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IRAQ

ACHIEVEMENTS, PROBLEMS IN MANUFACTURING REVIEWED

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[Text] Expanding and diversifying the industrial base has been one of the fundamental objectives of economic and social development in Iraq. It became a cornerstone of economic policy since the early 1970s. The Arab Ba'th Socialist Party, an advocate of central planning along socialist lines decisively tipped the weight of state policy in favour of rapid industrial growth, though in the framework of an overall plan that provides for some balance between the various economic sectors. The successive state financed massive investment plans since 1968 were to stimulate besides industry, each of agriculture, capital accumulation in infrastructure, a commensurate growth in the distribution sector, banking, housing and also public services.

The overiding case for ininiating rapid industrial development has been spelled out strongly by both Party and state policy documents.

A basic and compelling rational stems from a rejection of outmoded political doctrines that developing countries were best suited for primary production, that they should go agriculture and import their requirements of manufactures from the industrial world.

Moreover, a very persuasive argument often cited in support of a vigorous industrialization policy underlines the need to restructure the economy to reduce the exessive reliance on petroleum exports. An industrial base capable of generating exports and supplying import substitutes of manufactures is thought here to be imperative if dependence on oil exports were to be curbed.

This economic argument also buttresses the important political objective of strengthening Iraq's independence and reducing economic reliance on the outside world.

As such the 1976-1981 development plan, the second one formulated along the Ba'th vision of development, contained a multitude of principles and objectives relating to industry. These included the achievement of the following acceleration in capital accumulation (investment) in industry to meet part of domestic demand for intermediate and capital goods, fertilizers and other manufacturers; diversificiation of manufactures production, the promotion of exports and introducing new manufacturing industries; maintaining a balanced growth between industry and agriculture with view to strengthen forward and backward links between these two important sectors; and enhancing the public sector's control and direction of industry.

How far actual development effort has gone in the way of achieving these mammoth, ambitious yet important tasks?

What is certain is that Iraq has witnessed since mid-1970s an unprecedented economic boom touching in various degrees all economic sectors and activities. This boom, however, has left deep positive marks on industry as the country entered boldly into new industrial fields such as iron and steel, and engineering and electrical industries.

The impressive performance of industry, especially the manufacturing sector is reflected in statistics released by several official sources including the Central Statistical Organisation.

Output Leaps Forward

Statistics show that manufacturing output rose remarkably fast in the five years since the launch of the 1976-five year plan. The average rate of growth was an astounding 20 percent a year lifting up output from around 858 million dinars in 1976 to 1.763 million dinars in 1980.

This jump is reflected in the quantity index of production. The official index rose from 309.1 in 1978 to 499.3 in 1980.

What is even more interesting is that this momentum was kept up through the 1980s escaping the war impact. The quantity index jumped to 539.3 in 1982 showing an eight percent rise. This confirms press reports that a substantial rise 19.3 percent, in production took place during 1982, which was more than adequate to compensate for the slight dip in output in 1981.

Further scrutiny of available statistics also confirm the all but excellent performance of the manufacturing industries since the mid 1970s. Value added (value of output less value of material inputs, standing for industry's net contribution to gross national product) grew in the five years up to 1980 by around a 20 percent annual rate of growth which is again high by all standards.

More on the Payroll

The growth in production levels was achieved by massive investments in factories and new production lines. But also more people were recruited by the industry to operate the machines and manage the new factories.

On average the workforce employed in the manufacturing industries grew at an annual average rate equal to three percent.

This is a reasonable rate striking a good balance with the growth of the overall national workforce, thus providing ample job opportunities while at the same time creating no excessive demand for labour.

Fast Capital Accumulation

Annual investment, the overwhelming part of which expended by the government, skyrocketed during the 1970s reflecting the vigour and pace at which development policies were being executed.

The figures confirm this: annual fixed capital formation in the manufacturing sector rose from a modest 36.4 million dinars in 1968 to ID.250 million in 1974, to around 470 million in 1980. Investment in 1982 is estimated to have been in the region of ID. 680 million.

Manufacturing industries' share in total national investment in 1979 was not far off 20 percent though its share is thought to have dipped in subsequent years.

The Public Sector Leads All

State and Party avowed policy to create a leading public sector in all economic activities in particularly noticeable in manufacturing industries.

By 1980 almost 75 percent of all manufacturing production of large industrial firms (with more than 10 employees) was turned out by public sector firms. The corresponding figure for all manufacturing output by small and large firms, was just over 50 percent.

There were some 43 large-scale state-owned enterprises in full or with more the 51 percent equity holding were set up. Most of the investment was being placed in public sector and mixed sector firms.

Three out of every four workers at large industrial firms were in fact employed by public or mixed sector firms.

Large Firms Consolidate Their Lead:

The trend of moving gradually towards relatively large-scale production was clear during the latter half of the 1970s.

One indication of this is the rise in the share of the output of large firms in total manufacturing production. This clawed up from 67 percent in 1976 to over 75 percent in 1980.

In 1980 large firms employed around 70 percent of the workforce in the manufacturing sector. The comparable figure in 1976 was around 60 percent.

Food Industry Tops the List

With a 31 percent share in the total value of manufacturing production, the foodstuffs, beverages and tobacco industries in 1981, was the largest among the main manufacturing branches of industry. The food industry with some 50 large public sector firms and many more private sector firms in though to be the biggest employer in the manufacturing sector. Large food manufacturing companies were the employer of about one out of every five workers at large industrial establishments.

Next in line, in 1981, was the chemical and oil producting industry producing some 22 percent of total manufacturing output. Other relatively large and well established industries include the manufacture of metal products, electrical and mechanical equipments, textiles and leather industries, among others.

Difficulties

It would have highly surprising that such strides could have been achieved without creating many snags and difficulties.

Indeed at least two main problems have risen or been spotted in the process and they have been clearly underlined by the Central Report of the Ninth Congress of the Arab Ba'th Socialist Party held in June 1982.

Productivity

The first of these problems is related to productivity levels. As the central report of the Party notes, though productivity levels have been much higher than in the early 1970s, yet they were still short of aspirations.

Several factors have been responsible for this, the main reason being low technical standards and expertise of the industrial workforce, especially at the middle-cadre level. This problem however should be partly solved in the near future as the efforts now being placed on technical education and training starts bearing fruits.

Insufficient Infrastructure

In retrospect, many of the bottlenecks and difficulties had resulted simply because the growth of industrial activities outpaced growth in overhead capital including such basic services as roads, railways, parts, storage capacity, housing and banking services. But again the huge spending on infrastructure since the mid 1970s should considerably ease this problem.

Moreover, the central report of the Party was critical of the tendency of the public sector to venture into small and scattered industrial projects instead of concentrating wholly on large-scale and capital intensive ones. It correctly noted that industrial policy should provide adquate incentives to the private industrial sector to take up investment in small-scale projects to lure private funds away from commercial non-productive ventures into industrial ones.

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