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## THE COMET TRADE MISSION TO SYRIA AND IRAN

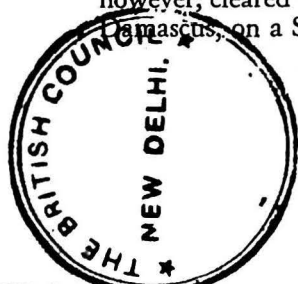
By SIR EDWIN CHAPMAN-ANDREWS

(Address given to the Royal Central Asian Society on June 11, 1964.)

I HAD better begin by explaining what "Comet" is. It was formed in February 1963 on the invitation of the then President of the Board of Trade, Mr. Frederick Errol, by Lord Inchcape, to promote British trade in the Middle East region, which was defined as including Turkey and Iran, the whole of the north African coast, and as far up the Nile as the Sudan and Ethiopia, but excluding Afghanistan and territories south of the Sahara. We have met every other month since then, and in between have had meetings with the panel chairmen covering the various areas within the region. We have sent trade missions to Iraq, to Saudi Arabia and to Aden. We thought from the first it would be advantageous to send a mission to Iran, especially because that country represented the best market for British goods in our region; also to Syria, largely because for so long nobody had seen very much of it. Relations, as you will remember, were severed at the time of Suez, and in fact were restored only quite recently. In the intervening period various events had occurred. There had been union with Egypt and then the breakaway. During these years our trade had, in fact, done quite well; it had steadily but slowly increased. On the other hand, Britain was taking very little in the way of Syrian products, so it was rather a one-way business. Our terms of reference therefore covered the possibility of expanding Syrian exports to Britain, as well as the technical assistance which Britain might give the Syrian economy.

Through the good offices of the Foreign Office and the Board of Trade, the Governments of Iran and Syria were approached, and we began to form our Mission. Two or three of us were already members of Comet. Apart from myself, there was Sir Charles Denman, who is the chairman of C. Tennant, Sons and Co., the merchant bankers; Mr. L. S. Davis, a director of W. J. Frazer and Co. Ltd.; Mr. P. R. S. Berridge of Richard Costain Ltd.; and Mr. H. R. Nicholas, Assistant General Secretary of the Trade Union Congress. Mr. E. S. Taylor of the Federation of British Industries accompanied us as secretary. As we were setting off for Damascus in the middle of April, we read in the papers of trouble in Homs and Hama. There had been shooting and some casualties, and there was a question whether it would be advisable for us to go. This was, however, cleared with the Foreign Office and we pressed on. On arrival in Damascus, on a Sunday night, at the end of the Bairam holiday, we were

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told that the Suk was unlikely to reopen next day; and when it dawned all the shops were in fact closed. In the course of that day appointments which had been made for us with the Damascus Chamber of Commerce were cancelled. This Chamber is an important body because everyone engaged in import or export trade must be a member of it. So we began to take rather a dim view of our prospects of success. But as the day wore on it became apparent that this so-called "strike" of the Suk was not going to affect us much. After a day or so in Damascus we flew to Aleppo to meet the business community there and to visit Tabqa, the projected site of the new Euphrates dam. In both Damascus and Aleppo we met representative groups of business men, as well as members of the Government, senior administrators, and the people directing the plan. When we left we felt that our Mission had been well worth while.

Syria, as you know, is a country about three-quarters the size of Britain, with a population of something under five million. Until fairly recent times its exports had been very small indeed, but with the cultivation of cotton in the fertile crescent in the north these exports have been considerably stepped up. Over the past few years Syrian exports have averaged in value about £39 million sterling, and of that sum nearly £20 million sterling has been the average contribution of cotton. Wheat and barley are the second most important exports, and in 1962, for example, the value of these grain exports was just over £15 million sterling. But the cultivation of cereals in Syria depends almost entirely on the rainfall, which is very variable. In a good year Syria is an exporter of cereals, and in a bad year, particularly after a couple of bad years, she is an importer.

Now perhaps we should look for a moment at the reasons why the Suk was closed when we arrived. They are directly connected with the recent history of the country. When Syria became part of the United Arab Republic, of which it was the Northern Region, measures were taken to control the economy, including nationalization. Unfortunately for the Union, this period was one of four solid years of drought, so that on top of the restraints and controls which the policy entailed there were no exports of grain, and trade seriously declined. The break with Egypt in 1961 was followed, in 1962, by an extremely good harvest year. Things began to pick up. Restraints were relaxed and business generally began to improve. At that juncture, unfortunately from the economic point of view, the Government decided to intensify the policy of "Arab unity and socialism". Socialism in this sense meant the reimposition of controls, particularly of imports. Foreign exchange became a most precious commodity. Nationalization was resumed. This meant that the Syrian merchant class, who in the past had been the mainspring of the economy, quick to take advantage of every commercial opportunity, lost confidence and withdrew their capital. A good deal of it found its way abroad, notably of course to Beirut—not a very difficult proposition considering the length of the frontier and the acumen of the Syrian and Lebanese business man.

That was the situation when we arrived. The merchant class had withdrawn their confidence and had decided to close their shops throughout the country as a protest against the economic policy of the Government. But the Government reacted swiftly and showed considerable determina-

tion to break the strike. They forced shops open and proclaimed that they would seize the contents of any shop which remained closed, and prosecute the owners. This had the effect of reopening the bazaar the day before we left.

Thus, as you can see, the economy is at present off balance. There has been a deficit in the balance of payments, private capital is noticeable by its absence, and investment in the public sector is insufficient to take over from the industrialist. The aim of the authorities, ideologically, is a state-controlled socialist economy. This is something we as exporters must learn to live with, because it is not at all out of keeping with the climate in many developing countries. Nor is there any reason why we should not, as business people, live with it. It is certainly not exclusive as far as we are concerned. Throughout our visit to Syria we were impressed with the friendliness of all classes towards us as people coming from Britain concerned with trade.

We had to consider what might be done to increase British trade particularly within this picture. One means was the enlargement of credit facilities. Obviously the economy, to be really productive, needs an injection of capital. The International Monetary Fund have given it a stand-by credit of £7 million sterling. We met the top Syrian bankers and the Minister of Finance, and there is no doubt that they are well aware of the actual situation and of their responsibilities in regard to it. They gave us confidence in their ability to cope with it. But they did point out that over a long period of years Britain had enjoyed a very favourable balance of trade with Syria and yet was notably absent from the list of countries now coming forward with financial aid. There are already quite strong banking connections between Syrian commercial banks, all of which have been nationalized, and British banking interests. These are working quite well, but the Syrian authorities would like them to be enlarged and increased. That is one of the requests now to be considered here in London. Another suggestion was that Britain should give some sort of loan or line of credit to enable trade to be kept going during this rather difficult period. That is not an easy matter and I am not sure whether it will be possible. But it shows the way the Syrian mind is working. They admit they need help, and there is nothing to be ashamed of in that.

We thought we had better take a look at some of their development projects, because, quite obviously, if these can be properly executed, the economy will benefit. The most important of them is the Euphrates dam. We flew to Aleppo and then drove some 80 miles to the site of the dam. This was an extremely interesting exercise. As we drove along the fertile crescent the fields were green and the uncultivated grasslands bright with promise of a good harvest. The site, at Tabqa, is not exactly in a gorge. Rocky hills flank the valley which, over the area to be flooded when the dam is built, is in some sections as much as 12 miles wide. The average width of the reservoir area will be about 4 miles and the length about 60 miles. The river at present meanders through this area and it required a stretch of imagination, driving through this country, to believe that the river could be dammed at such a pace. If the project is carried through, several thousand hectares (a hectare is about  $2\frac{1}{2}$  acres) of extremely fertile

soil will be submerged—soil many metres deep, the accumulation of millennia. I think on balance we were inclined to question the wisdom of the project before we actually reached the site.

We were shown over by the chief engineer of the plan organization, and by the Swedish engineer in charge of the project survey just completed. In the course of this survey some 200 borings were made, 100 through the rock and 100 through the alluvium. This work had followed on the heels of less extensive surveys by the West Germans and the Russians. Previous to that, a British firm, Sir Alexander Gibb and Partners, had done a survey of another site to the north. It will take eight years from the start of the work to complete the first stage of the dam. In the seventh year the hydro-electric generators will come into play, thus enabling the water in the reservoir to be pumped, without ancillary assistance, into the new area of irrigation which covers an estimated 600,000 hectares, plus eventually a further problematical 70,000 hectares. It is obviously of prime importance to ensure that the soil of the new area to be irrigated north-east of the dam will come up to expectations and not prove of dubious fertility. The planners assured us that chemical tests of the soil had confirmed the fertility of the area, and they felt quite happy that it would be well worth while sacrificing the present cultivated area, which would be flooded, for the much greater new one. Indeed the settlement and cultivation of this new area would transform the economy of the whole country.

Agriculture still is, and will doubtless for long remain, the backbone of Syria's economy. About 75 per cent. of the population are employed in it. Cotton, the main export crop, is of course an irrigated crop, less dependent upon the rainfall. We were pleased to note that it is in extremely good hands. It is run most efficiently by the Cotton Bureau in Aleppo. Land reform throughout Syria has been thoroughgoing, and the extent of land holdings strictly controlled by law which permits, of course, variations in acreage according to the type of land. In the dry farming areas, for example, the allocation is much greater than in those of close cultivation. Farmers are beginning to form themselves into co-operatives which, with Government credit, facilitate the purchase of agricultural machinery. Generally speaking, through all that sweep of the fertile crescent, a good market for agricultural machinery already exists. It could reach substantial proportions once the development projects have been completed. Meanwhile there is bound to be a continuing demand for irrigation and well pumps, and irrigation equipment of all sorts.

Development will have to go hand in hand with technical training. This is another problem to be tackled. The Syrians are well aware of it. They have a project for the establishment of an agricultural machinery training centre at Kamishli in the north-east corner of the country. This is at present a closed military area, but we were assured that the buildings exist in which the centre will be housed. The director who has been appointed to take charge of it is undergoing training at Reading University, and it looks as though there is a good chance of the centre getting under way within a couple of years. They need assistance with setting up this centre, as they do in all development sectors, and I feel confident that the necessary aid will be forthcoming. Syrian cotton, as I have said, is in

good hands. Its quality is excellent and there are no hold-over stocks. It is unfortunate that Britain is not a buyer. We have our traditional suppliers and these patterns cannot be changed overnight. The Syrians fully realize this. The Mission thought, however, that some of the finished products of the textile industry might be marketable more extensively here—not perhaps the ordinary run of cotton piece-goods, but the finer textiles which through the ages the Syrians have been so expert at weaving—those lovely silks, and gold and silver brocades, for example. Though only perhaps a drop in the ocean of trade, there must surely be a good market for such fine things in this country.

The dam at Tabqa, then, though it has been adopted as a project by the Higher Planning Authority, of which the Head of State is the President, and which will, without doubt, eventually be constructed, remains for the time being only a project. One problem is the cost. This will be in the region of £150 million sterling, of which the West Germans are said to have promised to provide something under £35 million sterling. Meanwhile there are alternative projects for Euphrates water control and usage in Syria. My personal opinion is that it might be better, at the present juncture, to go ahead with smaller development projects of more immediate profitability to the national economy, and wait until a concerted effort can be organized to develop the water resources in the north as a whole. In passing it should perhaps be mentioned that the Syrians have not yet begun negotiations with the Government of Iraq, the downstream State, about the division of the waters, although they have a shrewd and probably sound idea of what they are entitled to. But however sound one's ideas might be where water is concerned, downstream people very often have different ideas, and until agreement has been reached by negotiation the way ahead cannot be regarded as clear. I think therefore that the Euphrates dam at Tabqa is unlikely to become a reality in the immediate future. This however does not in the slightest degree change my opinion that the economy of Syria is fundamentally sound, and that in the medium and long term the planned development projects will be implemented, and will succeed in their object of raising the standard of living and increasing trade.

Turning to Iran, our Mission was composed of the same people, with the addition of Mr. A. L. G. Lindley, Chairman of the General Electric Company and a member of Comet. *En passant*, at this point I should like to say how valuable Mr. Nicholas's presence was among us. Being a senior Trade Union official he was at times somewhat exposed to fire during question time, but he stood his ground well, giving at least as good as he took, and refusing to be drawn on points calculated to separate him, on social issues, from the rest of us, his colleagues on the Mission. We were a team from Britain, and our one object was to try and increase trade.

The problem in Iran was different from that in Syria because in Iran the petroleum industry ensures that good money is coming in all the time. In 1963, for instance, the income from petroleum was £136 million sterling. However, there has been much political uncertainty in Iran through recent years. From 1957 until quite recently this resulted in a



depression which affected everybody. Many of the trades—building construction for example—suffered greatly; but that situation has now been quite transformed. In September of last year there was an overwhelming vote at the polls in favour of the progressive policies of the Shah. Whatever the Shah does now is backed by the Government and Parliament; it has this constitutional stamp upon it. Oil production has been increasing and oil revenues rising even more rapidly than was anticipated, so that last year Iran was out of the red and in the black. This was, therefore, a particularly good moment for us to take a look at the country, to see what we could do to increase British exports, to see where and how technical assistance could be improved, and finally to see if Iranian exports to Britain, apart from petroleum, could be increased.

I will start with this last point. Britain is already Iran's third best customer, buying a wide range of products of which Persian carpets are a considerable item. We hoped it might be possible to increase Britain's purchases of dried fruits, but unfortunately this proved disappointing owing to inadequate grading and packaging and to irregularity of supply. So we were forced to conclude that for the time being little could be done to boost Iranian exports to this country. This situation will be changed, however, when the country's natural resources, other than petroleum, are developed, and the agricultural projects now beginning to take shape are in production.

As for British exports to Iran, we have been losing ground in recent years to our competitors, and something must be done about it. To discover the reason was no easy matter. Our time was limited and Iran is seven times the size of Britain. Its population of 21 million are engaged mostly in agricultural pursuits: 2 million of them are nomads. The country itself varies from high mountains to torrid, low-lying desert. One reason for the decline in our trade was the general economic depression just mentioned. This was bound to result in fewer purchases of consumer goods. But what of capital goods? This question diverted our attention to the Plan. The Third Plan will end in March 1968. People are inclined to set great store by these dates because they are target dates. But it would be a mistake to pay too much attention to them. They represent stages in the country's planned economic development. The First and Second Plans did not completely succeed: nor did they completely fail. And it is too much to expect the Third Plan to be completely successful by the target date set. The fact that attracted our attention as a Mission was that Britain's competitors for the supply of goods and services to projects within these Plans were getting the advantage of us: and the same applied to projects in the private section, outside the Plan proper. How? It seemed they got up a little earlier in the morning. They got in first with aid, financial and technical aid, often from official sources or from a group of companies, aid in the form of feasibility studies. In Britain we have the Department of Technical Co-operation, a splendid department and well organized. They are willing and anxious to give technical assistance to countries that need and request it. On receiving a request, they consider whether they can meet it and, if so, how it is to be paid for. On the financial side, our Government every now and again grant a loan to certain

countries or provide a line of credit for the purchase of goods in this country. Together these forms of aid add up to a substantial sum, world wide. But our competitors do not proceed like this. They do not wait for the developing country to ask. They themselves select a project and they go along with an "offer". They say: "This particular project in your Plan seems to us, at first sight, feasible. If you like, we will make a technical feasibility study of it for you and a market study to see how you might sell the product, or produce, if the project is carried through. This will cost you nothing—or very little. All we ask is that if in the light of our reports you decide to go ahead with the project, you give us first refusal for the supply of the goods and services needed to carry it out." Thus aid and trade go hand in hand. At present we resemble a man waiting in the entrance hall for a lift to take him to the top floor where he might find employment. When the lift appears it is full of his competitors who forestalled him by getting in at basement level. This is something of an exaggeration, but it illustrates the sort of thing that has been happening. I think that in order to recover lost trade we ought to re-think and co-ordinate all forms of assistance, and tie, where possible, aid to trade.

The Iranian economy is now in a healthy state. We were told by several leading bankers that Iran has no urgent need of capital. That is doubtless true; on the other hand, if foreign capital is forthcoming within the measure that the economy can absorb and service it, projects planned will be more speedily realized. These projects are admittedly ambitious and extensive, but they are not unrealistic. It is a question of time and priorities. Help is required in the assessment of priorities, and in this connection there is a United Nations working party, headed by an Englishman who was formerly a director of a well-known chemical company, doing excellent work.

The Iranians have made great progress in the field of water control and within the past few months have set up a separate Ministry of Water and Power. It is headed by a young Iranian engineer educated at a British university: he is able and determined. The water he talks about is in the rivers that have been or are to be dammed to generate hydro-electric power. The water problem in Persia is the most vital problem of all, and the probability would seem to be that this Ministry will eventually be made responsible for developing all the water resources in the country, subterranean and surface.

At present much attention is being paid to electric power generation, and for this purpose the country has been divided into ten districts. Britain is second to none in the manufacture of electrical generating plant: we have had so many years' experience. The quality of our products and of our expertise is first class. Yet the French and the Americans were first in the field in all these ten regions. They did it by getting in at the start with feasibility studies.

Britain is doing splendid work with technical aid in Iran. In Tehran we are helping with the staff and equipment for the College of Technology, and we are helping to train technical people for the civil air services, including fire-fighting. Iran is a member of the Central Treaty Organization, and we are putting money into Cento projects in Iran which serve not

only strategic needs but have also much economic utility. These include road making and telecommunications. Services such as these are of course essential to development, but it is by increasing trade that standards of living can best be raised.

#### SUMMARY OF DISCUSSION

The lecturer was asked if there was any commercial production of oil in Syria. He replied that he did not think so. The Czechs had set up a refinery at Homs which was supplying most of Syria's needs at the present time, but the crude oil for it was taken off a pipeline in transit from Iraq. Petroleum and its products nowadays figured prominently in balance of payments projects everywhere. Pipelines were an important element in the Syrian balance of payments. At the time of Comet's visit the Syrian Government were expecting a payment of, he thought, £11 million sterling, and these payments were made strictly on time. The International Monetary Fund had also gone to Syria's aid with a stand-by credit, together with a number of foreign countries. In addition the present year promised a good harvest, so prospects were not as bad as they might seem to be from the reading of occasional reports. In any case, where trade and commerce were concerned the criteria were different. Throughout the ages Britain had had strong links with Syria, and the Syrians had trade in their fingertips. Quoting from *Macbeth* (Act I, Sc. 3), the lecturer said: "Her husband's to Aleppo gone, Master o' the Tiger". Obviously, he added, the good ship *Tiger* could not have reached Aleppo, which is inland; but the cargo was consigned there to be sold in the Suk or transported along the fertile crescent to Babylon (now Baghdad) or Basra. British consulates were first established in all these places in the reign of Queen Elizabeth I. That sort of natural trade channel could not easily be broken, and he thought that no matter what the political situation might look like from one day to the next, the only sensible thing to do was to press on and try to sell one's goods, making sure of course that one was going to be paid for them. In this respect the Syrian record was first class. Admittedly, they had payments difficulties. It was a question of foreign currency shortage. Delays in transfers averaged about six months at the present time, but the authorities were hoping to improve on this. They had a very responsible attitude towards these problems. The Syrian merchant had throughout the ages traded to the utmost on credit, but the present Government wanted to stop this practice because it had the effect of artificially inflating the economy. They had therefore compelled importers to deposit a percentage of the value of the goods when applying for the import licence. The merchant had now to employ his own, not borrowed, money. Although this might seem to act in restraint on trade it was not altogether a bad thing in present-day Syria.

Asked if Russia was trying to block trade the lecturer said Comet had not had the impression that this was so. Russians were not much in evidence in Syria, and in a sense the movement towards a controlled economy there—which was ideologically the economy of a socialist society—might appeal to them.



In answer to another question the lecturer said that Iran's biggest customers were West Germany and the United States.\*

Asked whether there was room for improvement in standards of grading and packing in Iran, the lecturer said there was. He had mentioned the point to the Iranian Embassy, who had agreed that it would have to be tackled. The question of standards generally was most important. In engineering, for example, and where the products of industry were involved, it was of supreme importance, and the Iranians proposed to give it due attention. Here the lecturer said he would like to make an observation which should have been made earlier. Iran was a country where the foreigner was not only tolerated, but welcomed. The Iranians had the most liberal attitude towards foreigners, and had a law for the protection of foreign capital investment. As the need was for technical assistance coupled with credit, finance, and possibly in some cases with investment capital—needs which could only be satisfied from outside the country—Iran offered good prospects for joint ventures on projects and in companies in which Britons and Iranians could work together.

A member enquired if there had not been an attempt to oust the British from the banks in Iran. The lecturer said there had been a move to replace the top executives—the bank managers—in the two British banks by Persians, but that was all. There was no reason why British clerks should not remain; in any case it was absolutely essential (and the Persians recognized this) that the existing foreign facilities which these banks had been able to arrange should continue. Nothing had been done as yet about replacing the two bank managers by Iranians, and he did not think the matter very urgent.

Asked about roads and railways in Iran, the lecturer said there were a number of good railways. They were a monument to Reza Shah, the father of the present Shah. Everyone had told him the creation of railways would be a physical impossibility, but he had done it. Roads in Iran varied a great deal, but there was a very good internal air service.

Asked about *qanats*, the lecturer said these still existed, but Tehran had changed enormously in recent years. When he was first in the country one drank water from the qanats, and the British Legation qanat water was reputedly the best in Tehran. One hotel displayed a notice: "British Legation drinking water here!" Nowadays it was possible to drink water straight from a tap in Tehran with perfect safety.

Asked which of our goods the Iranians were most interested in, the lecturer replied that they were interested not so much in consumer goods as in help with roads, telecommunications and project development. He would advise firms to enquire into the feasibility of local manufacture. This already covered, to some extent, tyres and batteries, metal boxes, textiles, and even latterly a project for the assembly on a small scale of agricultural tractors. Leylands were assembling heavy trucks in Tehran, importing the components. The Iranians were particularly interested in goods which, with foreign assistance in joint ventures, they could progressively manufacture themselves.

\* The latest figures of percentage shares of Iranian exports, excluding oil, are: West Germany 15.2%; USSR 12.2%; U.K. 11.5%; U.S.A. 9.1%.

