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PROPOSALS FOR THE CONTINUATION OF UNITED NATIONS ASSISTANCE TO
PALESTINE REFUGEES

Document submitted by the Secretary-General

INTRODUCTION

At the thirteenth session of the General Assembly, in the course of its consideration of the annual report of the Director of the United Nations Relief and Works Agency (UNRWA), I undertook to make such proposals for the continuation of United Nations assistance to Palestine refugees as I might consider helpful or necessary to put forward to the General Assembly. It was understood that in the preparation of such proposals I would look into the technical operations of UNRWA, whose present mandate is due to expire on 30 June 1960.

After a careful examination of the problem of the Palestine refugees in its various aspects, I recommend the continuation of UNRWA pending, as expressed by the General Assembly, the "reintegration of the refugees into the economic life of the Near East, either by repatriation or resettlement...". At present, this is envisaged in the other relevant General Assembly resolution as resulting from the choice of the refugees themselves.

I base my recommendation on an examination of the three predominant factors in the refugee problem - psychological, political and economic - which follows as part I. Part II contains recommendations for certain arrangements which would constitute improvements in the continued work of UNRWA. In keeping with my undertaking to the General Assembly, this report is limited to the question of United Nations assistance to the refugees; thus, no proposals for a solution of the Palestine problem as a whole, nor for the refugee problem as such, are set out in this paper. However, a development along the lines herein discussed might facilitate steps toward a resolution of such problems with justice and equity for all concerned.

PART I
GENERAL ANALYSIS

1. Previous resolutions of the General Assembly on the subject of the Palestine refugees, the recent annual reports of the Director of UNRWA and relevant debates in the General Assembly reflect the predominant factors in the refugee problem. As generally recognized, these are psychological, political and economic in nature. An understanding of the problem is easier if the different aspects are considered separately first. I shall begin with a consideration of the economic aspect because this establishes a framework within which the political and psychological aspects can be viewed more constructively.
2. Viewed from the economic angle, the reintegration of close to one million Palestine refugees into the productive life of the Near East presents problems similar to those faced in all cases of reintegration into economic life of a largely unemployed population. This will be true wherever and however the reintegration takes place in the Near East. We can, therefore, concentrate our attention for the moment on an economic analysis, dealing with the area as a whole.
3. As complete an analysis as available information permits, together with the supporting statistical data, is annexed hereto. It reviews key economic indicators and projections with regard to all of the countries concerned in the Near East and for the area as an economic unit, primarily for the ten-year period 1960-1970.
4. As it appears from these statistics, the national income per capita in all the Arab countries remains very low, although the rate of increase of the national income now in some cases is fairly high. At income levels like these, it is not to be anticipated that reintegration of a refugee population, over and above the absorption of the natural population increase, could be brought about if it had to be accompanied by a lowering of the income per capita. If this did happen, the result might well be a fall in the rate of capital formation, thus hampering still further an increase of income.

5. In these circumstances, it is realistic to assume that the reintegration of the refugees in the Near East would have to run parallel to an increase in the national income at least proportional to the number reintegrated. That, in turn, would require that the added population can be productively employed with at least capital equipment equivalent to the one available to those already in productive life. The conclusion is that the reintegration must go hand in hand with such a new capital formation. If the reintegration, in practice, would have to be co-ordinated with some increase of the per capita income - which seems to be, if not necessary, at least highly desirable - the increase in national income and in capital formation would, of course, have to be more than equivalent to the addition to the population.

6. Given the present economic situation in the area, we can, in general terms, state that the reintegration of the refugees through normal economic processes into the productive life will, for the immediate future at least, require capital imports sufficient to render possible an increase in national income and capital formation preferably more than proportional, but at least proportional to the increase in population. From an economic viewpoint, such capital imports would represent sound investment in an area with great potentialities and great needs for a more diversified production. In the long run, with increasing revenues from oil in some parts of the region, the emphasis would switch from capital imports to investment of surpluses in the areas where reintegration takes place.

7. The capital formation will to a large extent have to take the form of agricultural and industrial investments. The agricultural investments would have to take place in semi-arid areas of low natural productivity, which probably would require fairly great amounts in order to be put into satisfactory production. The Israel experience of the capital needed per head of the population for such a development of investments is in this context of interest. I refer to the annex regarding these and other relevant data.

8. An additional factor that has to be taken into account is that it is likely that agriculture, in order to remain competitive, will have to be highly mechanized, which, in turn, will render necessary the opening up of new areas of production, with ensuing investment, in order to absorb the agricultural population set free in the process of mechanization.

9. The population increases foreseen in the area are considerable. On the other hand, the natural resources of part of the region may in the years ahead yield considerably increased income in foreign exchange. Thus, and quite apart from the refugee problem, a significant degree of general economic development for the area as a whole will be required and possible. In general, the region can be seen as economically viable in the long run provided there is a fair degree of mobility of capital or labour, or both, among at least some of its parts. This will be encouraged if the area can begin soon economic development of appropriate scope, thereby providing attractive investment opportunities for a significant portion of such surplus capital as may become available from its natural resources.

10. Viewed from an economic angle, the reintegration of the Palestine refugees into productive life, although it must be considered as a fairly long process, is perfectly within reach provided that the area can be developed through sufficient capital formation; the recent acceleration in the rate of progress and the great natural resources are encouraging elements. However, capital imports would probably have to be considerable, if it is found desirable that reintegration be furthered without considerable delays.

11. Viewed in the perspective of what has been said, the unemployed population represented by the Palestinian refugees should be regarded not as a liability but, more justly, as an asset for the future; it is a reservoir of manpower which in the desirable general economic development will assist in the creation of higher standards for the whole population of the area. It follows that, irrespective of the fact that humanitarian reasons would urgently call for continued assistance to the refugees, such assistance is strongly indicated as a sound part of any programme of economic development for the area.

12. In the light of these considerations, and disregarding for the moment both political and psychological factors as well as the humanitarian aspects of the problem, I strongly and unreservedly recommend the continuance of the United Nations activities in support of the refugees, for all the time and to all the extent necessary, pending the reintegration of the refugee population into the productive life of the area for which there are economic reasons to hope in connexion with its general development. This will require the prior, or at least concurrent, resolution of political and psychological problems, to which the discussion can now turn.

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13. There is the question of where the integration of the refugee population can or should come about. Short of further and intense studies it is impossible to say where that could best be achieved from an economic viewpoint. The absence of these studies, however, should not delay the general development to which reference has just been made. This can and should proceed on the basis of information already available. There is no immediate danger of over-development in any particular part of the area.

14. The question of where integration should be sought has, as is well known, an important political aspect. In resolution 194 (III) the General Assembly:

"11. Resolves that the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible."

The stand thus taken by the General Assembly would involve integration of refugees into the productive life of Israel as well as of the Arab countries in accordance with the choice of the refugees themselves. This stand has been consistently maintained by the Arab Governments concerned. However, Israel, stressing that the resolution relates to "refugees wishing ... to live at peace with their neighbours ...", has limited itself to offering, with conditions, a form of compensation to former landowners in the country and does not exclude an extension of the uniting of families scheme under which former Arab residents have already come back to Israel territory.

15. The economic development which has been presented here as necessary to an integration of the refugees requires that we overcome various political difficulties which now hamper progress in the desirable direction. One of them is the Palestine problem in its various aspects; another one the problem of inter-Arab relationships; a third one the problem of an Arab economic co-operation so framed as to render possible the exploitation of the natural resources of the area to the full benefit of all the countries in the area. In the two last aspects mentioned, important progress has been registered. Attention may be drawn especially to the decision of the Economic Council of the Arab League to implement a previous decision regarding an Arab development fund and to establish a preparatory council for Arab economic unity. However, fairly complete mobility of capital within

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the area can only be regarded as a long-range objective - not an immediate possibility. Regarding the Palestine problem no progress towards a solution is now in view.

16. While, under prevailing conditions, there is nothing to prevent internal economic development in each of the countries from proceeding to the extent possible, at least a gradual approach to the solution of the political problems mentioned above is a condition for that degree of development, on a regional or on a national basis, which is attainable and highly desirable in view of the unsatisfactory level of income in the area. In these circumstances, it is not adequate to direct attention primarily to the relationship which exists between these political problems and the question of the refugees. In fact, a solution of those political problems should be sought, inter alia, in order to create conditions for a sound general economic development in the area, irrespective of its significance for the reintegration of the refugees. If the problems are solved sufficiently well to provide for such conditions, the proper political setting would probably ipso facto be created also for a solution of the refugee problem in its political aspects.

17. Although the refugee problem may, usefully, in the first instance be studied in economic and political terms, it is basically a human problem. No reintegration would be satisfactory, or even possible, were it to be brought about by forcing people into their new positions against their will. It must be freely accepted, if it is to yield lasting results in the form of economic and political stability. The views now voiced by spokesmen of refugees would seem to indicate that the refugees would not voluntarily accept integration into the productive life unless they have been given freedom of choice in accordance with the United Nations decision - or in some other acceptable way - as they now regard such freedom as the means through which the wrong that they consider themselves to have suffered could be put right and their individual self-respect safeguarded. However, it should be noted that a de facto economic integration - that is, an integration which does not result from a choice in accordance with the resolution - would not prejudice any rights established by the resolution. In view of this serious psychological problem it is to be hoped that in the course of the lengthy process which must be anticipated in the economic sphere, ways will be found to bring about a mutually satisfactory adjustment of stands and reactions on all sides which would resolve these psychological difficulties by the time when integration of most of the refugees becomes an economic possibility.

18. It follows from the preceding argument that my previous recommendation for the continuance of the work of UNRWA is not conditioned by political considerations although such considerations may lend added strength to the economic reasons on which I base my recommendation. The perspective is not a discouraging one, provided that the world is willing to assist the region in its economic development and provided, further, that, step by step and as economic conditions permit, progress regarding the political and psychological obstacles is sought in a constructive spirit and with a sense of justice and realism.

19. Just as I support the continuance of UNRWA pending progress in the economic field, I recommend, after a careful study of the technical operation of UNRWA, certain arrangements which seem to me to be indicated as essential improvements in the continued work of the Agency. In part II of this paper, I will turn to those improvements, the main significance of which is that the UNRWA operation should be so conducted as to be in harmony with the general view of the refugee problem which I have set out above.

PART II

Technical considerations

1. The technical matters to which I would invite the General Assembly's attention fall under four main headings: who is to receive assistance; how should this be administered; of what should it consist; and the status of the administering authority - UNRWA.

(a) Recipients of assistance

2. The annual reports of the Directors of UNRWA^{1/} have made frequent references to a problem under this heading which has given serious and continuing concern. I refer to the facts that (a) there are at present a considerable number of persons who receive assistance from UNRWA to which they are not now entitled, and (b) there is an approximately equivalent number of persons who are entitled to assistance but who cannot be given it because of limited funds. In the first category are mainly those who receive assistance on behalf of the unreported dead, those who are fraudulently registered as refugees, and those who are now earning incomes sufficient for self-support; in the latter category are mainly certain children and some persons who have lost a previous source of income and become in need. According to the best estimates available, the numbers in the two categories are, as indicated, approximately equal and there is therefore no question, for the present at least, of misuse of internationally contributed funds. Moreover, from a purely economic point of view, the only

1/ Reports of the Director of UNRWA and special reports of the Director and Advisory Commission to the General Assembly:

Official Records of the General Assembly, Fifth Session, Supplement No. 19;

Ibid., Sixth Session, Supplements Nos. 16 and 16A;

Ibid., Seventh Session, Supplements Nos. 13 and 13A;

Ibid., Eighth Session, Supplements Nos. 12 and 12A;

Ibid., Ninth Session, Supplements Nos. 17 and 17A;

Ibid., Tenth Session, Supplements Nos. 15, 15A and 15B;

Ibid., Eleventh Session, Supplements Nos. 14 and 14A;

Ibid., Twelfth Session, Supplement No. 14;

Ibid., Thirteenth Session, Supplement No. 14.

relevant question is need, and on this basis, it is clear that most of those who receive assistance, with the exception of those with steady incomes, do need it.

3. What must be of concern to an agency of the United Nations, however, is the equity with which available assistance is distributed. If UNRWA were to be terminated at the end of its present mandate in 1960, matters could be allowed to stand as they are; but the indefinite continuation of UNRWA makes it necessary and desirable, particularly from the point of view of the refugees themselves, that the position be regularized.

4. This should consist in the application in full of what UNRWA has in fact endeavoured to do over the past several years, but with only partial success. It should be recalled at this point that UNRWA's working definition of a person eligible for its services is someone who lived for two years prior to the outbreak of the conflict in 1948 in that part of what was then Palestine and has become the State of Israel, and who lost both his home and his means of livelihood as a result of that conflict and is in need of assistance. This definition is not contained in any resolution of the General Assembly but has been stated in Annual Reports of the Director and tacitly approved by the Assembly. It has in fact two parts: The first concerns the status of a person as a bona fide refugee, and this of course does not change; the second has to do with a refugee's economic position or need for assistance, which can change from day to day. This distinction provides the key to a system of administration satisfactory to all concerned.

5. What is specifically required is a rectification of the present rolls on the basis of the first part of the definition, that is, the deletion from the rolls of those who are ineligible or those who are no longer eligible (the fraudulently registered and the undeclared dead) and the addition thereto of those who are eligible (mainly the children and adults not previously registered). Since births have exceeded deaths over the past several years, this process cannot help but result in an increase in the ration rolls. Thereafter, arrangements must be in effect for keeping the rolls current. It will be essential to have the full co-operation of the host Governments and the refugees on the one hand and, on the other, assurances by the contributing countries that UNRWA has sufficient funds.

6. The application of the second part of the definition - the determination of need - is and ought to remain an entirely distinct process administratively. The fact that this is a problem at all, that is, that there is a fairly significant number of refugees receiving assistance which they do not need, is ample evidence of the willingness and the desire of the refugee to work and become self-supporting whenever he can. What is important, particularly in terms of the analysis in part I, is that the refugee be encouraged to take advantage of economic opportunity when it occurs, and for this purpose he must have the assurance that he can again claim assistance if and when he needs it within a reasonable period. It must be recalled at this juncture that in the present state of economic development throughout most of the Near East, the kind of economic opportunity that is available to any unemployed population is to a very large extent casual or seasonal or, if of a longer term nature, often subject to sudden change. Moreover, wages offered to a refugee are usually based on the assumption that he will continue to receive assistance from UNRWA. All of this means that income is often precarious, and considerable flexibility of administration is consequently essential.

7. UNRWA has developed the technical means for handling this matter through what it calls the graduated income scale. Such scales have been worked out appropriate to the level of income and cost of living in each of the host countries. They are so designed that assistance is withdrawn progressively as income rises and, as an incentive, the amount of additional income which brings with it a reduction in the particular service is always greater than the value to the refugee of that particular service on the open market. Again, the full co-operation of the host Governments and the refugees will be required and sufficient funds must be assured so that UNRWA can employ the scales with the necessary flexibility.

8. Although not strictly speaking within the terms of reference of the present study, I cannot let this occasion pass without referring to certain groups of persons who are excluded by a technicality from the receipt of assistance from UNRWA, i.e., those who have lost their means of livelihood but not their homes, under UNRWA's definition. They have been variously called "economic refugees" or, in UNRWA's more technical language, "other claimants for relief". A full report

was prepared by the Director of UNRWA and submitted to the General Assembly in 1955.^{2/} These persons include particularly the frontier villagers in Jordan, certain of the Bedouin and the Gaza poor, that is, mainly persons who still have their homes, but whose means of livelihood have been lost or greatly affected. The stand of the General Assembly is understood to be that UNRWA should not give these people assistance. There is, however, no doubt that many of them are in greater need now than some of the refugees in UNRWA's care. In simple humanity, something should be done for them.

(b) Administration of assistance

9. There are, in logic, two ways whereby assistance from the United Nations can be administered: by the Governments of the countries in which the refugees live (on the basis of a financial subsidy), or by an organ of the United Nations itself. The latter alternative also offers two choices, at least theoretically: to continue UNRWA or to create a new organization to take its place. UNRWA has the experienced personnel, has demonstrated its efficiency and has gained the confidence of the refugees and the host Governments in its integrity. There would seem to be no reason to change and every reason to retain the organization as such. There are, therefore and in fact, only two alternatives: administration by the host Governments or by UNRWA.

10. Heretofore, because of the underlying philosophy of short-term assistance, the question of whether UNRWA should administer all or any part of the assistance was hopelessly entangled in political considerations. The establishment of the principle of long-term assistance to the refugees removes all grounds for consideration of the matter from a political angle; the way is clear for an examination of the question on purely technical grounds but in the broadest sense, i.e., what is the most efficient and effective way of providing assistance, taking into account the interests of all concerned. It is also possible to see the problem as not entirely one of hard and fast distinctions between administration by UNRWA or by host Governments, but to envisage an acceleration of a trend toward methods which already exist of a sharing in the administration between UNRWA and the host Governments.

^{2/} Official Records of the General Assembly, Tenth Session Supplement No. 15A.

11. From this point of view, it seems clear that for the present UNRWA should continue to have at least primary administrative responsibility for the food programme, the construction, maintenance and sanitation of camps, and the health programme. This is because of the technical skills and/or the degree of administrative centralization required for efficient operation. UNRWA should also continue for the present to have primary administrative responsibility in that part of the self-support field requiring special technical skills not yet available in sufficient quantity in the area, such as vocational training and the economic analysis which provides the basis for installation grants and the like.

12. Primary administrative responsibility for the programme of general education, however, could with advantage to all concerned be assumed by the host Governments. There is relatively little in the way of centralized management required since the present programme has been carefully geared to the curricula and standards of host countries. The transfer and subsequent integration of staff (to the extent the host countries, as the new employers, wished) along with buildings and equipment into the host countries' present systems would be a relatively simple matter administratively since a considerable amount of integration has already taken place, and the host countries are already making a substantial financial contribution which has never been adequately acknowledged. Arrangements would, of course, have to be made whereby UNRWA contributed an annual subsidy on the basis of appropriate assurances as to the accountability of funds. The United Nations Educational, Scientific and Cultural Organization could be counted on to continue its present practice of providing technical guidance.

(c) Types of Assistance - programmes of self-support

13. It is customary to describe UNRWA's programmes under two headings: relief, including general education; and rehabilitation or self-support, including especially vocational training and individual grants.

14. In recommending the indefinite continuation of assistance by the United Nations, I had in mind the continuation of the relief programme at at least the same standards that now prevail. If these could be raised there would be a net

gain for all concerned. UNRWA's efficiency in the use of funds provided is already well known; less fully appreciated perhaps is the extent to which many refugees augment assistance by their own efforts but still live at the edge of subsistence. Nor, I believe, is it at all appreciated the extent to which the UNRWA type relief operation can in fact be regarded as a form of much needed technical assistance for the area as a whole. For example, the health programme not only cares for the individual refugee, it also introduces new standards and concepts of such care for the refugee population as a whole; hut construction meets a current and obvious need; it also provides training in construction and in community development; even the administration, involving some 10,000 refugees in all, including doctors, nurses and teachers, can be regarded as a training programme for persons in the skills just mentioned as well as in civil administration. I do not wish to push this point too far, but it is worth mentioning in relation to an operation which is all too often viewed pessimistically because it is called relief. More correctly, it finds its place in the broader context of general economic assistance discussed in part I.

15. The second part of UNRWA's programme has, of course, an even more direct role to play in this economic development. In paragraph 11 of part I, it was shown that the Palestine refugees can and should be regarded as an asset for the future. This will be true in proportion to the extent that the refugees have been adequately trained and equipped to take advantage of the economic opportunities that emerge.

16. UNRWA's specific experience is in harmony with the foregoing generalization. Because there has not been a satisfaction of the political and psychological aspects of the problem, the refugees have refused to participate as a group in large-scale projects designed specifically for them since they feel this would mean giving up rights. Nor was it ever realistic to have assumed that they could or should be the exclusive beneficiaries of such projects at the expense of the indigenous population. The refugees do, however, welcome opportunities to become self-supporting as individuals. To this end, they can be helped by UNRWA through its programmes of vocational and agricultural training for young people and individual financial grants for adults in order to take advantage of

economic opportunities they have found on their own initiative. UNRWA has already developed the skill for carrying out and expanding these programmes. It is to be hoped that similar but more varied programmes might also become feasible in the future. Thus far the obstacle to the expansion of the training and grants programmes has been mainly financial; UNRWA has been able in the past two years to collect barely enough money to maintain its relief and education programmes. It is accordingly absolutely essential that it receive sufficient funds over and above these in order to implement a programme of self-support of appropriate scope.

(d) Agreements with host Governments

17. It will be appropriate - if UNRWA is to continue as recommended here - for all of the present agreements with the host Governments to be reviewed and revised or renegotiated to the extent necessary. UNRWA, which is a subsidiary organ of the United Nations and an agent of the General Assembly, in accordance with the stand of the General Assembly, must have an appropriate status and be provided with the facilities, including non-interference in matters of internal administration, to ensure maximum efficiency in operation and in the use of internationally contributed funds. It is my conviction that this can be achieved without the scale of UNRWA's operations posing problems to the host countries touching on their national sovereignty. In this context, the United Nations Charter and the Convention on Privileges and Immunities will, of course, be the basic instruments.

ANNEX

Economic dimensions of the problem of the Palestine refugees

1. A first essential step in a broad consideration of the problem of the Palestine refugees is to determine its economic dimensions. This can only be done against the background of the recent rate of economic growth of the area and of its potentialities for further growth. If for the purpose of this first step we were to regard the refugees as representing a largely unemployed population not integrated into the surrounding economy, we could determine what, in purely economic terms, the reintegration of an unemployed population of this magnitude would involve. More specifically, what is attempted here is to obtain an approximate measure of the amount of capital investment which this process would require and, in particular, the amount of external capital needed, under the general condition that present rates of economic growth of the area should at least be maintained and if possible accelerated. The analysis does not go beyond this stage and therefore does not enter into any discussion of lines of action. Nor does it take any account of the political and psychological aspects of the problem which must, of course, be given their due weight in any final analysis. It merely attempts to establish what in any given circumstances would be minimum economic requirements for a solution of the problem.
2. Per capita incomes in the area remain low and therefore, if we are to be realistic in appraising these minimum requirements, we must take it as a condition that the reintegration should be accomplished without any lowering of per capita income. This means that national incomes in the area would have to grow at least fast enough to compensate both for the natural increase in the population and for the reintegration of the refugees. If this result were to be achieved only at the expense of a fall in per capita income, the rate of capital formation would also be expected to decline, thus hampering still further the increase in income.
3. Thus, the reintegration of the refugees into the economic life of the Middle East requires an increase in national income at least proportional to the number

reintegrated. Actually, it is highly desirable that national income should grow at a greater rate than this in order that the relatively low per capita incomes should also be able to grow. To achieve such a result, any addition to the labour force must be supplied the necessary means of production in the form of capital equipment and land, over and above what is necessary to maintain the existing stock, so that national income would grow more than in proportion to the added population.

4. In recent years, some economic growth has been experienced throughout the area. Statistics indicating the extent and nature of this growth are available. It will be sufficient here to recapitulate the salient points. Since 1950, gross national product has increased markedly in all countries of the area for which data are available - the increases being greatest in Iraq, Israel and Syria. On a per capita basis, income has risen less rapidly because of population growth.

5. The two major factors influencing the rate of economic growth are the level of capital formation and the increase in the population. Population has been growing throughout the area by natural increase at a rapid rate of from 2 to 3 per cent per annum, and in Israel also by large-scale immigration. Gross capital formation has also been increasing throughout the area and has been at a high level in some parts of it. Expressed as a percentage of gross national product, gross capital formation has varied considerably in different countries of the area. It has been lowest in Egypt, varying from 10 to 16 per cent, and highest in Iraq where in 1956 it had risen to nearly 27 per cent, and in Israel where it has fluctuated around 26 per cent in the years 1953-56, after having reached the exceptionally high level of nearly 42 per cent in 1950. Since in all the countries of the area for which data are available there has been in recent years an increase in per capita incomes (slight in the case of Egypt, but significant in Lebanon, Iraq, Israel and Syria), gross capital formation has been large enough both to provide for the maintenance of the existing stock of capital and to add sufficient new equipment to employ productively a growing labour force.

6. The capital which has been necessary to bring about the results described above has been derived from a variety of sources and no single generalization

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applicable to all countries in the area can be made on this subject. Taken as a whole, the area has been a net importer of capital. However, only Israel and Jordan are dependent on foreign sources for a major part of their capital, and in both countries direct foreign aid represents a major part of the capital inflow. Between 1950 and 1958 Israel received about \$2,400 million in this way, \$1,000 million being accounted for by official United States financing and by German reparations, and the remainder by donations and loans provided largely through Jewish organizations in the United States and elsewhere. Jordan, during the same period, received some \$200 million in official United States and United Kingdom aid. Lebanon also depends on external sources of capital largely in the form of a sustained flow of immigrant remittances without which domestic saving would fall considerably short of investment. Capital imports into the United Arab Republic have been relatively small; thus, Syria has financed most of its investment from domestic savings, and Egypt has been able to live very largely on its own means with the help of previously accumulated sterling balances. With the possible exception of Saudi Arabia, the major oil-producing countries have had a surplus of capital over and above their own needs and opportunities for investment; Iraq, though involved in considerable development plans, has not until recently been able to invest the whole of its income in productive projects; because of lack of local investment opportunities, the oil-producing sheikdoms of the Persian Gulf, foremost among which is Kuwait, have been accumulating substantial capital surpluses.

7. In the light of the facts described above, it is possible to assess more precisely the economic dimensions of the problem of the reintegration into the economic life of the area of approximately one million additional people. To do this it is necessary to make some fairly simple projections into the immediate future of trends in population growth, national income and other significant economic magnitudes. It should be emphasized that this appraisal is not a forecast of what will happen, but a projection, on what appear to be the most reasonable assumptions, of certain significant trends. By this means the economic order of magnitude of the problem, and therefore of the steps needed to overcome it, are established in as rational a manner as is possible.

8. The essential conclusions of this study can be stated in fairly simple terms, though the calculations and procedures by which they have been reached have been complicated and laborious. However, a brief account may be given here of the procedures employed in arriving at the conclusions set out in the following paragraphs.

9. Using the year 1955 as a base year, the growth of the population and labour force was projected for each country to 1970. On the basis of the estimated results for the years 1950-1956 and other considerations, gross national product was then projected for each country. Gross and net domestic savings were projected for the same period. Estimates were made for each country of the amount of new investment needed to employ an additional worker, and this figure, together with the estimated increase in the labour force, provided the basis for an estimate of total investment needed to employ the additional labour force and achieve a modest increase of per capita income. Taking into account both domestic savings and the expected inflow of private foreign capital and outstanding foreign official financial commitments, and comparing the result with the total investment required to absorb the labour force at an accelerated rate of development, an estimate was reached of the additional foreign investment needed. The Palestine refugees were then taken into account by considering those among them of working age as an additional labour force to be reintegrated into the economy, necessitating an additional investment the size of which could be simply calculated on this established basis. In order to arrive at more realistic quantities, the figures were also broken down into five-year periods.

10. Put in the simplest and most general terms, the analysis indicates that for the area as a whole the labour force, exclusive of the Palestine refugees, may be expected to increase by 5.6 million between 1960 and 1970. For this increase in the labour force to be absorbed into productive employment so that per capita incomes will continue to increase at a modest rate will require over the period new net investment from all sources of approximately \$12,000 million.

11. The funds necessary to finance such investment may be considered as coming from two major sources: domestic savings and various flows to the area from outside. Total availability of capital, however, varies substantially from country to country. Some countries of the area are capital-deficit countries even excluding any investment for the reintegration of refugees; others, the

major oil-producing countries, are capital-surplus countries because of the revenues arising from an expected increase in oil production. The capital-deficit countries are those of greatest population concentration and include those in which the refugees are situated. Their dependence on outside capital to finance part of their development, in order to achieve a modest rate of increase in per capita income, is likely to increase. Both provinces of the United Arab Republic, which in recent years have been able very largely to finance their own development, will no longer be able to do so and will have to rely increasingly on outside capital to finance the employment of their growing labour force. Lebanon may also be expected to look to outside sources for some of its development. Jordan, as in the past, will have to rely on foreign aid for almost the full amount of its investment. Israel, especially in view of its officially estimated further inflow of immigration, will stand in need of capital imports on a large scale as in the past.

12. In contrast, oil income in the oil-producing countries is expected to increase substantially during the period under consideration. This is especially true in the latter period of the 1960-1970 decade. Iraq, which since 1952 has been self-sufficient for capital needs, will probably become a capital-surplus country; so will Saudi Arabia, though to a lesser extent; Kuwait, along with the other oil-producing sheikdoms of the Persian Gulf, will experience a vast increase in the size of its present capital surplus. Depending on whether the lower or the higher oil-revenue estimates are utilized, the over-all surplus is expected to be in the order of magnitude of \$5,300 million or \$8,200 million, respectively, in the period 1960-1970.

13. Considering for the moment the area as a whole, and assuming perfect intra-regional mobility of capital, total availability of investment resources in the area would depend on the selection of oil-revenue estimates. If the lower estimates are used, gross savings of the area would be \$17,600 million. Of this quantity some \$5,400 million would be required to make good depreciation of capital so that about \$12,200 million would be available for new net investment. Adding to this the flow of foreign capital estimated at \$1,850 million, we have a total net availability of capital in the area as a whole of approximately \$14,000 million. This leaves a net surplus of \$2,000 million. If, however, the higher oil-revenue estimates are used, the net surplus of capital in the area becomes \$5,000 million. It is to be noted, however, that the availability

of capital surpluses shown above represents a highly favourable and therefore an extreme view. The other extreme is that oil-revenue surpluses do not become available for investment in the capital-deficit countries of the area. Under this alternative assumption, and in order to achieve modest increases in per capita incomes, the capital-deficit countries of the area will need approximately \$3,000 million in the period 1960-1970.

14. It is useful to remember that the Middle Eastern countries included in this study fall, mainly from an economic point of view, into three groups: the oil-producing Arab countries, the non-oil-producing Arab countries, and Israel. Our analysis shows that, for Israel to provide employment opportunities for the increase in the labour force (inclusive of official estimates for immigration) in the period 1960-1970, it will need a total capital investment of approximately \$2,000 million. Out of this quantity, a foreign capital inflow already assured is expected to meet about one half, leaving a deficit close to one billion dollars which, for the purposes of this analysis, it is assumed would be obtained by Israel, as in the past, from sources outside the area. Thus, the \$3,000 million capital deficit referred to in paragraph 13 above, exclusive of Israel, become \$2,100 million.

15. If, for the sake of clarification, we now concentrate on the non-oil-producing Arab countries (United Arab Republic, Lebanon and Jordan), we discover that in the period 1960-1970 they are expected to save close to \$6,800 million, \$3,100 million of which would be needed to maintain the capital stock. This means a total net savings of approximately \$3,700 million. To this we should add a sum of about \$700 million, which represents expected receipts from foreign sources, giving a total of investment funds of approximately \$4,400 million. For these countries to create employment opportunities for all the natural increase in the labour force and to ensure slightly better living conditions for the people, they will need additional investment resources in the magnitude of \$2,100 million.

16. The sum of \$2,100 million should be regarded as a minimum in that it is based on the assumption of modest increases in income. In all these countries per capita incomes are low and in some of them there is considerable under-employment of labour. Therefore, an acceleration in the rate of development

over that envisaged is much to be desired, and it may be anticipated that, with better prospects for a steady capital inflow, some of the development plans which Governments may draw up within the next decade will aim at higher rates of growth than their present plans imply. In particular, in certain countries a more rapid rate of industrialization might be necessary in order to overcome the problem of under-employment and to make it possible to realize the maximum benefits of improved agricultural techniques. Given a will on the part of the non-oil-producing Arab countries to take the necessary measures to promote economic development, the limit to the possible rate of growth is more likely to be set by the availability of capital than by other factors. It is, however, important to note that, strategic as capital is in the process of development, the rate of economic growth is also seriously affected by such factors as the preparation and execution of specific projects, the supply of skilled labour, and the possibilities of social adaptation to technological changes, not to mention the political factors.

17. In the light of the considerations set out above, it may be stated that an increase in the volume of capital for the non-oil-producing Arab countries, of the order of 20 per cent above the modest rate used as a basis for estimating minimum capital requirements between 1960 and 1970, would significantly increase the rate of economic development. This proposed 20 per cent increase represents a sum equal to \$1,300 million, and is derived from a total capital of \$6,500 million estimated to be the minimum capital requirements of the non-oil-producing Arab countries. Following this approach, the total capital needs of the non-oil-producing Arab countries, at an accelerated rate of growth, would become \$7,800 million, \$4,400 million of which is expected to become available from domestic savings and, to a much lesser extent, from other sources, leaving a deficit of \$3,400 million.

18. It is not necessary for our present purposes to attempt a measurement of the favourable consequences of an enhanced rate of economic development. Suffice it to say that both income and domestic savings are likely to increase significantly, thus reducing the capital needs of these countries in subsequent stages of development. Moreover, such an accelerated rate of growth would greatly assist in the establishment of a larger and more stable economic base at higher levels of income, and create better employment opportunities and a more attractive climate for investment.

19. Turning again to the region as a whole, if we now consider the approximately one million refugees as an additional population to be reintegrated with the region, an additional investment will be needed. We shall assume that such a reintegration takes place under conditions which would at least maintain the level of per capita incomes resulting from the expanded volume of investment discussed in paragraph 17 above. We may then suppose that the capital cost of providing one job for the refugees, within the context of such improved conditions, is \$3,300. This figure, which represents the simple capital-labour ratio for the area, is very close to other estimates. Now, as the present refugee population represents a labour force of approximately 380,000 which will increase to 500,000 by 1970, the total capital investment required to reintegrate the refugees by that date would be approximately \$1,700 million. It will be recalled that in paragraph 17 above it was estimated that the non-oil-producing Arab countries would have a capital deficit of \$3,400 million by 1970. Taking this amount together with the \$1,700 million estimates as necessary to reintegrate the refugees, wherever this may be within the area, a total capital shortfall of \$5,100 million, exclusive of the capital surpluses of the oil-producing countries. It is to be expected, however, that a significant part of this capital will come from the capital surplus derived from oil production finding increasing opportunities in the non-oil-producing countries.

20. The picture which emerges then is one of a region with great development potentialities, ultimately capable of meeting a large part, if not all, of its capital requirements. To bring the picture more sharply into focus, however, we must take into account two other circumstances. On the one hand, we must distinguish clearly between the capital-surplus and the capital-deficit Arab countries. On the other hand, we must recognize that, if an accelerated rate of development is to be initiated and sustained, there will be a considerable gap in investment funds in the immediate and early stages which will have to be filled by funds from outside the area. In the longer run, the extent to which these capital-deficit Arab countries will attract investment funds from the capital-surplus Arab countries of the area will depend largely upon their success in starting and sustaining their economic development on a scale sufficient to create an adequate demand for the employment of their available resources.

21. The foregoing analysis dealt with the entire 1960-1970 period, with a view to establishing orders of magnitude in regard to the total capital requirements and availabilities of the Arab Middle East and to providing a background for an assessment of the potential economic growth of the area. To gain insight into the immediate and so into the more urgent problems, however, it is necessary to focus attention on a shorter period, extending to 1965. Thus, the crucial question which remains to be answered is, what scale of investment is required to achieve this more immediate objective? Our estimates show that by 1965 the non-oil-producing Arab countries will need to provide for an additional labour force of approximately 1.8 million which will require, at an accelerated rate of growth, a net investment of \$3,900 million for their employment. Out of this amount, net domestic savings will supply approximately \$1,900 million and expected foreign capital inflow \$500 million, adding to a total of \$2,400 million. This would leave a shortfall of capital of approximately \$1,500 million. Over the same period, the oil-producing Arab countries of the area may be expected to have a capital surplus of over \$2,000 million and it may reasonably be supposed that a substantial part of this surplus will be invested in the capital-deficit Arab countries.

22. To provide the means for productive employment to the Palestine refugees - irrespective of where in the area they may be integrated - would require by 1965 an additional investment of \$1,500 million. The total shortfall of capital by 1965 would then be of the order of \$3,000 million. If we consider this amount together with the shortfall of the non-oil-producing Arab countries and the expected flow of capital into these countries from the oil-producing countries of the area, we may obtain an indication of the scale on which capital from outside the area would be needed during the next five years or so. The shortfall thus to be made good will be of the order of \$1,500 million to \$2,000 million.

23. If within the next five years foreign capital of this order of magnitude is actually invested, it would - together with capital likely to become available from within the area - create a demand for labour sufficient to absorb, with rising per capita income, the increase in the labour force arising from the growth of population in the United Arab Republic, Lebanon and Jordan. Furthermore, it would also give equally productive employment to the Palestine refugees, irrespective of

where in the area such employment may be created. After this initial period, the need for capital from outside the area might be expected to diminish considerably. This decline in the need for outside capital would be an expected consequence of the increase in the pace of economic development and the rise in the domestic supply of capital as a result of the general process of economic development, as well as from the growth of oil production.

24. The reintegration of the Palestine refugees into the surrounding economic life of the area is possible only within the context of general economic development. This condition sets certain economic dimensions to the problem. What those economic dimensions are, in terms of capital investment, has been approximately indicated. No attempt to deal with the problem on a scale considerably smaller than this analysis suggests can hope to be more than partially successful. There are, however, two critical aspects: the scale on which investment needs are conceived, and the timing of the investment. An immediate investment from outside the area in the order of magnitude indicated in paragraph 22 is a necessary condition to start the process of economic development on a sufficient scale.

25. The rate of economic development of the area in recent years and the fact of its still undeveloped natural resources are not only in themselves encouraging signs, but should lead us to regard the refugee population not as a liability but as an asset for the future. The more rapidly the refugees could be productively employed, the greater the contribution they would make to national income and thus also to the availability of domestic capital.

Table 1. Middle East: projected rates of growth in non-oil-producing countries, 1960-1970
(values in millions of U.S. dollars and population in thousands, unless otherwise indicated)

| | Egypt | Syria | Lebanon | Jordan | Israel | Total |
|--|--------|-------|---------|--------|--------|--------|
| Population | | | | | | |
| 1960 | 25,941 | 4,560 | 1,601 | 1,056 | 2,126 | 35,284 |
| 1965 | 29,465 | 4,179 | 1,813 | 1,200 | 2,568 | 40,230 |
| 1970 | 33,706 | 5,924 | 2,080 | 1,372 | 2,995 | 46,077 |
| net cumulative increase | 7,765 | 1,364 | 479 | 316 | 869 | 10,793 |
| Labour force | | | | | | |
| 1960 | 9,944 | 1,748 | 614 | 405 | 741 | 13,452 |
| 1965 | 11,192 | 1,967 | 691 | 456 | 871 | 15,177 |
| 1970 | 12,704 | 2,233 | 784 | 517 | 990 | 17,228 |
| net cumulative increase | 2,760 | 485 | 170 | 112 | 249 | 3,776 |
| Gross national product | | | | | | |
| 1960 | 3,315 | 679 | 583 | 166 | 1,681 | 6,424 |
| 1965 | 3,842 | 866 | 744 | 188 | 2,031 | 7,671 |
| 1970 | 4,418 | 1,117 | 961 | 215 | 2,369 | 9,080 |
| annual percentage increase (1950-1956) | 5.0 | 10.0 | 7.0 | 5.0 | 13.0 | -- |
| annual percentage increase (1960-1970) | 3.3 | 6.5 | 6.5 | 3.0 | 4.1 | -- |
| Gross per capita income | | | | | | |
| 1960 | 128 | 149 | 364 | 157 | 791 | -- |
| 1965 | 130 | 167 | 409 | 157 | 791 | -- |
| 1970 | 131 | 189 | 462 | 157 | 791 | -- |
| Gross investment, annual average | | | | | | |
| 1950-1956 | 342 | 70 | 70 | 11 | 308 | 801 |
| Gross investment as per cent of GNP, annual average 1950-1956 | | | | | | |
| | 13.0 | 15.0 | 18.0 | 9.0 | 30.0 | -- |

Table 1 (continued)

| | Egypt | Syria | Lebanon | Jordan | Israel | Total |
|--|---------|-------|---------|--------|--------|---------|
| Total gross domestic savings | | | | | | |
| 1960 | 365 | 88 | 58 | 9 | 59 | 579 |
| of which necessary for depreciation | (166) | (34) | (29) | (6) | (59) | (294) |
| 1961-1965 | 1,994 | 512 | 338 | 48 | 323 | 3,215 |
| of which necessary for depreciation | (906) | (197) | (169) | (33) | (323) | (1,628) |
| 1966-1970 | 2,307 | 654 | 433 | 55 | 390 | 3,839 |
| of which necessary for depreciation | (1,049) | (252) | (216) | (39) | (390) | (1,946) |
| 1960-1970 | 4,666 | 1,254 | 829 | 112 | 772 | 7,633 |
| of which necessary for depreciation | (2,121) | (483) | (414) | (78) | (772) | (3,868) |
| Gross savings as per cent of GNP | | | | | | |
| 1960-1970 | 11.0 | 13.0 | 10.0 | 5.0 | 3.5 | -- |
| Depreciation as per cent of GNP | | | | | | |
| 1960-1970 | 5.0 | 5.0 | 5.0 | 3.5 | 3.5 | -- |
| Total net domestic savings | | | | | | |
| 1960 | 199 | 54 | 29 | 3 | 0 | 284 |
| 1961-1965 | 1,088 | 315 | 169 | 15 | 0 | 1,587 |
| 1966-1970 | 1,258 | 402 | 217 | 16 | 0 | 1,899 |
| 1960-1970 | 2,545 | 771 | 415 | 34 | 0 | 3,765 |
| Total consumption | | | | | | |
| 1960 | 2,950 | 591 | 525 | 157 | 1,622 | 5,845 |
| 1965 | 3,419 | 753 | 670 | 179 | 1,960 | 6,981 |
| 1970 | 3,932 | 972 | 865 | 204 | 2,286 | 8,259 |
| Per capita consumption | | | | | | |
| 1960 | 114 | 130 | 328 | 149 | 763 | -- |
| 1965 | 116 | 145 | 369 | 149 | 763 | -- |
| 1970 | 117 | 164 | 416 | 149 | 763 | -- |
| Net investment necessary to create one job (U.S. dollars) | | | | | | |
| | 1,400 | 1,950 | 5,000 | 4,000 | 8,000 | -- |

Table 1 (continued)

| | Egypt | Syria | Lebanon | Jordan | Israel | Total |
|--|-------|-------|---------|---------|--------|----------|
| Number of jobs that can be provided with the expected net domestic savings | | | | | | |
| 1960 | 142 | 28 | 6 | 0.750 | 0 | 176.75 |
| 1961-1965 | 777 | 162 | 34 | 3.750 | 0 | 976.75 |
| 1966-1970 | 899 | 206 | 43 | 4.000 | 0 | 1,152.00 |
| 1960-1970 | 1,818 | 396 | 83 | 8.500 | 0 | 2,305.50 |
| Surplus of labour | | | | | | |
| 1960 | 77 | 11 | 7 | 9.250 | 25 | 129.25 |
| 1961-1965 | 471 | 57 | 43 | 47.250 | 130 | 748.25 |
| 1966-1970 | 613 | 60 | 50 | 57.000 | 119 | 899.00 |
| 1960-1970 | 1,161 | 128 | 100 | 113.500 | 274 | 1,776.50 |
| Capital necessary to employ surplus labour force | | | | | | |
| 1960 | 108 | 21 | 35 | 37 | 200 | 401 |
| 1961-1965 | 659 | 111 | 215 | 189 | 1,040 | 2,214 |
| 1966-1970 | 858 | 117 | 250 | 228 | 952 | 2,405 |
| 1960-1970 | 1,625 | 249 | 500 | 454 | 2,192 | 5,020 |
| Expected inflow of foreign private capital | | | | | | |
| 1960 | 0 | 0 | 35 | 0 | 86 | 121 |
| 1961-1965 | 0 | 0 | 215 | 0 | 430 | 645 |
| 1966-1970 | 0 | 0 | 215 | 0 | 430 | 645 |
| 1960-1970 | 0 | 0 | 465 | 0 | 946 | 1,411 |
| Outstanding official financial commitments | | | | | | |
| 1960 | 78 | 12 | 0 | 0 | 100 | 190 |
| 1961-1965 | 60 | 81 | 0 | 0 | 58 | 199 |
| 1966-1970 | 0 | 51 | 0 | 0 | 0 | 51 |
| 1960-1970 | 138 | 144 | 0 | 0 | 158 | 440 |

Table 1 (continued)

| | Egypt | Syria | Lebanon | Jordan | Israel | Total |
|-------------------------------------|-------|-------|---------|--------|--------|-------|
| Required foreign official financing | | | | | | |
| 1960 | 30 | 9 | 0 | 37 | 14 | 90 |
| 1961-1965 | 599 | 30 | 0 | 189 | 552 | 1,370 |
| 1966-1970 | 858 | 66 | 35 | 228 | 552 | 1,709 |
| 1960-1970 | 1,487 | 105 | 35 | 454 | 1,088 | 3,169 |

The following exchange rates were used for the dollar:

Egypt LE = 0.36
 Syria SL = 3.58
 Lebanon LL = 3.20
 Jordan JD = 0.36
 Israel IL = 1.80
 Iraq ID = 0.36

Other oil-producing countries: original figures in dollars.

Table 2. Middle East: projected rates of growth in oil-producing countries, 1960-1970 (values in millions U.S. dollars and population in thousands, unless otherwise indicated)

| | Iraq | Saudi Arabia | Kuwait, Bahrain and Qatar | Total |
|--|-------|--------------|---------------------------|---------|
| Population | | | | |
| 1960 | 6,515 | 6,650 | 403 | 13,568 |
| 1965 | 7,400 | 7,554 | 459 | 15,413 |
| 1970 | 8,465 | 8,641 | 524 | 17,630 |
| net cumulative increase | 1,950 | 1,991 | 121 | 4,062 |
| Labour force | | | | |
| 1960 | 2,498 | 2,549 | 155 | 5,202 |
| 1965 | 2,811 | 2,869 | 174 | 5,854 |
| 1970 | 3,191 | 3,257 | 197 | 6,645 |
| net cumulative increase | 693 | 708 | 42 | 1,443 |
| Gross national product | | | | |
| 1960 | 1,188 | 669 | 574 | 2,431 |
| 1965 | 1,515 | 854 | 739 | 3,108 |
| 1970 | 1,935 | 1,090 | 953 | 3,978 |
| annual percentage increase (1950-1956) | 13.0 | 40.0 | ... | -- |
| annual percentage increase (1960-1970) | 6.3 | 6.3 | 6.6 | -- |
| Gross per capita income | | | | |
| 1960 | 182 | 101 | 142 | -- |
| 1965 | 205 | 113 | 161 | -- |
| 1970 | 229 | 126 | 182 | -- |
| Gross investment, annual average | | | | |
| 1950-1956 | 132 | 45 | ... | 177 |
| Gross investment as per cent of GNP, annual average | | | | |
| 1950-1956 | 17 | 13 | ... | -- |
| Total gross domestic savings | | | | |
| 1960 | 249 | 153 | 287 | 689 |
| of which necessary for depreciation .. | (59) | (27) | (20) | (106) |
| 1961-1965 | 1,442 | 897 | 1,721 | 4,060 |
| of which necessary for depreciation .. | (344) | (159) | (121) | (624) |
| 1966-1970 | 1,854 | 1,157 | 2,210 | 5,221 |
| of which necessary for depreciation .. | (440) | (205) | (155) | (800) |
| 1960-1970 | 3,545 | 2,207 | 4,218 | 9,970 |
| of which necessary for depreciation .. | (843) | (391) | (296) | (1,530) |

Table 2. (continued)

| | Iraq | Saudi Arabia | Kuwait, Bahrain and Qatar | Total |
|---|-------|-----------------|---------------------------------|--------|
| Gross savings as per cent of GNP | | | | |
| 1960-1970 | 21.0 | 20.0 | 50.0 | -- |
| Depreciation as per cent of GNP | | | | |
| 1960-1970 | 5.0 | 3.5 | 3.5 | -- |
| Total net domestic savings | | | | |
| 1960 | 190 | 126 | 267 | 583 |
| 1961-1965 | 1,098 | 738 | 1,600 | 3,436 |
| 1966-1970 | 1,414 | 952 | 2,055 | 4,421 |
| 1960-1970 | 2,702 | 1,816 | 3,922 | 8,440 |
| Total consumption | | | | |
| 1960 | 939 | 516 | 287 | 1,742 |
| 1965 | 1,197 | 663 | 369 | 2,229 |
| 1970 | 1,529 | 872 | 476 | 2,877 |
| Per capita consumption | | | | |
| 1960 | 144 | 78 | 710 | -- |
| 1965 | 162 | 88 | 800 | -- |
| 1970 | 181 | 101 | 910 | -- |
| Net investment necessary to create one job (U.S. dollars) | | | | |
| | 2,240 | 1,790 | 1,800 | -- |
| Number of jobs that can be provided with the expected net domestic savings | | | | |
| 1960 | 85 | 70 | 148 | 303 |
| 1961-1965 | 490 | 412 | 889 | 1,791 |
| 1966-1970 | 631 | 532 | 1,142 | 2,305 |
| 1960-1970 | 1,206 | 1,014 | 2,179 | 4,399 |
| Surplus (deficit) of labour | | | | |
| 1960 | - 29 | - 14 | -143 | -186 |
| 1961-1965 | -177 | - 92 | -870 | -1,139 |
| 1966-1970 | -251 | -144 | -1,117 | -1,512 |
| 1960-1970 | -457 | -250 | -2,130 | -2,837 |

Table 2. (continued)

| | Iraq | Saudi Arabia | Kuwait, Bahrain and Qatar | Total |
|--|-------|-----------------|---------------------------------|-------|
| Surplus capital available for investment | | | | |
| 1960 | 65 | 25 | 257 | 347 |
| 1961-1965 | 396 | 165 | 1,566 | 2,127 |
| 1966-1970 | 562 | 258 | 2,010 | 2,830 |
| 1960-1970 | 1,023 | 448 | 3,833 | 5,304 |

The estimates of income, domestic savings and surplus capital available for investment reflect estimates of oil production and income based largely on a 1958 unpublished OEEC study. The conclusions of this study are more conservative than other estimates such as the projections of Middle East oil production published in 1958 by the Chase Manhattan Bank. According to the Chase Manhattan projections of oil production, the 1960-1970 surplus capital available for investment would be over \$8,000 million instead of \$5,300 million. For more details, see technical appendix.

Table 3. Middle East: regional totals and Palestine refugees, 1960-1970
 (values in millions of US dollars and population in thousands, unless otherwise indicated)

| | Middle East Total | Palestine Refugees |
|---|-------------------------|-----------------------|
| Population | | |
| 1960 | 48,852 | 1,021 |
| 1965 | 55,643 | 1,160 |
| 1970 | 63,707 | 1,327 |
| net cumulative increase | 14,855 | 306 |
| Labour force | | |
| 1960 | 18,654 | 391 |
| 1965 | 21,031 | 440 |
| 1970 | 23,873 | 500 |
| net cumulative increase | 5,219 | 109 |
| Gross National Product | | |
| 1960 | 8,855 | |
| 1965 | 10,779 | |
| 1970 | 13,058 | |
| annual percentage increase (1950-1956) | -- | |
| annual percentage increase (1960-1970) | -- | |
| Gross per capita income | | |
| 1960 | -- | |
| 1965 | -- | |
| 1970 | -- | |
| Gross investment, annual average | | |
| 1950-1956 | 978 | |
| Gross investment as per cent of GNP, annual average | | |
| 1950-1956 | -- | |
| Total gross domestic savings | | |
| 1960 | 1,268 | |
| of which necessary for depreciation | (400) | |
| 1961-1965 | 7,275 | |
| of which necessary for depreciation | (2,252) | |
| 1966-1970 | 9,060 | |
| of which necessary for depreciation | (2,746) | |
| 1960-1970 | 17,603 | |
| of which necessary for depreciation | (5,398) | |
| Gross savings as per cent of GNP | | |
| 1960-1970 | -- | |

Table 3. (continued)

| | Middle East Total | Palestine Refugees |
|---|-------------------------|-----------------------|
| Depreciation as per cent of GNP | | |
| 1960-1970 | -- | |
| Total net domestic savings | | |
| 1960 | 867 | |
| 1961-1965 | 5,023 | |
| 1966-1970 | 6,320 | |
| 1960-1970 | 12,205 | |
| Total consumption | | |
| 1960 | 7,587 | |
| 1965 | 9,210 | |
| 1970 | 11,136 | |
| Net investment necessary to create one job (US dollars) | 2,113 | |
| Number of jobs that can be provided with the expected net domestic savings | | |
| 1960 | 480 | |
| 1961-1965 | 2,768 | |
| 1966-1970 | 3,457 | |
| 1960-1970 | 6,703 | |
| Surplus of labour | | |
| 1960 | 129 | 391 |
| 1961-1965 | 748 | 49 |
| 1966-1970 | 899 | 60 |
| 1960-1970 | 1,777 | 500 |
| Total capital deficit (non-oil-producing countries) | | |
| 1960 | - 90 | |
| 1961-1965 | - 1,370 | |
| 1966-1970 | - 1,709 | |
| 1960-1970 | - 3,169 | |
| Total capital surplus (oil-producing countries) | | |
| 1960 | + 347 | |
| 1961-1965 | + 2,127 | |
| 1966-1970 | + 2,830 | |
| 1960-1970 | + 5,304 | |

/...

Table 4. Capital requirements and capital availabilities of the Arab Middle East, including Palestine refugees, 1960-1965 (millions of US dollars)

| | Non-oil Arab countries ^{a/} | Non-oil Arab countries ^{b/} | Palestine refugees ^{c/} | Total deficit | Oil-revenue surplus OECC ^{d/} CMB ^{e/} | Total surplus or deficit OECC CMB |
|---|--------------------------------------|--------------------------------------|----------------------------------|---------------|---|--------------------------------------|
| Total capital deficit | | | | | | |
| 1960 | - 76 | -108 | -1,280 | -1,464 | | |
| 1961-1965 | -818 | -541 | - 172 | -1,531 | | |
| 1960-1965 | -894 | -649 | -1,452 | -2,995 | | |
| Total capital surplus (oil-producing Arab countries) | | | | | | |
| 1960 | | | | | + 347 | + 295 |
| 1961-1965 | | | | | +2,127 | +2,612 |
| 1960-1965 | | | | | +2,474 | +2,907 |
| Net capital position of the Arab Middle East | | | | | | |
| 1960 | | | | | | -1,117 -1,169 |
| 1961-1965 | | | | | | + 596 +1,081 |
| 1960-1965 | | | | | | - 521 - 88 |

^{a/} Minimum capital requirements from outside in order to employ the natural increase in the labour force under conditions of a modest rise in income.

^{b/} Additional capital needed to accelerate the rate of economic development.

^{c/} Based on a capital-labour ratio of \$3,300 which is the simple average for the area.

^{d/} Based largely on OECC projection of Middle East oil production.

^{e/} Based on the Chase Manhattan Bank projection of Middle East oil production.