

**THE WORLD BANK GROUP ARCHIVES**

**PUBLIC DISCLOSURE AUTHORIZED**

Folder Title: Brakel, Willem - Articles and Speeches (1959)  
Folder ID: 1651392  
Fonds: Records of Office of External Affairs (WB IBRD/IDA EXT)

Digitized: October 30, 2013

To cite materials from this archival folder, please follow the following format:  
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.

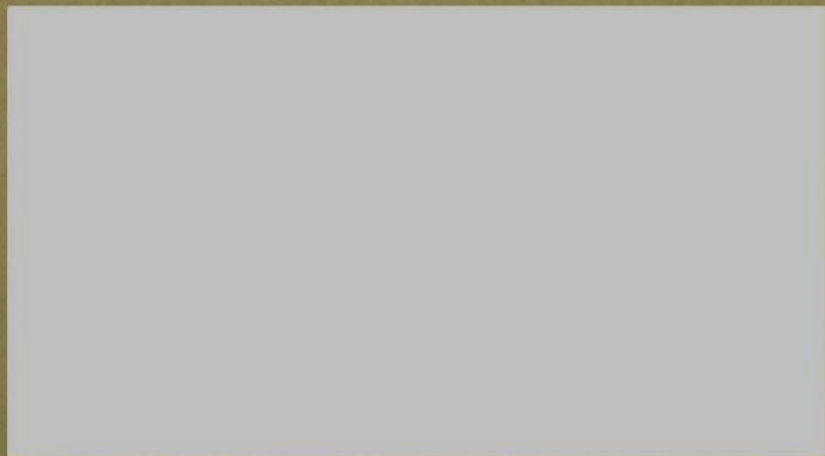


THE WORLD BANK  
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or  
The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

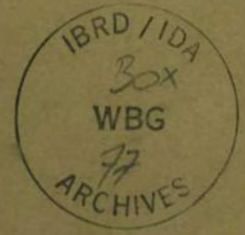
**PUBLIC DISCLOSURE AUTHORIZED**

BRAKEL, WILLEM - ARTICLES and speeches (1959)



The World Bank Group  
**Archives** **1651392**  
A1992-007 Other #: 4 212049B  
Brakel, Willem - Articles and Speeches (1959) - 1v

**DECLASSIFIED**  
WBG Archives



BRAXEL

Files

September 14, 1959

Willem Brakel

1959 Convention of Organization of Arab Students in the U.S.A., at  
Columbia, Missouri.

Following are some observations from the one day that I attended the above mentioned Convention (September 3).

1. My address to the convention which attempted -- after a very brief description of the IBRD and its operations -- to give a simple account of some basic requirements for further economic development in the Middle East under the title "Pressing Economic Needs in the Arab Middle East", was well received and apparently, as I gathered from different comments made later, also reasonably well understood.
2. However, actual questions during the discussion of the speech were largely politically motivated, almost deliberately neglecting the substance of the matter. Even allowing for the natural tendency of many students -- and certainly Arab students -- to talk about politics instead of about more "dismal" issues such as economic development, this was a little disappointing, especially since several of the questions were put in rather aggressive terms (the Chairman of the Convention later apologized for this in a private talk). They dealt with subjects such as the alleged political motivation behind the "withdrawal" of the Bank's offer to help financing the High Aswan Dam, the possible influence of a number of U.S. Senators on current Bank policy regarding the Suez Canal, the membership of Israel, the "unduly onerous" conditions made by the Bank which in certain cases (the High Aswan Dam was again mentioned as an example) would mean direct interference in the financial and economic policies of independent governments, the political influence of the West through its voting rights on Bank decisions, etc.
3. The rest of the day was more openly and directly used for political discussion. A speech on possibilities for further economic cooperation between the Arab states and the U.S.A. (none, without a basic change in U.S. policy towards the Arabs) was followed by a few hours of free debate and discussion in the afternoon and a propaganda film on Algeria, which I did not attend. As was to be expected issues such as Palestine and Algeria took much of the time. Western policy was generally condemned though there was some awareness that the Soviet bloc might not be as disinterested as they pretend. Of course there was not even a hint that there might be scope, if only in one or two cases, for some changes in certain aspects of Arab policy.
4. Nevertheless, my conclusion would be that it is certainly worthwhile, when invited, for the Bank to speak its word in this kind of meetings.

This opens at least the opportunity to take away some of the, apparently many, misunderstandings about the Bank's function and policies. The student body as a whole showed no doubt considerable interest in the work of the Bank and an objective discussion of economic or technical problems, combined with brief factual answers on questions about the Bank itself should help in shifting this interest from a largely negative to a more positive direction. Caution will, of course, always be needed to steer away from discussions of a purely political nature and to avoid getting involved into political manifestations.

cc: Messrs. Prud'homme  
Gordon  
Young ✓

WBrakel :ap

September 3<sup>4</sup>, 1959

PRESSING ECONOMIC NEEDS IN THE ARAB MIDDLE EAST

Mr. Chairman, ladies and gentlemen, members of the Organization of Arab Students in the U.S.A.,

First of all I should like to express my gratitude for your kind invitation to speak at your Convention. As a staff member of the IBRD -- often more shortly called the World Bank -- my work deals primarily with economic developments in the Bank's member countries in the Arab Middle East, and I consider it a special privilege to have an opportunity to discuss some basic economic problems of that region with a group of students most of whom are likely to end up in leading positions in private or public life in the countries concerned.

Of course, what I am going to say expresses only my personal opinion which is, however, influenced to a large extent, as is only natural, by personal impressions during the years that I have worked in the Middle East and more recently, in particular, by practical experience gained at the World Bank. It is for the latter reason that it may be appropriate to ask you to bear with me for a few minutes for a very brief description of what the IBRD is and what it does, the more so since when embarking on my main topic for this morning, I will occasionally make use of material published in reports of Bank Survey Missions to a few Arab countries.

The World Bank is associated with the United Nations of which it is a Specialized Agency. However, the Bank is not responsible to the U.N. but to its shareholders, i.e. to its member countries. At this moment

68 countries have joined the Bank, nine of which are from the Arab world, namely Lebanon, Jordan, Iraq, Libya, Morocco, Tunisia, Saudi Arabia, Sudan, and the United Arab Republic. The Bank's authorized capital amounts at present to \$ 10 billion (10 thousand million) of which 20% has been paid in; 2% in gold or dollars and 18% in local currencies of the member countries. The Bank obtains further financial resources by selling its bonds in the world capital markets (almost \$ 2 billion of such bonds are outstanding at this moment); it also sells participations in its loans to outside investors (almost \$600 million to date).

As per June 30, 1959 the total amount of loans made by the Bank was over \$ 4.5 billion, of which about \$ 1.3 billion in Asia and about \$ 600 million in Africa. Before the Bank makes a loan -- I should mention in this connection that each loan of the Bank not made directly to a Government needs the guarantee of the Government concerned -- it wants to ascertain whether the country concerned is likely to be able to repay in the future the foreign exchange to be lent to it together with the interest charges on such lendings. The Bank also wants to satisfy itself that the project for which its financing is requested has sufficient priority and that such a project is soundly prepared, technically and financially viable and that it will be well executed and operated.

I should add that apart from supplying loans the Bank also renders to its members a wide variety of technical assistance varying from full-scale economic surveys of member countries (in the Arab world missions for this purpose have been sent to Iraq, Syria, Jordan and -- just recently -- to Libya) to regional investigations or advice on particular projects.

Those of you who are interested in more details about the World Bank I would like to refer to a small brochure -- the World Bank, what it is, what it does, how it works -- and to a paper containing some statistical facts about the Bank's operations. Copies of both papers are available at ....., outside this conference room.

I come now, at last, to the major subject of this morning, namely what are --- as I see it --- the most pressing economic needs of the Arab Middle East. (I use the term Middle East because I want to exclude in this connection Tunisia and Morocco since I am not familiar with the economies of these two countries.)

You will no doubt agree that when speaking of essential economic needs in less developed countries we are usually referring to what could also be called basic requirements for economic development; I will interpret my subject in this sense and define economic development as a rate of economic growth which surpasses population increase, thus leading to an increase in per capita incomes, and to a higher standard of living for the masses of the population.

May I start in a somewhat negative way. After all, the general theme of your Convention -- and a very appropriate one, I think -- is "Towards better understanding the Arab World" which seems to imply that there are still misunderstandings to be removed.

I do not think that in the Arab Middle East the only or indeed the first requirement for further economic development is a sufficient supply of capital. Of course capital requirements are quite large and from this viewpoint capital is no doubt a "pressing need". An average net growth



of say 5% per year for the Arab Middle East as a whole -- which in an area where population increase is large (2-3%) does not appear extravagant -- would easily require an annual net investment of some \$ 1 billion to start with. This figure is based on a moderate capital output ratio and a relatively low -- and admittedly extremely rough -- estimate of overall national income in the area.

However, granted that the funds needed are substantial, they do not a priori seem impossible to obtain. Firstly, in a few countries, Iraq, Saudi Arabia and Kuwait, capital is no important limiting factor because of their large oil revenues. These revenues amounted to over \$ 900 million in 1958, of which about \$ 400 million for Kuwait, \$ 300 million for Saudi Arabia and \$ 230 million for Iraq. In effect, it is sometimes thought that they are large enough to allow for a surplus of public savings, that might be available for investment in other Arab countries less blessed by nature. This idea needs, I think, to be rather heavily qualified. In the first place only part of the oil revenues can be considered savings. Even Iraq, which has a very impressive record in this respect -- it has over the years appropriated 70% of its oil income to economic development -- has to use the remaining 30% for current expenditures. In Kuwait and Saudi Arabia, where development possibilities are much more limited a much higher proportion has to be set aside for current use (including health, education, etc.) in order to provide the general public with a reasonable share from this source of wealth. Actually, I consider that at current levels of oil revenues, with the exception of Kuwait, the oil producing Arab states cannot be regarded as producers of surplus savings. As to the future, one has to bear in mind that the expected rapid development of new oil

resources discovered in North Africa (Algeria and Libya) are likely in the longer run to reduce the rate of increase of oil production in the Middle East. Thus, future oil revenues may, though higher than current ones, remain well below the very optimistic estimates which were originally made. I may mention at this point in parenthesis that oil production also means oil transit revenues, a factor not without importance; for example the Egyptian Region of the U.A.R. received in 1958 out of Suez Canal dues -- largely derived from oil tanker transits -- a gross amount of foreign exchange of \$ 125 million.

Anyhow, on the basis of present evidence further increases in oil production and oil transit revenues in the Middle East can still be expected, so that no scarcity of capital is to be feared in the oil producing countries; there is even the chance that in the longer run, particularly if the Arab Development Bank (Arab Financial Development Institution) which was established by the Arab League in January of this year starts operating and maturing, some additional capital might become available from this source for investment in other Arab countries.

These other countries will doubtless need capital import to achieve an adequate rate of growth, even at a maximum level of internal savings. Provided that they show sufficient aptitude in the planning and execution of development and in maintaining financial discipline -- these are very important qualifications, to which I will return later -- I see no reason, however, why such imports should not be forthcoming. After all, the U.A.R. (both the Egyptian and Syrian Regions) has already been able to contract substantial lines of credit for economic development from the Soviet bloc and some western countries; Jordan and Libya are regular recipients of financial contributions from the West which account for a large proportion

of these countries' government revenues; American institutions such as ICA, DLF and Export-Import Bank are also active in the Middle East; the World Bank has made loans to Iraq (prepaid meanwhile) Lebanon and the Sudan to mention only those activities which led to final results. New institutions -- I already mentioned the Arab Development Bank -- such as the proposed IDA may offer additional assistance in the future. Again, provided other conditions are sufficiently favorable -- and I will come back to this point later -- undue pessimism as regards the provision of capital would appear unwarranted.

I come now to natural resources. Here again I think that though there is certainly pressing need for determined efforts to exploit thus far unused natural resources, the relative scarcity of such resources in the area does not necessarily form a basic hindrance to economic development.

Of course individual countries, which are exceptionally poorly endowed by nature in this respect, are at a disadvantage which I do not wish to under-estimate. However, looking at the overall picture, it should not be forgotten that although in the area as a whole known mineral resources (apart from oil) appear to be limited, there are still large unused agricultural resources (land and water). As is the case with respect to capital, these resources are not equally divided over the area, and their development usually requires substantial investments in dams, irrigation works, wells, as well in infrastructure projects (roads, railways and other public utilities) and in agricultural extension, education, etc. Countries such as the Sudan and, on the evidence of Bank survey missions to these countries, also Syria and Iraq, still have considerable potential for increasing agricultural production and for opening up new employment

possibilities in this field. Even Jordan -- although due to its very large refugee population a complete solution for this country's economic problems cannot be detected under prevailing political conditions -- can still add substantially (some 100,000 acres) to its fully irrigated area once the Jordan Valley project can be completely implemented; which, unfortunately also depends on political factors in view of the international aspects that are involved; besides, the Smk's survey mission to Jordan saw good prospects for a substantial extension of hill fruit cultivation.

In Egypt where the struggle between an ever increasing population and almost stable agricultural resources has been particularly ~~difficult~~ difficult -- between 1927 and 1957 the cropped area per head of the population dropped from 0.61 feddan to 0.42 feddan -- new prospects have been opened, at least for the next 20 years or so, by the High Aswan Dam which when completed would add about 1/3 to the country's presently cropped area.

Moreover, even with limited natural resources, as history has shown, economic growth can take place although with greater effort and perhaps at higher cost. The Egyptian Region of the UAR has, in view of its heavy population pressure which even the High Dam cannot solve (some 20 years from now there will be about 12 million more Egyptians if the present rate of population increase does not change) already embarked on a large scale industrialization program. Other countries, for instance Syria and Iraq, are working in the same direction in order to diversify their economies and to open up new avenues of employment and national wealth. Lebanon is a somewhat different case; by exploiting its geographical position and the

special qualities of its population in fields such as commerce and finance it has achieved the highest income per head in the Arab Middle East despite relatively limited agricultural resources.

On the subject of industrialization one more remark may perhaps be made. I am referring to plans to establish closer inter-Arab economic cooperation. Such plans can be of special value because, if effective, they would promote increased specialization, widen the often discouragingly limited home markets for industrial products, and increase competition and thus efficiency.

Even with a sufficient supply of capital and with adequate natural resources no real progress can be made, of course, if such resources are not properly and efficiently used. It is at this point that the human factor comes in and here lies, I think, the final and in my opinion most pressing economic need of the Arab Middle East and indeed of many developing countries. To put this in itself not very exciting conclusion into somewhat more concrete terms: it is ultimately a question of human leadership, energy and perseverance, of hard work, of human talents in fields such as management, organization, agricultural and industrial techniques, of human relations and institutions which will determine whether the process of economic development which has started in the area will continue at an increased pace or whether a fallback into stagnation may occur.

As mentioned earlier, adequate economic growth in most Arab Middle East countries requires large scale public investments. A consistent, well-coordinated and balanced development program is usually -- unless the internal economic structure is very simple -- the first prerequisite to an

efficient and well organized execution of such investments over a certain period. Targets have to be set on the basis of available resources, priorities have to be established, projects have to be evaluated technically, financially and economically, their execution has to be supervised, management problems have to be solved, savings have to be mobilized. All this and many other things -- I need not go into detail; there is a vast literature on the subject -- requires first of all an efficient, capable, and devoted Government administration. Not only are good administrators, economists, technicians and executives required at the top, who should be given sufficient responsibilities, but an efficient organization of well trained officials in the lower echelons is just as indispensable in order to insure proper financial records, reliable and timely statistics, good filing systems -- a very important matter -- and similar simple but basic needs for properly running government departments and development organizations.

Only within the framework of good administration can sound development and financial policies be pursued, especially when --- as inevitably occurs in the process of development -- the economic situation of the country becomes more complicated and demands on government policies heavier and more intricate. Sound policies, in turn, foster further development, also in the private sphere, towards which sector as a rule the ultimate objective of most public development activities is directed; it also increases the country's economic standing abroad, thus facilitating capital imports.

Secondly, continuing improvements of the quality of manpower in the public sector are of no great value if no similar developments take place in the private sector. As one of the Bank's survey missions to the Middle East put it, "There is little point in increasing the means of production

unless people will learn how to make better use of the resources available to them". The value of agricultural education and extension services for raising agricultural productivity has already been mentioned. The critical importance of vocational and industrial training in order to make industrialization a success needs no elaboration. Industrial growth demands a suitable climate of which an adequate supply of skilled labor is an essential factor. Of course, in these matters adequate technical assistance from abroad will often be of great help.

Finally, the road to economic development in the short run is not usually a glamorous one; easy successes are scarce. It requires -- I am again quoting from a Bank's survey mission's report -- "above all a sustained and energetic effort by the people as a whole... Success is impossible with a passive population". It is here that political leadership has a vital task of which it is clearly becoming increasingly aware in the Arab Middle East. It has to inspire the population, to help removing the social and policy impediments to economic growth, mobility, private initiative and enterprise. Such measures --- as Professor Haberler remarked in a recent lecture on International Trade and Economic Development at the 50th Anniversary Commemoration of the National Bank of Egypt in Cairo --- can often do as much as positive measures involving large investments. I would like to add that political stability inside each country and in the region as a whole is, naturally, also a vital factor.

Indications are that, despite the difficulties still ahead, these tasks will be progressively met by what I may perhaps call "positive nationalism".

Education is progressing fast all through the Arab Middle East, with a gradual shift in emphasis away from purely academic to more technical training. Various governments have taken or are taking measures to reorganise their administrative apparatus. Haphazard approaches to economic development are giving way to coordinated planning.

Of course, it should be remembered that, as in the field of capital and natural resources, different Arab countries have entered this road from quite different starting points. Some of them have already established a tradition of centralized government administration; others are just beginning to build it up. Some have a strong commercial tradition; in others tribal affiliations are still predominantly affecting social and economic relations. Some have already a relatively high literacy rate; others still have more than 90% illiteracy. From an economic viewpoint the Arab world, notwithstanding its close linguistic, cultural, historic and to a large part also religious ties, still shows a highly diversified pattern.

However, each of them is striving toward the same goal, the raising of the, on the whole, still much too low standards of living of their population. The major problems in this respect, the basic needs that have to be met are, as we have seen, sometimes different as in the case of the irregular distribution of capital and natural resources. Partly, particularly in the field of human skills and abilities, they are also in principle quite similar -- though they may vary in degree. Growing interregional economic cooperation which could promote a greater mobility of factors of production and further specialization -- I already gave one or two examples of such cooperation -- might thus fulfill an useful role, increasingly so as each country is progressively successful in removing the basic impediments to



economic growth within its own borders. I trust that many of you will in due course be able to contribute your share to the furthering of the development of your homeland.

WBrakel:ap