Baghdad says it is self-sufficient in conventional weapons and ammunition, and is prepared to consider export orders.

Client switch signals change for refinery contract

A basic shift in the strategy for carrying out the central refinery has been signalled by a transfer of client responsibility. The project will now be run by the **Technical Corps for Special Projects (Techcorp)** in place of the **State Company for Oil Projects (SCOP).**

Techcorp is keen to award contracts as soon as possible. The first order was announced in Tokyo on 28 April with two Japanese firms, **Nissho-Iwai Corporation** and **Ishii Iron Works Company**. Their ¥5,000 million ($38 million) contract is to supply equipment and materials, and erect 111 oil storage tanks.

The refinery is to be built in Musayyib, about 60 kilometres southwest of Baghdad, for an estimated $1,000 million. It will produce 140,000 barrels a day of petrol, kerosene, gas-oil, fuel oil and liquefied petroleum gas (LPG) as well as feedstock for petrochemicals complex (PC) no 2, to be built nearby. Techcorp is also client for PC2 and reports suggest it was concerned that the refinery would not be completed in time to supply the complex's first units in 1991 (MEED 17:2:89).

Negotiations about the refinery construction contract began some time ago between SCOP and two consortia. One comprises **TPL** of Italy with Czechoslovakia's **Technoexport** and Japan's **Chiyoda Chemical Engineering & Construction Company**; the other is **M W Kellogg** of the UK with three Japanese firms, **JGC Corporation**, **Marubeni Corporation** and Nissho-Iwai, and South Korea's **Hyundai Engineering & Construction Company**.

The contract was originally intended to be let on a turnkey basis, with SCOP designing and building some elements, including the inlet and outlet pipes, crude oil and products storage tanks, and two refining units. Techcorp has now dropped the turnkey approach and is expected to let the work as a series of engineering, equipment procurement and construction supervision contracts. It may appoint a consultant or project manager — the UK's **Bechtel** has such a contract for PC 2. Techcorp's policy is also to carry out as much work as possible itself, making maximum use of local products.

Both consortia are still in contention for the project, and the TPL group was expected to return to Baghdad before the end of April to resume negotiations. SCOP has already chosen the process licensors: the UK's **UOP**, France's **IFP**, **Haldor Topsoe** of Denmark and Italy's **Snamprogetti** (MEED 10:6:88).

Some contractors doubt whether Techcorp — which is also responsible for construction of the Badush dam, near Mosul — has the management capacity to handle the huge refinery and PC2 projects, which are together worth about $4,000 million. However, SCOP's project manager for the refinery, Nabil Tohali, has been transferred to Techcorp with most of his staff. Furthermore, Techcorp's director-general, Usama Hamadi, reports direct to Industry & Military Industrialisation Minister Hussain Kamel. Techcorp was initially part of the Military Industries Commission headed by Kamel.

Public pressure forces U-turn on Iraqi prices

GROWING public anger about high prices and food shortages has been instrumental in forcing the government to restore selective price controls. The decision was announced in April, eight months after price restraints were lifted (MEED 9:9:89). The president's office says a committee will be set up again to fix vegetable and fruit prices every week, after complaints in the local press about the "astronomical" prices of vegetables, eggs and chickens.

The government in August 1988 lifted price controls on some goods produced by the private sector. The measure was intended to end shortages by increasing output, discourage waste and save hard currency by cutting imports. More goods did appear on the market, but prices also rose sharply until the government issued a stern warning against profiteering last October (MEED 16:12:88, page 17).

Prices dropped immediately, but it became clear that, in the longer run, the decision to abolish price controls had neither improved output nor stabilised prices. By early April, mutton cost ID 6.50 ($21) a kilo, a half-kilo can of tomato paste ID 7 ($23), fresh tomatoes ID 5 ($16.10) a kilo, 30 eggs ID 3.25 ($11), potatoes ID 1.25 ($4) a kilo and chicken ID 3.50 ($11.30) a kilo.

The government has since reduced the price of tomatoes to ID 2.50 ($8) a kilo, and a tray of eggs to a maximum of ID 2 ($6). Vegetable prices have been cut by up to 50 per cent. Offenders have been warned that they face imprisonment.

The price of essential goods is still controlled. Food takes priority in the 1989 import programme, with the main items being grain, rice, tea, sugar, beans, dried milk and cooking oil. The government food subsidy for 1989 is ID 233 million ($750 million — MEED 31:3:89).

The president's office also said on 12 April that the government would continue to encourage the private sector, "but we remind those greedy people that this policy does not mean leaving their hands free to exploit the consumers."

Many people believe the private sector has been responsible for the situation that has developed since the war, with shortages of food and other produce, soaring prices for local and imported goods, and increasing black market activities.

Private business people in turn complain that their dependence on imported raw materials and spare parts exposes them to inflation, resulting in high production costs and prices. In many cases, shortages have occurred because state farms or factories which used to receive quotas as part of the state trade plan to fulfill import requirements lost the privilege when they were sold to the private sector. There have been reports of output falling in factories owned by private and mixed-sector companies beset by shortages of raw materials and spare parts; production is said to have been suspended in some.

An easing in regulations to enable traders to use offshore foreign currency accounts to finance imports was intended to help meet the bulk of the private sector's need for raw materials. However, traders say that dealing with foreign exchange rates of six to 10 times the official rate has forced them to raise the price of spare parts and consumer goods.

Agriculture is also said to be flagging. Disappointment has been expressed at the sector's inability to supply greater amounts to local food processing and fodder companies, which have had to turn overseas for their requirements. At the same time, attractive export incentives have resulted in livestock being fed with subsidised imported grain because the fodder crop has been exported.

The only sectors said to be moving away from import dependency successfully are the oil and gas-based industries.

After years of deprivation, and a series of austerity campaigns as foreign exchange shortages bit sharply during the war, it is important for the government to be able to satisfy the population's demands. The authorities hope the private sector will play a bigger role in strengthening the economy — and more economic and political reforms allowing greater freedom are in the pipeline. However, to ensure that everybody gets their fair share, more controls may have to be introduced.

JONATHAN CRUSOE

Western firms sign vehicle licensing accords

Plans to set up local car and truck manufacturing capacity look set to go ahead, following the signing of licensing and production agreements with West Germany's **Mercedes-Benz** and the US' **General Motors (GM).** The announcement was made by Industry & Military Industrialisation Minister Hussain Kamel on 30 April.

Full details have still to be released, but it appears that trucks and buses will be manufactured under the Mercedes licence. The GM agreement involves a total of 90,000 Chevrolet, Buick, Oldsmobile and Pontiac cars.

Earlier reports suggested the scheme is a 10-year project costing up to $2,000 million. GM has been unable to confirm the report beyond saying: "We have held discussions with the **State Enterprise for Automobile Industries** .... They have been progressing very well" (MEED 2:12:88, page 8).

Kamel also announced plans to manufacture 30,000 pick-up trucks and 10,000 small cars.

IN BRIEF

● Brazil's **Construtora Mendes Junior** has been authorised by the Brazilian government to transfer $187 million to its Iraqi operation. The government's decision appears to signal agreement on repayment of debts to Mendes Junior. These were estimated at $350 million-400 million and resulted in delays to the company's contracts in Iraq (MEED 24:2:89).

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