities? Second, will any change in the political or economic scene of the Arab region help to alter the existing pattern of transit trade?

The present state of affairs in the Arab countries suggests that the trend towards autarky is still being envisaged, and there are no signs indicating that Arab transit trade

will restore the level it reached prior to 1958 or 1957. As has been already mentioned in this study, the Arab countries in the hinterland are launching projects for developing their ports and improving the communications from the ports to the interior, with the intention of dispensing with the port of Beirut as their principal commercial inlet and outlet. Furthermore, they have taken measures to ensure wider use of their respective ports. This demonstrates that the doubts expressed about building a third basin at the port of Beirut are based on solid facts.⁽¹⁾

These facts, however, should not imply that there will be no improvement in Arab transit trade as a whole. For one thing, the efforts exerted by the Arab countries to expand their trade exchange will definitely lead to an expansion in transit trade. Moreover, the proper application of the recent multilateral transit agreement will no doubt stimulate transit trade, especially that it allows complete freedom of transit for Arab goods, as well as foreign goods passing in transit via Lebanon, Syria and Jordan to and from Saudi Arabia or any other Arab country. For another, the increase

(1) The Economist Intelligence Unit Ltd., Syria, Lebanon, Jordan Economic Review, No. 27, October 1962, p. 13.

in the foreign trades of the Arab countries beyond the capacity of their own ports, and their subsequent recourse to the port of Beirut, will definitely be an active factor in promoting transit trade.

In view of the rapidly changing political and economic conditions in the Arab countries, one can feel more comfortable about the long-run prospects of Arab transit trade. Recent developments in Syria and Iraq, have led to the signing of a proclamation in Cairo on April 17, 1963, for the formation of a federal Arab republic called the "United Arab Republic".

If this proclamation is implemented, the new Republic will have far-reaching effects on the general economic scene in the Arab area. As far as transit trade is concerned, it is expected that a substantial increase will be realized in it from the diversion of a large proportion of Iraqi foreign trade to the port of Latakia, especially that the Latakia-Qamishly railway (now under construction) will be extended to Baghdad in the future. A preliminary study shows that this railway (1051 kilometers in length) will have the advantage of shortening the distance between Baghdad and the Mediterranean coast by about 300 kilometers,⁽¹⁾ and will accordingly

(1) At present, Baghdad has two railway links with the Mediterranean: the first is the Baghdad (or Northern) Railway which is 1301 kilometers in length; and the second is the Baghdad-Tripoli railway which is 1360 kilometers.

reduce transport costs.⁽¹⁾ Moreover, improvements are being presently made on the road linking Damascus up with Baghdad.

A far more important effect of these political developments is that they give a new impetus to the idea of an Arab economic union, which guarantees, inter alia, the freedom of transit and transportation, as well as the use of transport facilities, ports, and civil ports to the member-countries. Although Arab unity is facilitated by unifying geographical factors, by common language, by a common heritage, by supplementary natural resources, and by complementary demographic features,⁽²⁾ very little has been done towards its attainment by the Arab countries. Already an agreement has been initiated by five Arab countries for the creation of an Arab economic union,⁽³⁾ but has not been ratified by any one of them. It is hoped that the change in political climate will lead to fruitful discussions between the Arab countries in order to renew their efforts for achieving economic unity.

(1) General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries, Proceedings of the Eleventh Conference, held in Tunis, November 20-26, 1962, p. 69.

(2) Ragaai el-Mallakh, "Trends Toward Economic Unity in the Arab Middle East", The Arab Nation: Paths and Obstacles To Fulfillment, The Middle East Institute, Washington, D.C., 1962?, p. 94.

(3) This agreement was signed at the final session of the Arab Economic Council, held in Cairo on June 6th, 1962, by Jordan, Syria, Kuwait, Morocco, and the United Arab Republic.

However, the fact that economic unity might not be realized before ten to fifteen years makes it imperative that unless certain measures are taken by the Arab countries they are not likely to witness a significant increase in their transit trade during the coming decade or so. Amongst such measures would be the improvement of the rail and road connections between the principal commercial centers in the Arab region.

As has been remarked earlier, the rail and road networks of the Arab countries are deficient and costly; and aside from not being kept abreast with the development of trade they are for the most part poorly maintained. Nevertheless, there is at present a consciousness for the need for transport development and plans are being implemented by the Arab countries to improve their transport facilities (Cf. Chapter One). But the fact that the Arab countries form a continuous geographical unit makes the development of their transportation system on country- (or piecemeal-) basis rather undesirable and ineffective as far as their common economic interests are concerned. Instead it is advocated that the transportation system of the Arab area as a whole should be developed under a comprehensive, well-studied, and well-coordinated plan, which will help the development of the

Arab economy on a complimentary and regional basis by facilitating the exchange of goods and services on the widest possible scale.

With this understanding, the "Communications Committee" of the Arab League has already designed a plan for the development of the road network of the Arab countries. The backbone of this network would be a highway starting from Beirut and running to Damascus, where it would branch into a fork, one part running to Amman and the other through the Syrian desert, Baghdad, Basra and Kuwait to Riyadh. As far as the rail network is concerned, the Committee has suggested that a railway line should be constructed to connect Beirut through Tripoli, Homs, Deir-ez-Zor, Abou Kamal and Ramadeh to Baghdad. (1)

Another scheme for improving the road connections between the Arab countries was suggested in 1952 by W.F. Moore (formerly of the Arabian American Oil Company). This scheme proposes the construction of a Pan-Arabian Highway connecting the Mediterranean seaports of Beirut, Tripoli and Latakia, as well as the interior cities of Aleppo, Hauran, Homs, Damascus and Amman with the Arabian Gulf area and the ports of Basra, Kuwait and Dammam. To this highway supplementary roads are suggested, which include a road linking

(1) Fouad Chader, "Les Communications", La Revue de L'Automobile et Touring Club du Liban, 6eme Année, No. 18, Eté 1962, p. 54.

the port of Latakia through Aleppo and Deir-ez-Zor with an extension to Mosul, and with another to Baghdad, Rafha (Saudi Arabia) and thence to Hail. This highway, which would be fit to carry the heaviest of trucks, would be 2120 kilometers in length and would cost around \$100 million. This amount can be financed by the oil-producing countries, and, to a lesser extent, by the other Arab countries. Also large sums can be obtained by imposing taxes on cars and trucks using this highway and the fuel consumed by such means of transport.

It is beyond any doubt that such improvement in road and rail connection in the Arab area would mean quicker and less expensive transport between the Mediterranean coast and the hinterland, and would restore the importance of overland transit routes, against the cheaper -- but longer -- route via the Suez Canal.

Conclusion:

The conclusion is clear that the future of Arab transit trade is dependent upon three principal factors: first, the degree to which the Arab countries in the hinterland can rely on their respective ports for carrying out their trading

activities, without resorting to other ports in the area. Second, the political development in the Arab countries and the extent to which they create harmonious and stable relations among these countries. Third, the improvement of transport facilities of the Arab countries in the regional context, and thus the reduction of transport costs from the Mediterranean to the hinterland.

Regardless of these factors there is enough reason at present to believe that Arab transit trade will retain some of its importance in the coming few years. This belief is based on the fact that Syria and Jordan are actively working towards developing their respective ports as commercial outlets and inlets for other countries in the area. On the one hand, Syria is intending to extend its Latakia-Qamishly railway line to Baghdad, in the hope that it will be able to capture a larger volume of traffic over this line, and thus reduce its transport costs. This is prompted by the fact that the northern agricultural region, for which this line is being constructed to serve, will provide one-way traffic during the agricultural season only. It is to be expected, therefore, that Syria will be very keen to develop its transit trade especially with Iraq and Kuwait. On the other hand, Jordan is considering now an old proposal to link its port of Aqaba

with the Hedjaz Railway (now under reconstruction) at Ras el-Neqab, 80 kilometers north of Aqaba; thus ensuring a direct link between the port of Aqaba and Damascus, and later a link with Medina in Saudi Arabia.

In view of these developments one can safely conclude that Syria and Jordan are very likely to become important transit centers, especially if they would undertake to provide special facilities and reduced charges for transit traffic handled at their ports. Perhaps it is partly in anticipation of this that the Lebanese Government issued Decree No. 1254, on April 16, 1963, to reduce the port charges by 50% on all transit goods destined to the Arab countries through the Lebanese ports.

In the final analysis, however, it seems that the future of Arab transit trade is directly linked to the ability of the Arab countries to reach an agreement which can preserve their complete freedom of transit. This would only be achieved if each of the Arab countries realizes that it has no monopoly on transit trade, since ample opportunities for alternative routes exist and any transit restrictions by any country would mean a loss to that country as well as to the others. As a first step in this direction, the Arab

countries should not hesitate any more to put into practical application the recent multilateral transit agreement which preserves the economic interests of all the countries concerned.

-:-:-:-:-:-:-:-

A P P E N D I X (I)

TABLE (1), Lebanon: Transit Trade Destined to Arab Countries
(In metric tons)

To:	1953	1954	1955	1956	1957	1958	1959	1960	1961
Syria	504468	636159	788328	829500	797655	407817	150871	65109	67075
Jordan	123400	133962	206106	197674	213911	84040	64526	90615	54175
Iraq	49397	32600	65601	122165	121105	40331	43750	72224	86303
Saudi Arabia	7602	6109	14123	12139	22414	7862	8687	12051	8060
TOTAL (1)	684867	808830	1074158	1161478	1155085	540050	267834	239999	215613
GRAND TOTAL* (2)	743248	861657	1153899	1227291	1229401	681681	286401	257610	232161
% of (1) to (2)	92.1	93.9	94.1	94.6	93.9	79.2	93.5	93.2	92.9

* of goods passing in transit via Lebanon.

Source: Statistiques de Commerce Exterieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douans, Beyrouth.

TABLE (2), Lebanon: Principal Goods Passing in Transit to Syria, (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960	1961
Living animals & animal products.....	777	946	-	782	1021	-	2013	3807	2763
Products of the vegetable Kingdom.....	7584	14562	59575	23936	48411	12502	33649	13326	19076
Fats, greases, & alimentary fats.....	2524	2387	2896	2649	3459	-	-	-	-
Products of food industries.....	14820	20536	40468	6638	20204	3333	1251	2051	1253
Mineral products	405266	487059	550233	686581	614259	307592	77825	21269	16739
Chemical & pharmaceutical products.....	16856	21239	33644	22284	17216	8318	6295	3236	3844
Skins, hides, furs & articles thereof..	1397	1613	1592	1018	1751	1068	-	-	-
Rubber & manufactures thereof.....	1920	2836	2744	2961	3272	1776	-	-	608
Wood, cork & articles thereof.....	1229	3553	4221	3646	3942	2685	-	-	5830
Paper and utilization.....	5069	5009	7066	6063	4788	3257	1731	1464	-
Textile materials & textile goods.....	9621	13751	12048	11420	12502	14137	6560	4519	3669
Base metals and manufactures thereof...	11611	21471	26266	21746	32988	29371	5650	1926	2318
Machines & electric articles.....	9974	14589	24057	20337	17104	10000	6045	4602	4811
Transport materials.....	5989	12012	13724	10545	19279	6698	2112	1770	1874

Source: Statistiques du Commerce Exterieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douanes, Beyrouth.

TABLE (3), Lebanon: Principal Goods Passing in Transit to Jordan, (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960	1961
Products of the vegetable kingdom.	12322	10296	25425	21380	22077	13535	16868	37342	36079
Products of food industries.....	7883	2658	6266	6818	15856	1547	-	-	-
Mineral products.....	67922	85563	124600	132238	131462	56705	34802	46678	10985
Textile materials and textile goods	3588	5194	4872	4963	6644	2642	4445	1033	1103
Transport materials.....	1679	2082	3303	3837	3579	1177	1518	492	-

Source: Statistiques du Commerce Exterieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douanes, Beyrouth.

TABLE (4), Lebanon: Principal Goods Passing in Transit to Iraq, (in metric tons)

G o o d s	1953	1954	1955	1956	1957	1958	1959	1960	1961
Products of the vegetable kingdom.	-	4269	-	9526	9608	-	4172	2746	4331
Products of food industries.....	31393	871	2354	26300	22780	8433	2045	2049	2933
Chemical and pharmaceutical goods.	343	998	3025	4077	5435	2524	5604	-	5904
Rubber & manufactures thereof.....	660	3363	1797	1511	2640	1107	756	2014	1803
Textile materials & textile goods.	3615	6282	6481	8894	10004	3738	7931	14126	9030
Base metals & manufactures thereof	1429	7266	12602	21842	21297	3996	11006	23768	29652
Machines & electric articles.....	2822	3348	13994	23569	18398	7434	2894	4801	7090
Transport materials.....	1742	-	10587	8429	9866	4159	2314	6398	11015

Source: Statistiques du Commerce Extérieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douanes, Beyrouth.

TABLE (5), Lebanon: Principal Goods Passing in Transit to Saudi Arabia, (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960	1961
Textile materials & textile goods ...	124	168	426	503	271	275	229	285	
Base metals & manufactures thereof...	1254	4788	2158	9287	2488	-	-	-	-
Machines and electric articles.....	2606	1338	2626	2376	796	489	660	516	
Transport materials.....	351	459	676	715	363	1148	891	1148	

Source: Statistiques du Commerce Exterieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douanes, Beyrouth.

* TABLE (6), Lebanon: Transit Trade Originating in Arab countries
(In metric tons)

From:	1953	1954	1955	1956	1957	1958	1959	1960	1961
Syria	21326	47123	23382	7780	5901	1745	705	2915	1663
Jordan	777	102	144	154	76	80	106	45	15
Iraq*	263879	286523	293441	265777	285884	124556	49094	5975	5414
Saudi Arabia**	124325	154566	236044	391215	334679	278883	42412	39351	1197
TOTAL (1)	410307	458314	553011	664926	626540	405264	92317	48286	8289
GRAND TOTAL** (2)	743248	861657	1153899	1227291	1229401	681681	286401	257610	232161
% of (1) to (2)	55.2	53.2	47.9	54.2	51.0	59.4	32.2	18.7	3.6

* Excluding oil coming through I.P.C. pipeline to Tripoli.

** Excluding oil coming through ARAMCO pipeline to Sidon.

Source: Statistiques de Commerce Exterieur, 1953-1961, Republique Libanaise, Conseil Superieur des Douans, Beyrouth.

TABLE (7), Syria: Transit Trade Destined to Arab Countries
(In metric tons)

To:	1953	1954	1955	1956	1957	1958	1959	1960
Lebanon	29085	107637	52578	57908	49899	45235	63007	76899
Jordan	215554	241414	123221	274614	260945	207933	232599	307004
Iraq	51735	41826	53735	57077	162839	91118	123041	164065
Saudi Arabia	3113	9410	10853	25981	27324	19831	37217	37356
TOTAL (1)	299487	400287	240387	415580	501007	364117	455864	585324
GRAND TOTAL* (2)	386971	415198	364432	560631	720643	509908	611847	688341
% of (1) to (2)	77.4	96.4	66.0	74.1	69.5	71.4	74.5	85.0

* of goods passing in transit via Syria; excluding crude oil pumped through IPC pipeline to Banias.

Source: Statistiques du Commerce Exterieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (8), Syria: Principal Goods Passing in Transit To Jordan, (in Metric Tons)

	1953	1954	1955	1956	1957	1958	1959	1960
G o o d s								
Living animals and animal products	3119	3883	1123	4264	3126	2509	3932	3968
Products of the vegetable kingdom.....	46299	28041	53300	78855	87131	104529	134390	150416
Fats, greases, and alimentary fats.....	2621	1827	1479	3195	3150	3601	795	1958
Products of the food industries.....	8048	6752	5919	7249	22791	7487	5074	6703
Mineral products.....	96779	70908	7284	117583	74629	59434	57095	108271
Chemical and pharmaceutical products.....	2028	2155	1642	4025	7244	3440	5229	3966
Skins, hides, furs and articles thereof...	384	489	382	459	817	477	460	732
Rubber and manufactures thereof.....	232	419	545	502	1221	733	204	153
Wood, cork and articles thereof.....	8639	10716	12117	13252	15965	9783	14139	18269
Paper and utilization.....	1935	3529	2423	2510	4128	1651	1230	1259
Textile materials and textile goods.....	5607	6453	4701	6485	8011	5222	4773	3704
Base metals and manufactures thereof.....	8527	16213	15474	17472	15417	2490	2722	3199
Machines and electric articles.....	3262	1759	1631	1989	9760	1496	849	909
Transport materials.....	2297	2008	778	3830	2864	1458	2087	593

Source: Statistiques du Commerce Exterieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (9), Syria: Principal Goods Passing in Transit to Iraq, (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960
Living animals and animal products	-	-	-	-	2085	620	1334	1503
Products of the vegetable kingdom	2874	3770	8366	19556	16201	14567	52905	61270
Fats, greases, and alimentary fats	1138	1062	1749	1499	2719	-	-	202
Products of food industries	21422	638	899	1196	38404	22779	30614	47981
Wood, cork and articles thereof	2430	2093	1754	472	11755	1198	947	1851
Paper and utilization	1757	841	934	1293	1107	1069	779	2066
Textile materials and textile goods	4155	2903	3410	2313	8328	4554	3949	9041
Base metals and manufactures thereof	2806	10034	8951	6546	27791	11541	15129	19022
Machines and electric articles	3300	5780	9500	8532	19634	14802	4622	1402
Transport materials	2826	4843	9220	7980	15457	12650	4948	5041

Source: Statistiques du Commerce Extérieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (10), Syria: Principal Goods Passing in Transit to Lebanon (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960
Living animals and animal products.....	-	-	708	924	1137	650	1808	2880
Products of the vegetable kingdom.....	21840	44318	36478	47565	40615	39146	20353	26232
Skins, hides, furs, and articles thereof..	272	318	775	1209	1080	701	1833	2166
Textile materials and textile goods.....	956	3110	1220	-	-	945	3018	2575
Base metals and manufactures thereof.....	-	-	3136	2505	2922	413	2287	2676

Source: Statistiques du Commerce Extérieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (11), Syria: Principal Goods Passing in Transit to Saudi Arabia, (in metric tons)

Goods	1953	1954	1955	1956	1957	1958	1959	1960
Products of the vegetable kingdom.....	-	1166	1854	4905	6742	7472	22611	28575
Products of the food industries.....	-	2031	-	1697	1651	3057	3316	414
Textile materials and textile goods.....	8	12	39	248	299	182	478	151
Base metals and manufactures thereof.....	133	301	1556	3937	8576	3092	3441	2445
Transport materials.....	270	336	432	886	492	475	1241	1413

Source: Statistiques du Commerce Exterieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (12), Syria: Transit Trade Originating in Arab Countries
(In metric tons)

From:	1953	1954	1955	1956	1957	1958	1959	1960
Lebanon	39561	32005	52424	44290	55740	59492	138904	232052
Jordan	51140	96758	122121	149454	196556	114275	148265	136018
Iraq*	30147	53131	36125	28710	39129	61841	47927	16801
Saudi Arabia	25852	16941	1075	66131	48044	36713	16404	12400
TOTAL (1)	146700	198835	211745	288585	339469	272321	351500	397271
GRAND TOTAL*(2)	386971	415198	364432	560631	720643	509908	611847	688341
% of (1) to (2)	37.9	47.6	58.1	51.5	47.1	53.4	57.4	57.7

* Excluding crude oil pumped through IFC pipeline to Banias.

Source: Statistiques du Commerce Extérieur, 1953-1960, Direction Generale des Douanes, Damas, Republique Syrienne.

TABLE (13), Syria: Shipping Activity at the Port of Latakia
(In metric tons)

Year	No. of Vessels	Goods Unloaded	Goods Loaded
1953	754	167,747	335,859
1954	785	197,644	622,580
1955	812	270,923	239,786
1956	920	329,525	553,083
1957	1152	334,448	703,392
1958	1385	589,724	464,044
1959	1382	805,906	210,381
1960	1546	1,090,339	219,023
1961	2287	1,136,436	1,941,829

Source: Statistical Abstract, 1955-1961, Syrian Arab Republic, Ministry of Planning, Directorate of Statistics, Damascus.

TABLE (14), Jordan: Shipping Activity at the Port of Aqaba
(In metric tons)

Year	No. of Vessels	Goods Unloaded	Goods Loaded
1953	122	67,665	n.a.
1954	173	80,012	12,336
1955	222	134,626	66,250
1956	154	76,793	66,450
1957	104	47,603	99,770
1958	305	272,405	137,812
1959	371	453,672	128,589
1960	409	461,303	223,343

n.a. = Not available.

Source: Statistical Abstract, 1955-1960, Ministry of National Economy,
Department of Statistics, Amman, Jordan.

* TABLE (15), Lebanon: Transit Trade Via the Port of Beirut By Countries of Destination.
(In metric tons)

Country	1954	1955	1956	1957	1958	1959	1960
Syria	144876	213716	138797	140843	67517	77391	43786
Jordan	60697	87135	70046	89043	26093	26558	44378
Iraq	47246	62495	90678	100072	36093	28226	46189
Saudi Arabia	3160	3023	7413	13503	4993	4462	8168

Source: Traffic Maritime du Port de Beyrouth, 1958, Compagnie du Port, Des Quais et des Entrepots de Beyrouth, 1958.

TABLE (16), Lebanon: Transit Trade Via the Port of Beirut By Countries
of Origin.
(In Metric Tons)

Country	1954	1955	1956	1957	1958	1959	1960
Syria	27150	27694	30197	26306	12354	18061	22571
Jordan	55023	90184	93594	122205	90841	111806	97759
Iraq	13463	22034	37691	25919	15747	13641	8452
Saudi Arabia	266	310	1418	305	263	264	271

Source: Traffic Maritime du Port de Beyrouth, 1958, Compagnie du Port, Des Quais et des Entrepôts de Beyrouth, 1958.

A P P E N D I X (II)

"The Agreement for Limiting the Dispositions of Article VI of the Convention for Facilitating Trade Exchange and Regulating Transit Trade Between the States of the Arab League", signed on December 9, 1959.

Source (in Arabic): L'Economie Libanaise et Arabe, Vol. X, No. 86, June 1960.

The Governments of:

The Hashimite Kingdom of Jordan
The Kingdom of Saudi Arabia
The United Arab Republic (Syria)
The Lebanese Republic

Desirous of organizing the transport of goods in transit among themselves, and surmounting the difficulties confronting the application of the dispositions of Article VI of the "Amendment-Agreement of the Convention for Facilitating Trade Exchange and Regulating Transit Trade Between the States of the Arab League", signed on December 15, 1954;

And conforming to paragraph (f) of the above mentioned Article VI;

And in order not to cause any prejudice to the interest of the existing means of transport;

They have agreed upon the following:

Article I:

Whilst considering the dispositions of this Agreement, freedom of transit is allowed in conformity with paragraphs

(a,b,c,d,e) of Article VI of the "Amendment-Agreement of The Convention for Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League", signed on December 15, 1954.

Article II:

The goods enumerated in Table (A), annexed to this agreement, shall be transported by railway provided they are destined to Lebanon in transit for Jordan.

Article III:

An annual quantity of 50,000 tons of Jordanian phosphates exported to Lebanon via Syria, or via both Lebanon and Syria, shall be transported by railway. This quantity can be reduced by five per cent (5%) and can be increased on condition that the necessary wagons are available.

This Article does not prevent the transport of Jordanian phosphates by trucks of any nationality and at any time of the year on condition that the quantity transported by railway is not less than 2,500 tons per month.

Article IV:

The goods which are not mentioned in Table (A) referred to in Article II above and destined to Lebanon in transit

for Jordan, as well as goods of foreign origin exported or re-exported from Lebanon to Jordan shall be transported by Jordanian, Lebanese and Syrian trucks only and in the following proportions:

38% for trucks registered in Jordan;
40% for trucks registered in Syria; and,
22% for trucks registered in Lebanon.

The checking of these proportions shall take place once every four months. To this effect, registers shall be kept by each of the customs posts on the Lebanese, Syrian and Jordanian frontiers.

Article V:

The transport of the following goods in transit shall remain free and shall not be subject to Article II, III, and IV of this Agreement:

(a) Goods of any origin passing via Lebanon or Syria across Jordan to Saudi Arabia or any other Arab country, and vice versa, including foreign goods exported or re-exported.

(b) Goods of Lebanese origin destined for Jordan via Syria, or destined to Saudi Arabia or any other Arab country via Syria, Jordan or Saudi Arabia.

(c) Goods of Syrian origin destined to Saudi Arabia or any other Arab country across Jordan or Saudi Arabia.

(d) Goods of Jordanian origin and foreign origin exported or re-exported from Jordan (with the exception of

the quantity of phosphates referred to in Article III of this Agreement) to a destination in Lebanon via Syria, as well as other Jordanian goods destined to any other Arab country across the Saudi Arabia territory.

(e) Goods of Saudi Arabian origin and foreign origin exported or re-exported from Jordan to a destination in Syria, Lebanon or any other Arab country across the Jordanian territory.

(f) Oil imported in transit through any Arab country to a destination in any other Arab country.

Article VI:

It is permitted that the imported motor vehicles, whether new or old, be transported on their own wheels and for cattle and live-stock to be transported on their own feet between all Contracting Parties hereto.

Article VII:

In enforcing the dispositions of this Agreement, public trucks belonging to the Contracting Parties shall have the right: to enter (empty or loaded) the territories of any of these Parties up to the place of loading or unloading; to pass (empty or loaded) across such territories; and, to transport goods in transit from any Arab country, on

condition that they shall not undertake any internal transport from one place to another in that same country.

With respect to the private trucks belonging to the Jordan Phosphates Company, they are permitted to enter and to pass in transit (empty or loaded) without having the right to transport any other goods on the forward and return journeys.

Article VIII:

Transport between adjoining country of the Contracting Parties shall remain confined to the means of transport belonging to these two countries.

Article IX:

(a) Customs declarations, of all kinds, made out at the country of transit shall be replaced by a visa noted on the manifest (mentioned in paragraph (e) of Article VI of the "Amendment-Agreement of the Convention for Facilitating Trade Exchange and Regulating Transit Trade Between States of the Arab League", signed on December 15, 1954) which shall be made out at the country of origin either by the owner of the means of transport; by his approved agent; or by transit transport companies provided they are duly guaranteed and authorized in transit countries without undertaking any

formality of any kind other than the registration of the manifest and presentation of regulation engagement against a normal charge not exceeding £.S. 5.00 or the equivalent thereof in money of other interested countries.

(b) Interested Governments shall facilitate the registration of individuals and of companies mentioned in the preceding paragraph of this Article without taking into account their nationality in conformity with the regulations enforced in each country.

(c) Circulation cards and other certificates, which are made out at frontier centers for trucks undertaking the transport of goods in transit, shall be replaced by a special card issued to the truck at its country of registration. Such card shall contain an engagement on the part of the owner not to contravene the legislation and regulations enforced, as well as all information concerning the truck. It shall be sufficient then to make a visa on the card in question on the frontier post to permit the vehicle to continue its journey without any restrictions whatsoever.

(d) Trucks in transit are required to be so equipped as to prevent any illegal modification of their loading during transit.

The Technical Commission, mentioned in Article XI of this Agreement, shall lay down at its first meeting the

the conditions which must be fulfilled by trucks towards this end.

Meanwhile Saudi Arabia can lay down the conditions which must be fulfilled by trucks transiting its territory, provided they comply with international transit regulations applicable to motor cars, and that they cover vehicle carrying fruits and vegetables with strong waterproved tarpaulins consisting of one piece only which must be secured by ropes tied up on the exterior by a metallic wire. These tarpaulins, as well as the metallic wire and the vehicle, will require to be sealed with a customs lead-seal and in such manner as to prevent the contents of the vehicles being tampered with. The Saudi Arabian authorities shall advise the other contracting parties of these conditions.

(e) The formalities now in operation for the preparation of the manifest relating to the transport of phosphates in transit across Syrian territory will remain in force. That is to say, one manifest shall be sufficient for each five vehicles.

This manifest is prepared at the country of origin and when submitted to the transit country it becomes subject to the other conditions and the stamp duty mentioned in paragraph (a) of this Article.

Article X:

Immediately after this Agreement has been brought into force, the interested parties shall undertake consultations with a view to reduce the restrictions imposed on rail transport and study the general and common conditions of the railways.

Until such time, as an agreement has been reached in this connection, the interested parties shall abstain from imposing any surtax in the form of tax, expenses, increase in tariff, or other charges on the tariff for the transport of goods forwarded by rail in transit, before such increase has received the approval of the other Parties.

Article XI:

Control of the execution of this Agreement shall be undertaken by a "Technical Commission" composed of two representatives from each of the Contracting Parties. This Commission will hold a meeting within a period of one month from the date of the coming into operation of this Agreement, and periodically thereafter once every four months, and each time the need arises. It shall be within the competence of this Commission to solve all executive questions arising from the application of this Agreement and to unify the loading of vehicles. Until such unification takes place, it is

permissible also for the Lebanese and Saudi Arabian trucks to cross the territories of the other Contracting Parties with loads equivalent to the loading of Syrian trucks of similar type.

The Commission can take advice in the form of consultation from other institutions connected with questions of transport.

Article XII:

Bilateral agreements between the different Parties shall remain in force in so far as their provisions do not conflict with the provisions of the present Agreement.

Article XIII:

This Agreement shall become binding ten days after the deposit of the instruments of ratification of at least three of the signatory governments with the Secretariat of the League of Arab States which will draw up a "procès-verbal" of the deposit of the ratified agreement of each of the States and communicate it to the other Contracting Parties.

Any other Arab country which is not signatory to this Agreement can adhere to it by a declaration transmitted to the Secretary-General of the League of Arab States, provided it becomes a Party to the "Agreement for Facilitating

Trade Exchange and Regulating Transit Trade Between States of the Arab League". The Secretariat of the League will notify the other members of this adherence.

Article XIV:

This Agreement shall be binding for a year from the date of its application and shall yearly be automatically renewed unless of the Contracting Parties shall, at least two months before its expiration, notify the Secretary-General of the League of Arab States, in written form, of its desire to alter or cancel the Agreement. The Secretary-General shall then notify the other Parties bound by this Agreement, which shall remain in force with regard to other Contracting Parties and its provisions shall remain binding.

This Agreement was drawn up in quadruplicate in Arabic, at Damascus, on Jamadi-Sanya 9th 1379, corresponding to 9th of December 1959.

For the Hashimite Kingdom of Jordan
For the Kingdom of Saudi Arabia
For the United Arab Republic (Syria)
For the Lebanese Republic

(Here follow the signatures)

TABLE (A)

List of foreign goods arriving Lebanon in transit for Jordan, the transport of which is confined to the railway, in accordance with Article II of the Agreement signed on the 9th of December 1959, at Damascus:

- Wheat and flower
- Sugar
- Rubber tires
- Iron bars not exceeding 10 meters in length
- Sheet iron
- Cement
- Wood, in boards or plank
- Tissues, clothings and ready made textiles articles
- Paper cardboard in sheets or rolls
- Manufactured articles in ceramic or porcelain
- Sanitary articles in ceramic or porcelain
- Refrigerators, washing machines, and metallic furniture.

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