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SYD 3.7 million ($10.8 million) fisheries development contract (MEED 30:5:87).

Work entails drilling and equipping 20 boreholes in Upper Tuban, five in Bir Nasir and three in Bir Ahmad. A DKr 90 million ($11.8 million) credit from Danida, the Danish development agency, is to fund the work (MEED 3:1:87). A contract award could be made in November.

Tenders are also due for other sections of the SYD 15 million ($44 million) project, for which multilateral agencies are putting up finance. The scheme's consultant, ***Sir M MacDonald & Partners,*** expects to submit documents to the ***Public Water Corporation (PWC)*** in July, but it is not known how soon after PWC will invite bids.

This other work entails the supply and installation of mains water pipes, reservoirs and branch pipes. The International Development Association is providing funding of $5.6 million, the Kuwait-based Arab Fund for Economic & Social Development $6.9 million and the Kuwait Fund for Arab Economic Development $8.4 million (MEED 8:11:86).

The scheme's $26 million first phase is close to completion; main contractor is the UK's ***Bovis International*** (MEED 15:2:86).

Highway work goes locally

The local ***Public Corporation for Roads*** has won two contracts, together worth an estimated $21 million, to build a highway linking Wasit with the Wadi Beihan area, in the north. The company — part of the Housing & Building Ministry — was the third-lowest of six bidders for the 127-kilometre, two-lane road.

The exact contract value has not been disclosed by the client, the Housing & Building Ministry. The company bid SYD 4.7 million ($13.7 million) for the 91-kilometre first section and SYD 2.5 million ($7.3 million) for the 36-kilometre second section. It will have to excavate 1.5 million cubic metres of earth and rock for the gravel road. Consultant is ***Kampsax International*** of Denmark.

Low bidder was Lebanese-owned, Athens-based ***Consolidated Contractors Company (CCC),*** which put in bids of SYD 2.9 million ($8.3 million) and SYD 3.1 million ($9.1 million). CCC later reduced its prices by nearly 20 per cent (MEED 29:11:86).

The World Bank and the OPEC Fund for International Development are funding the project.

Congress proposes more Soviet co-operation

The Yemen Socialist Party (YSP) has ended its first congress in nearly two years by promising closer ties with the Soviet Union. Meeting on 20-21 June for the first time since October 1985, the party made cuts to the central committee, one of its key institutions.

The congress was announced in early 1987. Observers had awaited it with interest, anxious to see if it exposed differences in the country's sole political party. The last congress exacerbated the rivalries in the YSP that led to the January 1986 fighting in which former president Mohammad was toppled (MEED 7:3:87, page 4).

This meeting, which was attended by observers from Communist parties in East Germany, Cuba and the Soviet Union, passed peacefully, Aden reports say. The 151 representatives heard a report analysing the causes of the brief civil war, which is now described as the victory of January 1986.

After the conference, YSP secretary-general Ali Salem al-Baith told journalists that Soviet links are to be boosted. "We will work to develop relations with socialist countries, led by the Soviet Union, in political, economic and military fields, and will continue to develop ties with other countries on the basis of non-intervention," he said.

The central committee has been cut to 71 members, from 189, because the country does not require so many, he added. The last congress expanded the central committee, along with the politburo, to incorporate critics of Ali Nasir Mohammad (MEED 2:11:85). No information is available about the composition of the politburo.

Al-Baith called on North Yemen to speed up efforts towards a merger, and described as very limited the progress of the unification talks that began in 1982.

NEWS

YEMEN (SANAA)

Fisheries company set up to expand exports

A fisheries venture has been set up by private-sector interests to revive fish exports. Capitalised at YR 100 million ($10.4 million), ***Yemen Fisheries Company (YFC)*** aims to exploit fish wealth in the Red Sea.

YFC is chaired by Hussein Maswari, a former career soldier who owns a mineral water-bottling company. Other founding shareholders — also prominent local entrepreneurs — include Jazi al-Wan, Alawi al-Attas, Amin Kasim and Ali Othman Sudam. They plan to raise capital locally and to offer 5 per cent of the authorised capital to local fishermen.

This has been done to provide incentives lacking in South Yemen, which is also trying to expand industrial fishing, local observers say (MEED 11:4:87, Yemen — Aden). Industry observers confirm that the co-operative structure of Aden's fishing industry has failed to encourage small-scale fishermen to increase the size of their catch.

YFC, the first company of its kind in the fisheries sector, is said to have strong backing from President Saleh. It is not known whether the government plans to take a stake in the firm.

The industry is considered to be suitable for development because the country's territorial waters are known to have potential for commercial fishing. Apart from 1980, when sales were exceptional, fish exports have averaged less than YR 50 million ($5.2 million) a year, central bank figures show.

IN BRIEF

- The US' ***Sofec*** has a contract to design and build a turret mooring system for the 400,000-dwt crude carrier Safar. The vessel is being refitted for use as a storage tanker when oil exports start in late 1987. The contract was let by ***Yemen Exploration & Production Company (Yepco)***; its value has not been disclosed (MEED 7:3:87).

MEED

ECONOMIC BRIEFING

Iraq's prospects lift

IRAQ appears to have beaten off Iran's determined offensives of early 1987. However, heavy losses of military equipment — 10 per cent of the airforce was reported downed — will exacerbate the financial burden imposed by the war. Economic prospects will be helped by the firmer oil price, and government efforts to reform and enhance the performance of industry and agriculture. Oil production and exports will be kept as high as possible.

Growth The economy has recovered slowly from the 1981-82 slump caused by the war — growth peaked in 1980, official figures show. Between 1981-84, there was a 4.4 per cent annual rate of increase in national income, 6.7 per cent in gross domestic product (GDP) and 1.1 per cent in per capita income, the Central Statistical Organisation reports. Improved performances by industry and agriculture are expected in 1987, following structural reforms aimed at reducing delays caused by red tape, and expanding production.

Oil production and exports Oil production has reached more than 2 million barrels

Iraq: estimated crude oil production and exports, 1980-88
(million b/d)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Production	2.60	0.90	1.00	1.10	1.20	1.43	1.68	2.00	2.4
Exports	2.40	0.70	0.80	0.90	0.95	0.97	1.44	1.67	2.0

Source: MEED

Iraq: balance of payments, 1980-87[1]
($ million)

	1980	1981	1982	1983	1984	1985	1986[2]	1987[2]
Exports, of which:	25,608	10,259	10,081	9,731	11,442	10,579	6,765	10,900
Oil	25,469	10,121	9,942	9,596	11,180	10,285	6,465	10,550
Imports	12,239	18,202	19,110	10,902	9,926	9,460	8,000	8,000-9,000
Divided Zone sales	–	4,000	4,000	3,175	3,175	2,901	1,315	1,860
Trade balance	**+13,369**	**−7,943**	**−9,029**	**−1,171**	**+1,516**	**+1,119**	**−1,500**	**+1,000**

Notes:
[1] Export figures exclude income from Divided Zone sales; import figures exclude military spending
[2] MEED estimates

Source: IMF, International Financial Statistics

a day (b/d). Of this, an average 950,000 b/d flows through the Turkish export pipeline, up to 500,000 b/d through IPSA 1 — the pipeline across Saudi Arabia to the Red Sea port of Yanbu — and 150,000-200,000 b/d is trucked to Jordan and Turkey. Domestic consumption is approaching 300,000 b/d, following the commissioning of the Baiji lube oil refinery. Around 70,000 tonnes of lube oil will be available for export in 1987.

New Oil Minister Issam Abdel-Rahim al-Chalabi has been instructed by President Saddam Hussain to increase output of crude oil and products, and expand refining capacity. When the second Turkish pipeline starts up — probably in September — export capacity through Turkey will reach 1.5 million b/d; in October-December, crude production is projected to reach 2.4 million-2.5 million b/d. This is well above Iraq's OPEC quota, but the government maintains it will not accept a quota below Iran's 2.25 million b/d.

Al-Chalabi is also keen to award the contract to build IPSA 2, which aims to increase export capacity across Saudi Arabia by more than 1 million b/d. If work starts in 1987, total oil export capacity by pipeline will climb to more than 3 million b/d by the beginning of 1990.

This pipeline built to export up to 400 million cubic feet of gas a day to Kuwait has been completed, but is pumping at less than capacity, according to Kuwaiti requirements. A planned third oil export line will serve Turkey's Batman refinery.

Balance of payments Oil revenues plunged to an estimated $6,500 million in 1986, because of the fall in the oil price and the value of the dollar. As a result, the balance of payments deficit is believed to have risen; imports are estimated at about $8,000 million.

A substantial improvement is expected in 1987, assuming the oil price remains firm. At an average $17 a barrel, crude exports could net $10,500 million; total revenues would reach more than $12,000 million, including income from Divided Zone sales made on Iraq's behalf by Kuwait and Saudi Arabia.

Non-oil exports are also expected to rise. In addition, income will come from gas sales to Kuwait.

Against this, the government must find about $17,000 million to finance its requirements in 1987. This includes $8,000 million-9,000 million in import spending, up to $7,000 million in military expenditure and $2,000 million-3,000 million in debt servicing.

Debt Total debt is $50,000 million-plus. The central bank tends to dismiss between $25,000 million-30,000 million as "gifts" from fellow Arab countries. This leaves up to $20,000 million in commercial debt, of which about $15,000 million is long-term, and project-related. More than half is owed to Japan, Italy, France and West Germany; Turkey is owed an estimated $1,000 million. The bulk of the short-term debt is also owed to these countries. Much has accrued since March 1986, when Rafidain Bank halted letter of credit (LC) payments. The bank has since been trying to reschedule these repayments over three years. Repayment of much of the long-term debt falls due between 1988-92.

In September 1986, Rafidain was unable to meet the fourth $71.4 million instalment due on the $500 million Euroloan raised in 1983. In March 1987, the participant banks agreed to reschedule this and the remaining three instalments.

Outlook Assuming the oil price remains firm, 1987 may prove a more satisfactory year for the economy. There are signs that more money is available, with reports that the central bank has been ordered to set up a special hard currency account, to finance raw materials imports for priority cases. These are likely to include the industrial and agricultural sectors, and projects intended mainly for import substitution or export. Priority imports remain those related to the war effort, basic food, pharmaceuticals, spare parts and raw materials. Payments are being made, but with no discernible pattern or priority, reports say.

UK and Austrian lines of credit for pharmaceuticals, and limited amounts for goods and services, have yet to be exhausted. Some Eastern Bloc countries have made credit available, and Brazil buys Iraqi oil to fund its exports. Greater use is being made of the US credit line to buy more agricultural produce.

IPSA 2 remains the priority project, to which all other schemes are likely to be subordinated. The only country offering significant credit to fund large-scale project work is the Soviet Union, which may benefit from pipeline and power contracts.