

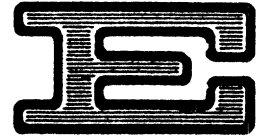


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UN ECONOMIC AND SOCIAL COMMISSION
FOR WESTERN ASIA

SEP - 7 1992

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GENERAL
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21 June 1992
ORIGINAL: ARABIC

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

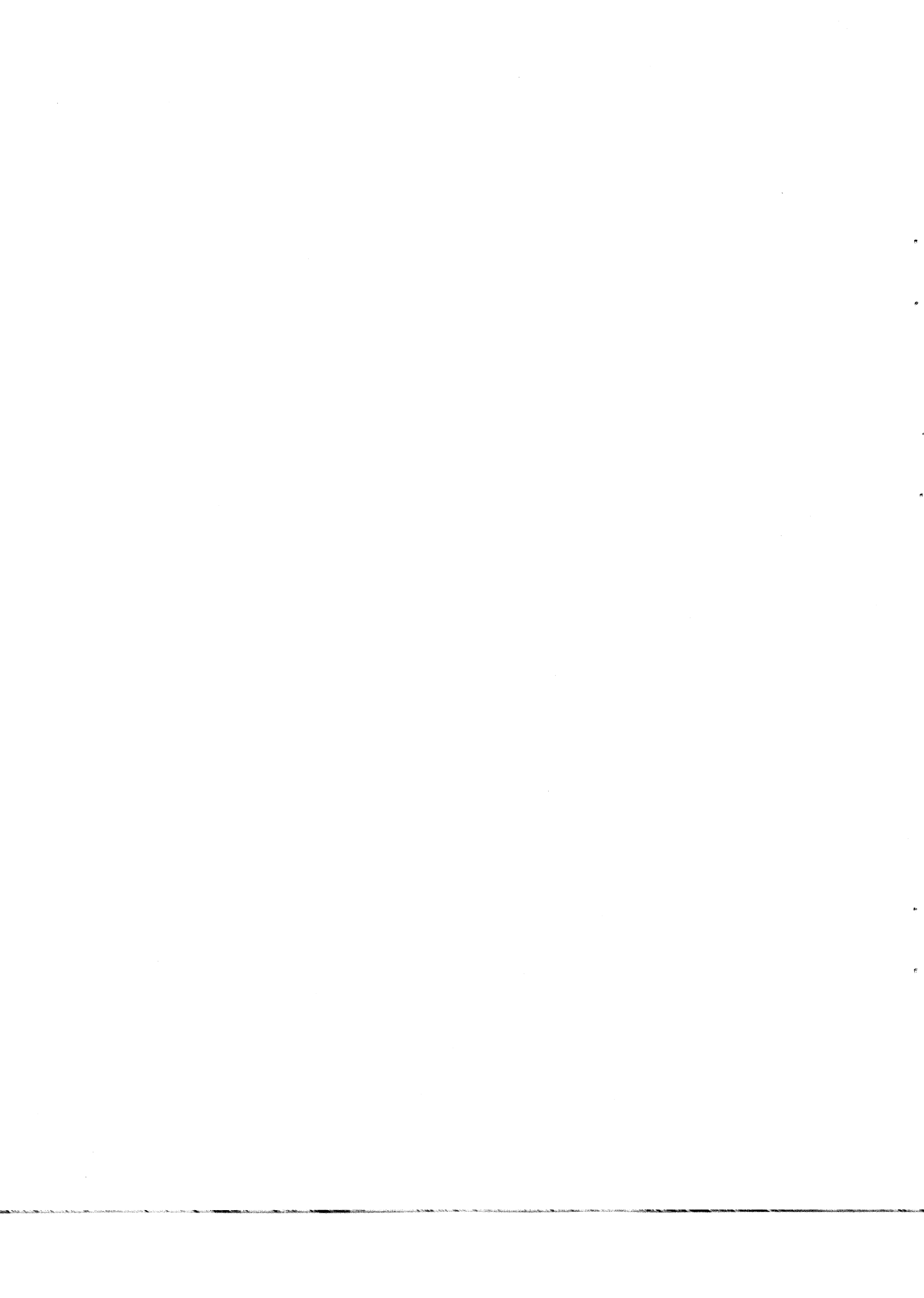
Sixteenth session
30 August - 3 September 1992
Amman

Item 8 of the provisional agenda

CURRENT ISSUES OF IMPORTANCE TO THE ESCWA REGION

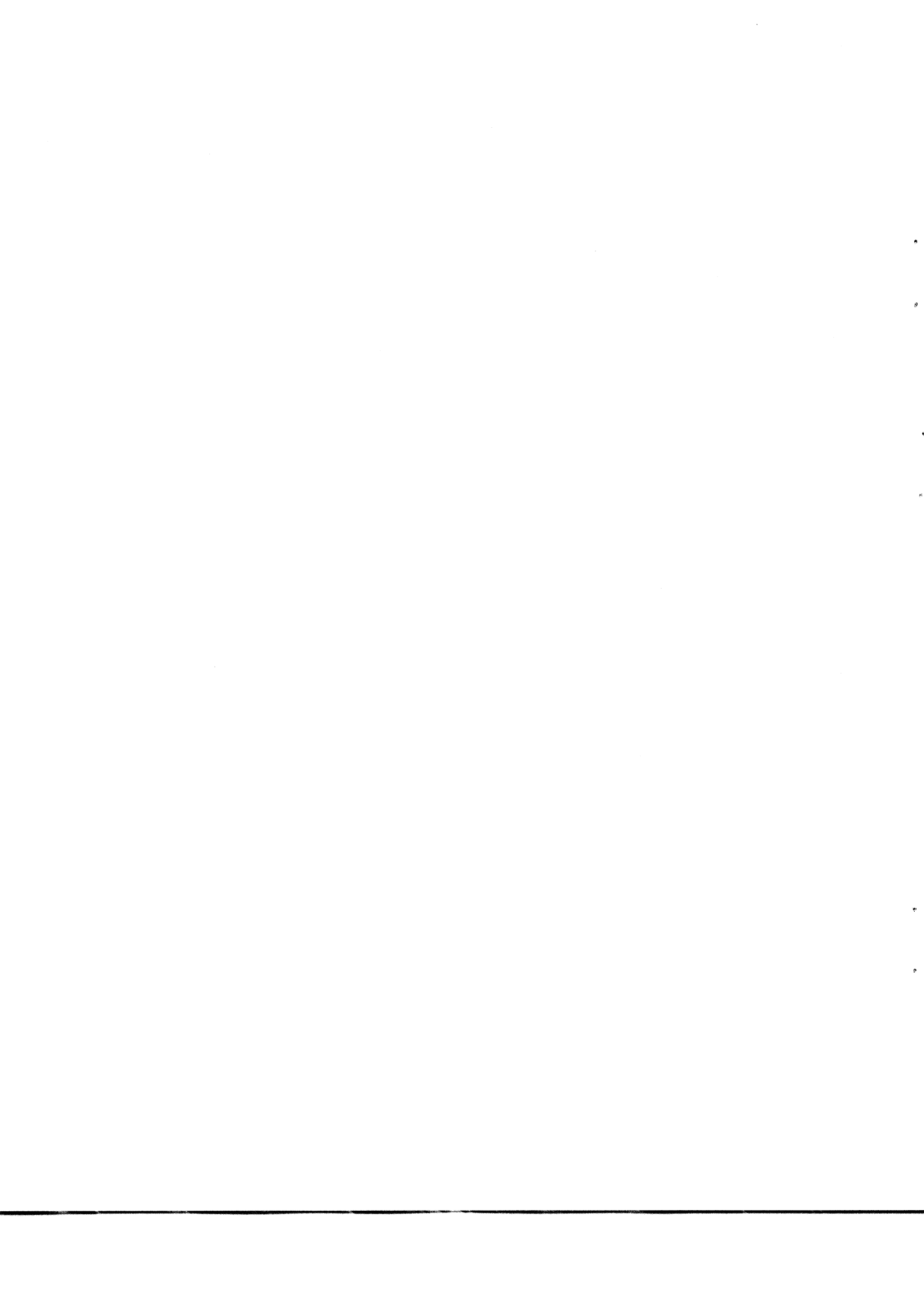
(Commission resolution 119(X))
"Economic Impact of the 1992 Single European
Market on the ESCWA Region"

Note by the Executive Secretary



CONTENTS

	<u>Page</u>
Introduction	1
<u>Chapter</u>	
I. TRADE BETWEEN ESCWA AND THE EUROPEAN ECONOMIC COMMUNITY ..	3
A. Restrictions related to the origin of exported goods .	3
B. Industrial pressure groups	3
C. Standards and specifications	4
II. EXCHANGE OF TECHNOLOGY, WITH SPECIAL REFERENCE TO THE FIELD OF INDUSTRY	4
III. NON-PETROCHEMICAL INDUSTRIES	5
IV. AGRICULTURAL PRODUCTS	6
V. ECONOMIC AND FINANCIAL RELATIONS	7
VI. MANPOWER	8
VII. DEVELOPMENT AID	9
VIII. SUGGESTIONS FOR DEVELOPING AND INCREASING COOPERATION	9
A. Regional cooperation	9
B. Oil	10
C. Financial cooperation	11
D. Industry	11
E. Agriculture	12
IX. FUTURE HORIZONS	12



INTRODUCTION

The year 1992 is going to be a turning point in the commercial and economic relations between countries of the Economic and Social Commission for Western Asia (ESCWA) and European Economic Community (EEC) countries. The prerequisites for the single European market are expected to be completed by the end of this year; by that time, the differences that are hindering the community's efforts to group up in one market should have been resolved. The most prominent differences are probably those over the unification of the monetary system and the establishment of a single currency by the end of the present decade. The EEC is seeking to adopt unified political positions vis-a-vis international and regional issues so as to bolster its interests and achieve stronger political bonds; the majority of the EEC countries aspire to eventually attaining a form of political unity and then economic unity.

The single European market is being established at a time when radical changes are taking place rapidly in the Union of Soviet Socialist Republics (Soviet Union) and Eastern Europe, and independent states, formerly part of the Soviet Union, are emerging.

Having abandoned their centrally planned economies, the East European countries are seeking re-integration into the world economy within the framework of a market economy. This is reflected in increased economic cooperation between the East European countries and the Soviet Union, on the one hand, and the European Economic Community, on the other. Some East European countries are likely to join the EEC.^{1/}

These developments, which are taking place at international and regional levels, will undoubtedly steadily consolidate the economic and political position of the European Economic Community so that it will become one of the strongest and biggest economic blocs in the world. On the other hand, it should be pointed out that the region of Western Asia, more than any other region, will feel the impact of the establishment of the single European market and the accompanying economic and political developments, both at international and regional levels, in view of the nature of relations between this region and the European Economic Community. These relations, which embrace various fields, will undergo fundamental and rapid changes that may not be in the interests of the countries of the region, if these countries fail to restore balanced economic relations with the European Economic Community and strengthen their negotiating position as a regional group. The existing pattern of economic relations between the region and the European Economic Community should therefore be developed and expanded in a way that takes into consideration the interests of both sides in this respect; the present pattern, which is based on the "oil-for-everything-else" principle, cannot continue. Such a basis would keep economic relations between the countries of the region and the European Economic Community tied to fluctuations in the volume and value of oil exported from the countries of the region to those of the Community. There is presently a noticeable decline in the volume of trade in goods and services and a drop in investment. Also, considerable difficulties now hinder the transfer of technology in the region. This imbalance, if it continues, may give rise to differences and conflicting interests of the parties.

^{1/} After this paper was completed, significant political developments took place, such as the collapse of the Soviet Union and the emergence of several independent states instead.

These are indications that point to the European Economic Community's willingness to deal with the region of Western Asia and other regions as regional groups. The EEC is motivated in this regard by its desire to develop commercial and economic relations with those regions and ensure access to their markets, particularly those of Western Asia. If the countries of Western Asia continue to deal individually with the European Economic Community, they will not manage to safeguard their commercial and economic interests vis-a-vis that Community.

This paper gives a brief account of the sectoral relationships between the region of Western Asia and the European Economic Community and attempts to infer the future development of these relationships and their impact on the overall relationship between the two sides. The paper also touches on the changes likely to take place within the European Economic Community, as these changes will determine, or rather dictate, the future shape of the Community's relations with Western Asia. However, developments in Western Asia are seen more often as reactions to commercial developments in the Community.

The paper draws an important conclusion: it is that cooperation between Western Asia and the European Economic Community serves the interests of both, and to achieve this end the countries of Western Asia should form their relations with the European Economic Community on a regional basis. If dialogue with the Community continues on a country basis, cooperation cannot be developed so as to secure the interests of Western Asia. On the other hand, the European Economic Community should reconsider its one-way relationship with Western Asia and should endeavour to develop its relations in various fields and on the basis of mutual interests.

If the balance of cooperation continues in favour of the European Economic Community, the interests of the European Economic Community may be threatened by other giant economic blocs or countries. Furthermore, to look upon Western Asia only as the Community's "source of business" will not check the aggravating problems of the region and may generate instability in some of its countries. This situation will not serve the interests of the European Economic Community whose borders, after all, are skirted by the countries of Western Asia.

Hence it is necessary that endeavours should be made to set up cooperation on a basis that guarantees its steady development. Moreover, developing economic cooperation on a regional basis will help stabilize the region, achieve for the countries of Western Asia economic advantages similar to those of the European Economic Community and strengthen the negotiating power of those countries with the world, including the European Economic Community .

This paper recommends that subsequent studies be carried out to demonstrate the benefits that would accrue to the region if its countries succeed in establishing closer economic cooperation among themselves, including the setting up of a unified market.

For a better understanding of the prospects of cooperation between the ESCWA region and the European Economic Community, after completion of the single market in 1992, it may be worth while to review the development of relations between these two groups over the past decade.

I. TRADE BETWEEN ESCWA AND THE EUROPEAN ECONOMIC COMMUNITY

Projections point to a rise in the growth rate of foreign trade of the single European market, whose establishment coincides with endeavours to liberalize foreign trade in accordance with the principles of General Agreement on Tariffs and Trade (GATT). While liberalizing international trade will lead to an increase in the volume of trade between the European Economic Community and other regions, including Western Asia, operating within the framework of GATT will result in the abolition of international agreements relating to more favourable treatment between the European Economic Community and some of the countries of Western Asia. This will adversely affect the volume of exports -- particularly agricultural exports -- from these countries to the single European market. In the event that the European Economic Community insists on commercial dealing in accordance with the provisions of GATT (which contains principles advocating trade exchange on equal footing), the subsidies which EEC countries grant to their exports, particularly agricultural exports, should be abolished.

Issues such as the abolition of subsidies to production or export, in addition to calls for basing trade on equal footing and the abolition of "preferential" trade, are not the only factors that will weaken the capability of Western Asia to export to the European Economic Community, at least in the short and medium terms. A closer examination of the European Economic Community's policy on foreign trade clearly shows that it has been pursuing a policy whereby certain technicalities which seem legal in outward form are introduced to limit the exporting capacity of the countries of Western Asia, even within the framework of trade on an equal basis. Even assuming that the region's exports succeed in penetrating the barriers of price and cost, they will run into other obstacles, such as specifications and standards or other technical norms. Among these obstacles are:

A. Restrictions related to the origin of exported goods

The European Economic Community has laid down restrictions relating to the origin of commodities they import in order to prevent developed countries from manufacturing their products in developing countries with a view to re-exporting them to countries of the European Economic Community. This may not significantly affect trade of Western Asian countries since their exports to the European Economic Community are chiefly petrochemicals or cotton products which comply with the origin condition. However, this remains an obstacle in the way of increasing exports from the region to European Economic Community markets.

B. Industrial pressure groups

Industrial powers within the European Economic Community seek to limit exports of petrochemical products from the ESCWA region to the European Economic Community for fear of competition from these products against similar commodities produced by the European Economic Community. As a result, Western Asian countries' share of exports of petrochemical products to the European market has been restricted, and repeated attempts by Western Asian countries producing these commodities to increase their export share to the European Economic Community have failed. Such restrictions are an open violation of the principle of competitive trading and may extend to other exports. Such

restrictions also endanger the prospects of economic development in the ESCWA region, whose countries are endeavouring to lessen their total reliance on crude oil exports by diversifying and broadening their production base. Within this framework, the region's oil-producing countries have built export-oriented petrochemical industries. Hence it is essential to safeguard the ESCWA countries' interests in exporting their petrochemical products to the European market by abolishing the restrictions imposed on those products. Evidence of the seriousness of the reliance of Arab economies, including those of the ESCWA region, on crude oil production and prices is the drop in the national product by 8 per cent in 1988, which is equivalent to \$US 385 billion. This is largely due to the drop in crude oil prices. Per capita income dropped from \$US 2,500 in 1980 to \$US 1,950 in 1988. The balance of payments has been negative since 1986, compared to 1980, when it showed a surplus of \$US 132 billion. Exports from Arab countries likewise declined at an annual rate of 15.3 per cent between 1980 and 1986, a fact which weakened the importing power of these countries by 9.5 per cent over the same period.

C. Standards and specifications

The European Economic Community began to impose standards and specifications involving highly technical requirements on all commodities, whether produced within or imported by the European Economic Community. To this end the European Economic Community organized several workshops for European industrialists to enable them to meet the required standards. This should induce ESCWA countries to allocate both effort and funds, within a joint framework, to bring their industries into line with the rigorous new European standards and specifications, as the European Economic Community may simply claim inferiority of standard to forestall the entry of ESCWA countries' products. On the other hand, meeting these standards may entail a substantial rise in the costs of manufacturing, weakening the competitive power of such products.

As a consequence of the aforementioned policies of the European Economic Community, we find that the balance of trade, which has been in favour of the European Economic Community (especially during the late 1980s), will continue steadily in the same direction when the establishment of the single European market has been completed and its competitive power increased. It is imperative therefore that economic cooperation among countries of the region be promoted and developed to enable them to increase their exports to the single European market.

II. EXCHANGE OF TECHNOLOGY, WITH SPECIAL REFERENCE TO THE FIELD OF INDUSTRY

In their efforts to diversify their sources of income, ESCWA countries are setting up petrochemical industries which in the development process require technology and later require markets for their products.

Concerning the transfer of technology, the Conference of Granada, which was recently held between the Gulf Cooperation Council (GCC) and the European Economic Community, failed to reach any agreement of value because of the

increasing pressure exercised by industrial groups within the European Economic Community, who oppose the transfer of up-to-date technology to the region for fear of competition by Arab petrochemical industries. This pressure is not expected to abate in the future. While it is admitted that greater efforts are required to develop cooperation in the field of transfer of technology with the European Economic Community, these efforts should be directed towards developing the necessary technology locally, as in the case of the new industrialized Asian countries.

Among the difficulties faced by ESCWA countries' exports of petrochemicals is the imposition of rigorous specifications, or quotas or ceilings limiting access of products into the European market, or the levying of high customs tariffs to prevent the dumping of these products on the European market. Other constraints are also aimed at weakening the competitive power of petrochemical industries in the region of Western Asia. To ensure export of their petrochemical products, the ESCWA countries can benefit from the economic developments taking place in Europe and the development of the ESCWA countries' own economies. At the same time, there is an anticipated increase in economic growth rates of the European Economic Community by 1993 and a possible increase in their demand for oil and oil products. This will enable the ESCWA countries to negotiate with the European Economic Community on the basis of mutual interests. Preliminary estimates indicate that meeting the growing demand for oil and oil products will require an investment of \$US 60 million by 1995 for oil exploration and for developing Arab petroleum and petrochemical technologies. The countries of the region can benefit from this opportunity to develop domestic skills capable of absorbing technology and developing it to suit the conditions of the region. Furthermore, cooperating with the European Economic Community in carrying out these substantial investments will strengthen the position of the region as it aspires to market its petrochemical products in the European Economic Community countries.

Economic activity in the ESCWA countries is clearly linked with oil prices and sales. As the region is striving to reduce its heavy reliance on crude oil exports, and in the light of estimates that point to Europe's increasing demand for crude oil, several choices are available for the region, including:

(a) Developing oil refinery capacities and increasing exports of refined products;

(b) Determining the volume of oil produced, mainly in accordance with the economic development requirements in the producing countries;

(c) Developing petrochemical industries, as oil and natural gas are available in the oil-producing countries, with special emphasis on petrochemical products in demand by EEC markets.

III. NON-PETROCHEMICAL INDUSTRIES

Exports from ESCWA to EEC countries are facing a real danger on account of the industrial standards and specifications set down by the Community and the possible abolition of the preferential treatment accorded by the European market to some of its imports from the ESCWA region. This is particularly the

case with some industries in the ESCWA region which depend on raw materials imported from the EEC. If the prices of these materials rise, the ESCWA region's competitive opportunities to export products based on these materials will diminish.

On the other hand, the establishment of a single European market will facilitate export procedure and the transport of goods and will allow the use of one language, instead of several languages, in documents. This will provide ESCWA and other regions with export opportunities to the EEC without cumbersome procedures. With regard to industrial investment in the region, it should be mentioned that as cheap labour is available in Greece and Portugal and use may possibly be made of cheap skilled labour in Eastern Europe, it is likely that investments directed for the ESCWA region will dwindle. The countries of the region therefore need to redouble their efforts to stimulate industrial investments among themselves.

IV. AGRICULTURAL PRODUCTS

Agriculture in EEC countries achieved significant developments, not only in quality, but also with regard to agro-industries. Despite the decline of the number of workers (about 10 million) in the agricultural sector of EEC by an annual rate of 2 per cent, agricultural production is growing at a steady pace in view of the development and efficient use of technology. Land allocated for grain cultivation shrank at the rate of 3 per cent for the period 1973-1986, whereas output realized an annual growth of 27 per cent.

EEC today is the biggest importer, and the second biggest exporter, of agricultural products in the world. The value of its imports from agricultural products in 1988 exceeded \$US 58 billion, equivalent to about 22 per cent of the value of world imports. The growth of the volume of European agricultural exports is due to the fact that European governments grant substantial subsidies to the agricultural sector, amounting to 75 per cent of the cost of production; they also provide export incentives. Continuation of these subsidies constitutes a major impediment to amendment of GATT and negates the principle of competitive trading.

Although opportunities are available for ESCWA countries to boost their agricultural exports to EEC, these opportunities have diminished since Portugal, Spain and Greece joined the community. The Middle Eastern climate of Spain and Greece in particular considerably overshadows the merits of the climate enjoyed by some ESCWA countries. On the other hand, since 30 per cent of labour in Greece and 22 per cent in Portugal are employed in the agricultural sector, it is expected that this sector will grow, with these two countries joining the EEC, and that further duties will be imposed on agricultural imports, to the detriment of ESCWA countries' exports to the European Economic Community. For example, the yield per hectare in Belgium is two and a half times higher than that in Italy, and since technology can easily be transferred between EEC countries, it will not take long for Italy and other countries to develop and improve their productivity, thereby creating a larger surplus in agricultural production, which calls for a reduction in agricultural imports. It is to be noted in addition that a new generation in Europe is replacing the one that came before it (employed in

agriculture) and this will lead to higher productivity and production and, consequently, to pressures for imposing further restrictions on agricultural imports.

On the other hand, the ESCWA countries, particularly Egypt, are major importers of agricultural products. Egypt and certain other ESCWA countries benefited from the agricultural assistance provided by the EEC. Egypt received about 170,000 tons of grain in 1986 and 190,000 tons in 1987. The cause of this large increase in Egypt's agricultural imports is attributed to the rise in the rate of per capita consumption (7 per cent to 8 per cent per annum) against a limited area of arable land.

Lebanon also benefited from this assistance, which for the period 1975 to 1988 amounted to a value of about 65 million European currency units (ECUs). Yemen (formerly the Yemen Arab Republic) benefited regularly from European agricultural assistance, receiving in 1987 up to 10,000 tons of grain and 600 tons of powdered milk, in addition to other types of assistance, such as technical assistance. The EEC had undertaken to provide ECU 11 million for building a grain-sorting plant, and about ECU 2.4 million in the form of technical and financial aid for completing the Ta'az agricultural centre.

This assistance may not continue at the same rate, as assistance to the countries of Eastern Europe and the new commonwealth is likely to be increased.

With regard to boosting agricultural exports from ESCWA to EEC countries, the countries of the region should take advantage of their climate to develop and increase the production of crops not grown in EEC countries, such as coffee beans and some kinds of fruits and vegetables, or agricultural crops which European industries require as raw materials.

The countries of the region can also cut down on imports of food products manufactured in EEC countries and promote their own capabilities for processing and manufacturing agricultural products. ESCWA countries can do this by adopting policies that encourage farmers to produce agricultural raw materials needed by these industries, just as the EEC offers generous aid to farmers and manufacturers using agricultural raw materials produced inside EEC countries rather than importing them at a lower cost from abroad.

It should be pointed out that maintaining and increasing subsidies of agricultural products in EEC countries will impair agricultural exports of all the developing countries, including those of Western Asia.

V. ECONOMIC AND FINANCIAL RELATIONS

The EEC, in its relations with the external world, tends to favour regional cooperation in order to save money and effort and boost the efficacy of such relations. A case in point is Europe's steady attempts to build specific relations with the Mediterranean region, whereby European assistance to this region for the period 1992 to 1996 is to increase threefold, to reach ECU 600 million. The reason for this interest is due to the EEC's recognition that any crises and difficulties afflicting the neighbouring region will naturally extend, by "contagion", to the Community itself. The Mediterranean region is, in addition, the third biggest importer of EEC agricultural products.

To achieve regional cooperation, the EEC proposed a merger of the existing regional agreements so as to serve as a basis for cooperation with the Mediterranean countries within a regional framework, and the remaining assistance re-deployed accordingly.

The areas of cooperation to which EEC evidently gives priority are environment (water and disposal of wastes) and food and agriculture. In the field of industrialization, priority will be given to the private sector, which undertakes joint ventures with selected countries in the EEC. Assistance will be given through general agreements and from a special fund to encourage joint investment. To determine the amount of aid to be extended to some ESCWA countries, the EEC proposed ECU 1.425 million to each of Jordan, the Syrian Arab Republic, Lebanon and Egypt (of ESCWA) as well as Algeria, Morocco and Tunisia.

It appears from the foregoing that the European Community's economic cooperation policy is based not on granting aid for the purpose of development but for that of regional economic integration.

With regard to financial investments, banks and financial institutions owned by ESCWA members in Europe experience endless difficulties on account of the EEC's insistence on the principle of reciprocal treatment. Under this principle, countries carrying on or starting new banking activities must, in return, permit European banks to open branches in those countries. Even then, the EEC lays down stringent conditions with respect to labour, capital and services rendered. To these difficulties must be added the high cost of European labour, apart from other costs, which are a heavy burden on Arab banks. Since Arab banks in Europe cater basically for Arab clients -- who are increasingly shifting to other places for business or travel to avoid high costs -- they have begun to reduce or freeze their business.

The inadequate presence of Arab banks in Europe means that investments are necessarily channeled to other banks. Since European banks categorize ESCWA countries as "unstable" areas, investments will go to other places in the world, and this at a time when the ESCWA region needs huge investments to develop the industrial sector, particularly the oil sector as mentioned above. The European Economic Community, while it may tend to invest in small joint ventures, will become a magnet for Arab investments because of the absence of administrative difficulties, ease of travel, security and the availability of sufficient investment opportunities. This will reduce the chances of the local public and private sectors' investing in the ESCWA region at a time when the flow of European investment towards the ESCWA region may recede perceptibly.

These problems can only be addressed within a regional framework to help develop economic cooperation among the countries of the region and remove the obstacles that prevent the flow of investments among them.

VI. MANPOWER

The EEC tends to impose rigid restrictions on foreign labour in order to provide work for the unemployed in its countries. Foreign workers are disposed of in various ways, such as: financial inducement, or rehabilitation

to return to their original countries; imposing stricter residence formalities; and other ways with the exception of deportation. This applies to Arab workers in EEC countries, including those wishing to take business trips to Europe, who are at present required to obtain prior entry visas. The unification of laws in EEC countries may cancel the "preferential treatment" accorded to citizens of certain countries with regard to entry to EEC countries.

Completion of the single European market will create new job opportunities, but preference in employment will remain for European Economic Community citizens. Statistics show that employment in European Economic Community rose by 1.4 per cent in 1990 and 0.9 per cent in 1991, causing a drop, to 8.3 per cent, in the unemployment rate in 1991. The European Economic Community is as concerned about security and stability in Eastern Europe as it is about that of the Mediterranean basin. As a result of this labour coming from the ESCWA region or elsewhere will encounter a new competitor from Eastern Europe, and there will be fewer employment opportunities. To demonstrate the seriousness of this East European competition, it is sufficient to state that unemployment levels reached 20 per cent in former East Germany and 40 per cent in Romania. The EEC, in collaboration with the United States and Japan, was therefore induced to set up the European Bank for Construction and Development with a capital of \$US 12 billion. Low wages in Eastern Europe will also considerably weaken the incentives which have previously driven the EEC to seek labour of Mediterranean origin.

VII. DEVELOPMENT AID

The form and direction of development aid may be gathered from the EEC's declaration of 30 March 1985 on priorities and principles of development aid to the Mediterranean basin, which also comprises Arab countries from Western Asia. The declaration underlines the need to continue development aid in the medium term, in support of technical and financial cooperation in the long term. The areas of cooperation were accordingly identified as science, technology and environment, as well as regional cooperation in the field of small joint ventures. Since the EEC calls for cooperation and aid on a regional basis, it would be easier for the countries of Western Asia to attract substantial proportions of the development aid provided by EEC to developing countries, if they developed regional cooperation and coordinated their efforts and policies to this end.

VIII. SUGGESTIONS FOR DEVELOPING AND INCREASING COOPERATION

The following are some suggestions for developing and increasing cooperation between the ESCWA region and the EEC so as to guarantee the commercial and economic interests of both.

A. Regional cooperation

In order to develop and expand regional cooperation so as to achieve economic development and enable cooperation with other regional communities in the world, chiefly the European Economic Community, it would be helpful for the ESCWA countries to undertake the following:

1. Remedy the conspicuous discrepancies in the financial, economic and human capabilities existing among the countries of the region. In this connection, the ESCWA region can benefit from the experiences of the European Economic Community, which has managed to establish institutions and draw up programmes for cooperation between their rich and relatively poorer states, including programmes and funds for training and rehabilitation. The ESCWA countries can prepare programmes suited to their conditions to develop regional cooperation and safeguard the interest of each country and the region as a whole. Regional cooperation, if it is to succeed and continue, should abide by the dictum that the strength of any regional community is determined by the weakest and least powerful country in that region.

2. Draw up new studies underscoring the importance of a common market for the region and showing the economic, financial and social returns that would accrue therefrom, so that economic cooperation among countries of the region would be based on the returns which the common market would realize for the region in future.

In this connection, it may be stated that the single European market is expected to achieve the following:

(a) Create 2 million to 5 million new employment opportunities and achieve a 6 per cent increase in the national product;

(b) Reduce prices of consumer goods by an average of 6 per cent;

(c) Noticeably reduce inflation rates;

(d) Reduce the prices of industrial projects as a result of increasing the volume of output and accelerating the development of technology.

3. There are a number of problems which of necessity require joint efforts to tackle. For example, no state alone can combat environmental pollution, as pollution "migrates" from one country to another without need for an entry visa! Also, the food gap, water scarcity and the need to develop a technology adapted to local requirements are all fields which can be appropriately addressed only within a regional framework.

B. Oil

In the light of the anticipated increase in world demand for oil and the possible rise in its prices, a pressing need will arise to use advanced imported technology from the European Economic Community and other developed countries at high cost. It will be necessary to increase regional cooperation in the field of labour training to qualify workers to adequately use this advanced technology.

The importance of regional cooperation in this respect is manifested in the huge investments, estimated at about \$US 60 billion, which will be made in the ESCWA region by 1995 to finance exploration for oil or developing the technology employed in these operations. Since many European and other companies withhold advanced technology, regional cooperation among ESCWA countries may be the only way of permitting them to benefit from all available resources -- financial resources, qualified labour or technical know-how.

It is to be noted that the weakness of regional cooperation has forced the countries of the region to rely on imports of various raw materials used in petrochemical industries, such as catalysts used in oil refineries. This exposes them to considerable difficulties when, for whatever reason, they cannot obtain the necessary inputs.

C. Financial cooperation

Contemplating a single currency for the region of Western Asia is not practicable at present, in view of the disparities in the levels of economic development in the regions' countries. At this stage attention should be concentrated on developing infrastructures and banking systems and on drawing up financial and monetary policies that can create the necessary incentives to attract capital deposited abroad and to grant sufficient guarantees of safe investment. The rules and procedures that govern the activities of the financial institutions should also be developed so as to put local institutions on a competitive footing with their foreign counterparts.

With regard to dealing with the external world, including the European Economic Community, ESCWA countries should agree on the principle of "reciprocal treatment", with due regard to big financial institutions in view of their role in orienting investments, similar to the European Economic Community experiment in this respect.

D. Industry

Regional cooperation among ESCWA countries would reduce heavy reliance by the existing industries on imports of raw and intermediary materials, equipment, tools and spare parts and would allow the region to develop and harness the technology needed to dispose of industrial wastes or possibly use them as raw materials for other industries. The development of cooperation, including coordination of industrial policies, would likewise enable industry to maximize output, reduce its costs and, as a result, increase its competitiveness for export.

Another issue which regional cooperation should consider is the unification of standards and norms in the ESCWA countries to facilitate industrial exchange and simplify procedures related to intraregional as well as world-wide trade.

Other factors that would contribute to increased trade between the ESCWA countries would be simplification and unification of customs procedures with exemptions from customs wherever possible. Simplification and unification of procedures governing the entry of industrial goods from the external world and the attempts to unify customs duties should extend to imported industrial goods.

An issue to which the countries of the region should give particular attention is that of assuming a unified stand regarding the ESCWA countries' accession to GATT.

With regard to scientific research, the region's experiences have proved that any state alone cannot develop scientific research. Increasing regional cooperation in this respect is therefore necessary, as is the attempt to coordinate policies related to domestic industries.

E. Agriculture

Policies related to developing the agricultural sector in the ESCWA region should envisage increasing exports of agricultural commodities, especially those used in industry in EEC countries, while continuing to improve local capabilities to industrialize agricultural production.

The region's experience confirms that without developing regional coordination, the objectives to which the region is striving, particularly those concerning food security, cannot be achieved.

IX. FUTURE HORIZONS

The basic objective of this paper is to stimulate interest in the issues which the ESCWA region may have to face as a result of the establishment of the single European market by the end of 1992. Since the ESCWA region constitutes the Asian boundary of Europe, the changes that are pervading that continent will have a clear impact on Western Asia.

Probably the most effective means of facing the accelerated developments in Europe and other parts of the world would be for the countries of the region to agree on appropriate, practicable methods to develop regional cooperation among themselves, whether to confront the negative effects which may arise from these changes or to benefit from the opportunities they create. A unified Europe will be in a stronger position to benefit from the new global circumstances and increase its exports to the ESCWA region, and this will aggravate the deficit in the trade balance of the region. Although the importance and necessity of regional cooperation to guarantee the interests of the countries of the region in dealing with economic blocs, notably the European Economic Community, has been recognized, it must nevertheless be admitted that this cooperation has achieved no tangible success so far. In this connection, it is advisable to prepare a comprehensive study demonstrating the best means to promote and develop regional economic cooperation among the ESCWA countries, particularly in dealing with the single European market. It may also be useful in this regard to note that regional organizations concerned with development affairs and regional cooperation, chiefly ESCWA, could carry out a study on the best ways for establishing an Arab common market and the returns that could be gathered therefrom with respect to economic and social sectors. Studies on the economic impact of the single European market would prove useful in this respect.

In the light of these studies, it is suggested that a meeting of experts be held to formulate recommendations for a plan of action for the region. This could serve as a programme of action in negotiations with the European Economic Community; it would strengthen the negotiating position of the countries of the region in their dealings with economic blocs in the world and would help these countries reduce their exposure to foreign fluctuations.