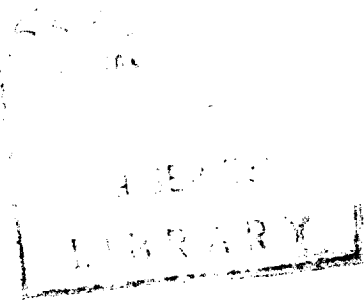




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DEVELOPMENT STRATEGY
FOR THE REGION OF THE
ECONOMIC COMMISSION FOR WESTERN ASIA
IN THE THIRD UNITED NATIONS DEVELOPMENT DECADE

81-3921

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INTRODUCTION

The international community, which is now on the threshold of passing from the Second to the Third Development Decade, is busy finalizing the formulation of a new international development strategy that will pave the way for a better future for man, under a new international economic order based on justice and equal opportunity for both the developing and the developed countries. This is to be attained within the framework of closer economic and technical co-operation among the developing countries, be it on a regional or an international level, with national efforts in the field of social and economic development complementing and supplementing regional and global efforts. The purpose is to achieve faster, more balanced and more cohesive economic and social development in the third world.

This document contains ideas on the objectives and the strategy of development in the region of the Economic Commission for Western Asia during the Third Development Decade. These ideas are drawn from an analysis of the recent and the present economic situation and the study of development trends in the Second Decade and earlier. The emphasis is primarily on the qualitative aspects of the analysis, with reference, as appropriate, to various quantitative aspects .

The present text of the strategy is the culmination of many efforts. It is based primarily on the working paper prepared by the ECWA secretariat pursuant to with resolution 76 (VI) taken at the sixth session of the Commission which was held at Baghdad from 28 April to 2 May 1979. It is also based on other efforts that include the following: The amendments to the paper introduced by the Meeting of Government Development Experts which was held at Beirut from 29 to 31 August 1979 pursuant to the same ECWA resolution; the ideas and provisions contained in the report of the Meeting of Experts; and the additional material put forward by the sub-committee established at the seventh session of the Commission which was held at Baghdad from 19 to 24 April 1980. The figures have been revised and up-dated to incorporate more recent data. The chapters and paragraphs of the study were revised in the process, as per the recommendation of the ad hoc sub-committee contained in its report, which was adopted by the Commission at its seventh session.

I. ECONOMIC SITUATION OF THE REGION IN THE SEVENTIES

A. Main features and resources of the region

1. The entire region of the Economic Commission for Western Asia is considered to be a developing region, with obvious disparities in the degree of development and level of income of its member States. It includes, at the same time, nations whose per capita income is among the highest in the world and two countries which are among the world's least developed (the two Yemens).
2. The region enjoys a strategic geographic location. Astride some of the world's major trading routes it adjoins several continents. Its long coastline (5,500 miles), which exceeds that of the United States, is nearly the length of the Japanese coastline, and is more than twice the length of the coastline of the British Isles, gives it close access to world markets and maritime resources.
3. The region is composed of countries that form a single contiguous territorial bloc with a highly homogeneous population linked by common national, linguistic and historic ties, common interests and numerous other ties. In fact, the countries of the region constitute a single nation.
4. The geographic distribution of the population of the region is uneven. People are concentrated in the areas of ancient civilizations, centred around traditional water sources; in the areas of modern civilization based on petroleum; and recently, but to a limited extent, in the areas where new projects are being launched. The vast desert areas, on the other hand, are virtually uninhabited. Nevertheless, and despite the indications of strong population movements within the region, especially from rural to urban areas within the same country, and towards the oil-producing areas within the region (a fact which is reflected in high population growth rates in some parts of the region), the population pressures in the region as a whole are not considered strong and development can contain them. This is also true of other parts of the region, especially the northern area, where the rate of natural population growth is high (over 3 per cent). The population of the region is just over 43 million people, which is around 82 per cent of the population of France or 73 per cent of that of the Federal Republic of Germany.

5. Despite the uneven distribution of natural resources, with petroleum and gas reserves located in the eastern subregion and water and proven mineral reserves, such as phosphates, in the north, the natural resources of the region as a whole are abundant. Moreover, new and abundant mineral wealth is expected to be discovered in the future. The region is considered one of the world's richest areas in energy resources; it contains over one-half of the world's proven petroleum reserves. With respect to solar energy, the region (especially the southern part and its desert and arid areas) enjoys clear skies most of the year, with high temperatures due to their proximity to the equator.

6. Even though the region is considered to be among the world's arid areas since the desert makes up a large portion of its land surface, and even though the arable land available is not evenly distributed among member countries being mostly concentrated in the fertile crescent and in the southern part of the Arabian Peninsula, the proportion of arable land to the population is reasonably high - around 0.6 hectares/person. On the other hand less than half of this land is cultivated and nearly one half of that is left fallow every year. This means that the growth potential for agriculture is enormous and immediate.

7. The region as a whole enjoys an abundance of financial resources resulting primarily from the export of crude oil and the substantial improvement (after 1973) in the terms of trade of the oil-producing countries of the region. This has led to an accumulation of financial surpluses, of which a significant portion has been channeled through various means into the development of the region and in assisting other developing areas of the world. Another significant portion has been injected into world money markets.

8. These surpluses are unevenly distributed: they are generated in the petroleum-producing countries while the non-producing states and even some of those with limited petroleum reserves, are facing balance-of-payments difficulties, mounting foreign debts and deterioration in their terms of trade - all exacerbated by world inflation and the weakening of the international monetary system.

On the other hand, the abundance of resources is only a relative one, arising from its uneven distribution, when viewed in relation to the region

and its population as a whole. Thus, the total gross domestic product (GDP) of the entire region at current prices was around \$131.3 billion in 1977, which is about 34.7 per cent of the GDP of France, 26.2 per cent of that of the Federal Republic of Germany and 7 per cent of that of the U.S.A. for the same year. The per capita income of the region, estimated at around \$3082, was no more than 42.3 per cent that of France, 37.8 per cent of that of the Federal Republic of Germany and 36.2 per cent of that of the U.S.A. This shows the extent of the exaggeration made at times in the estimations of the size of the petroleum economies in relation to the world economy. It also reveals some exaggeration in the estimations of the impact of petroleum price increases on the world economy.

8. The region also enjoys an abundance of touristic attractions, constituting as it does a large part of the ancient world and its historical sites. This is a promising source of future income.

B. Development problems and bottlenecks in the region

9. The region has numerous positive features, whether in terms of resources, its role in the world economy or its accomplishments in the field of development. At the same time it suffers from a number of problems and bottlenecks linked to development arise from its relations with the outside world, available resources and the prevailing international economic structure.

10. Perhaps one of the most important problems facing the region is the continuing state of war. This situation obliges many countries to allocate large portions of their revenues for defence which could otherwise be used for development and for raising the standard of living of their people.

11. Through its oil economy the region plays several roles in the world economy: It has become a major supplier of oil to the world (and by recycling its financial surpluses to the world, it has also become a major pillar of world financial markets), and a major source of loans and grants to the developing countries within the region and outside it and a growing importer of capital and consumption goods. This latter, by strengthening effective demand for the products of the industrially developed world, has stimulated its

economy. The oil countries have also made direct investments in the more developed countries in specific fields such as stocks, real estate and the service industries which stimulate the economies of the host countries. The performance of these two functions, however, is accompanied by a continuing concern regarding inflation, the relationship between petroleum prices and the rising prices of goods produced by the advanced countries (especially capital goods), and the erosion in the value of the surplus funds invested in world financial markets due to the collapse of the Bretton-Woods system and the ensuing instability of exchange rates. These could be among the reasons that prompted the oil-producing countries to invest in short-term assets. This practice underlines the fact that options for the investment of these surpluses are limited and that clarity is wanting regarding investment priorities, even if it is agreed, for example, that priority should be given to the development of the third world.

12. Since petroleum like all other natural mineral wealth is an exhaustible resource, the surplus revenues from oil exports must be considered, regardless of their lifetime, as a temporary surplus which will eventually disappear. Therefore, this temporary affluence is accompanied by a continuing concern regarding the post-petroleum economy. Will this economy progress sufficiently to raise the region to the levels achieved by the more advanced economies of the world today, not to mention the levels that these economies will reach in the future? Will the petroleum economy be able, at least, to maintain the living standards already achieved in the region? A basic and long-range development strategy could perhaps be the conversion of these surpluses to an autonomous self-sustaining economic capability.

13. If total surpluses, both the ones already accumulated and those flowing in regularly, are compared with the development challenge facing the region (expressed in terms of the gap between the present level of development and the prevailing socio-economic structure of the region and those achieved in the industrially advanced world), the volume of these surpluses is perhaps less than what is needed.

The greatest problem, despite this fact, is that the absorptive capacity of the economies of the region, especially of the oil-producing countries, is much below the level of these surpluses both in terms of their ability to spend and their capacity to absorb modern technology. Even the portion of these surpluses already invested in these countries has given rise to new problems and challenges such as inflationary pressures (in which local factors have played as important a role as imported inflation), bottlenecks in the infrastructure, and idle machinery and equipment which are serviced and maintained properly. In addition, the importation of foreign labour in large numbers has created many social problems leading in some cases to the situation where the number of expatriates exceeds the indigenous population. Moreover, huge investments in the construction sector have caused labour shortages (especially skilled labour) which in turn has led to abnormally high wages and, inter alia, to the disturbance of the employment structure of the labour exporting countries.

14. Consequently, there is a discrepancy between the existence of the surpluses and the capacity to absorb them internally as well as externally. Accordingly, the region, despite its financial affluence, still suffers from many drawbacks in the different factors of production. These require a form of development which money alone cannot achieve. The solution of these problems requires that the normal time span of development be shortened and there are limits to how far this can be done.

15. The region is suffering from an encroachment of the desert at the expense of grazing lands, and even at the expense of arable land. This is sometimes due to the cultivation of marginal and grazing lands with the result that agriculture fails and the grazing land is lost in the process. In addition, vast areas and even whole countries in the region suffer from water shortages. This has promoted significant advances in the desalination of sea water for drinking purposes. Still, huge quantities of river water are left to flow into the sea. Available information on subterranean water and other resources remains very defective. Thus, there is an urgent need for studies on subterranean water and for related geological surveys and maps.

16. Even where agriculture is considered one of the main sources of income, there has been a decline in the level of agricultural production and productivity. Primitive methods still prevail and agriculture still depends to a great extent on climatic and natural conditions, its prospects improving with adequate rain and declining with heat and cold waves, locusts and other agricultural pests.

17. As a result of these and other factors, the region as a whole, and even the agricultural countries, have become net food importers to an increasing and alarming extent. Some countries, in fact, depend entirely on imports to meet their food requirements.

18. As to the population of the region, a high proportion lives under conditions of ignorance, disease and poverty, resulting in a shortened life expectancy. This is reflected in the youthful character of the population. Some parts of the region are subject to endemic diseases, while poverty and low nutritional levels prevail among large segments of the population. Illiteracy is widespread under a system of education that is inadequate to the tastes of meeting the demands of development. The region also suffers from a dispersion and isolation of population centres which entails difficulties in providing them with facilities and services; from the impact of internal population movements and movements from the non-oil countries to the oil countries; and from the brain drain out of the region. The region also suffers, to some extent, from different levels of absolute, seasonal and disguised unemployment along with considerable shortages in skilled and even unskilled labour, especially in abandoned agricultural areas. This is accentuated by the problem of rapid urbanization which in many cases amounts to the ruralization of the cities and other problems related to the environment, wages, housing, naturalization, transfer of savings, security of employment with respect to expatriate labour and the imbalance imposed on the labour structure of the manpower exporting countries. Furthermore, the participation of women on a regional level in economic activity outside the home remains weak, leading to a low overall participation rate.

19. Perhaps one of the most important problems facing economic and social development in the region is the chaotic distribution of the factors of production among the member States. Some possess capital and energy but lack water, agricultural

land and manpower, while others have the opposite factor endowment. Even those who have abundant manpower have mainly unskilled labour, and those who have capital lack the capacity to transform it into physical assets. Meanwhile, most branches of production, notably agriculture, construction and industry, depend more on manual labour than on machinery. Above all, the region is lacking in skilled manpower and in the training of high level manpower.

20. The States of the region were shaped by political factors which were not conducive to economic growth on the whole. This has led to a great disparity among them in terms of resource endowment, stages of economic growth, and adequacy of infrastructure: some of them are large in area while others are small; some have large populations whereas others are sparsely populated; some States are inhabited mostly by foreigners; some have diversified economies while others have an almost one-product economy; they include some of the world's richest countries and some of the poorest; some consume less than one-fourth of their gross product, while others consume one-fourth more; some countries still import one hundred times as much as they export, while others achieve a trade surplus, and so on.

The disparity in resources, means of production and stages of development provide hope for achieving economic integration. Yet it appears that finding the ways and means to push forward in that direction, beyond what has already been realized in terms of co-operation in the transfer of skills, manpower and capital between member countries, will remain the great challenge facing the region in the foreseeable future, especially in the face of so many differences in economic systems and political philosophy.

21. The industrialization process which has been furthered in some countries of the region has produced industries which are tied to the external sector on the one hand and to consumption on the other, with only weak links with local production and with one another. This has increased the dependence of these economies on the external sector both in terms of the need to rely on imported intermediate materials, and in terms of outlets for their exports given the limitations of the local market.

22. In the oil economies most of the petroleum sector is directly linked to the outside world, while its links to the domestic economy remain very weak. This is an industry which is almost completely confined to the export of crude oil while relying heavily on imported equipment in view of its high capital intensity. On the other hand, revenues from the sector accrue directly to the governments and are infused into the economy only through public spending. As such, the relationship between the national economy and the petroleum sector is closer to being an indirect rather than a direct one.

23. These factors collectively have rendered the region heavily dependent on the external sector in terms of importing capital goods, technology, intermediate goods, or even consumption goods and foodstuffs. This has made it highly sensitive to world markets and its fluctuations, and highly exposed to the negative impact of such fluctuations.

Perhaps one of the most important consequences of this dependence was the need in some countries to subsidize consumption goods to stabilize prices, especially foodstuffs. This has not only over-burdened their budgets but has also seriously distorted the economy by making many types of production unprofitable.

24. One of the most serious difficulties and bottlenecks facing development in the region is the weakness of the basic infrastructure - physical, human and institutional. This is true at the regional country, and even at the city level. In the cities, especially the over-populated capitals, infrastructure and municipal services are often incapable of meeting the individual's basic needs, not to mention the inability of the rural infrastructure to cater to the needs of the rural population.

At the national level port congestion was, until very recently, a major constraint to development and economic progress in the region. Although this problem was finally resolved in most countries, highway networks remain poor and congested and incapable of handling heavy loads. Railways are still few, and some of them are old or in need of repair. There are many shortcomings and weaknesses in inland, water and air transport fleets as well as in airports and in telecommunication systems. In addition, the coverage of

electricity networks, despite relative improvements in some countries, leaves much to be desired. In the agricultural countries of the region, irrigation and drainage networks remain far below the required level.

At the regional level, the national infrastructures that have evolved under resource constraints and policies particular to each country appear fragmented and cannot be considered as a cohesive regional system. Some adjacent countries remain unconnected with international transport, even by land. Network specifications also still differ from one country to another, and the desirable forms of co-operation in port services have not yet evolved. Furthermore, telephone communications facilities between most of the countries of the region remain below the minimum acceptable level. Touristic facilities remain poor when compared to the touristic potential of the region. Even in housing, where a problem of physical shortage exists and/or where legislation has failed to reconcile between offers for sale and demand for rent in some countries, a problem of over-supply has developed in other countries, especially in oil-producing ones. Thus, a contradictory picture emerges at the regional level.

Among the institutional aspects of infrastructure most governments, including local and municipal administrations, are generally weak with respect to staff, organization, and the inability to chart the course of socio-economic development, to provide security and to meet the basic needs of their populations. Related to this situation are the following problems: poor and ineffective planning and implementation, the inadequacy of feasibility studies and project evaluation; weak scientific research directed towards the resolution of technical and technological problems; low efficiency in the administration of economic institutions (especially those of the public sector); and the inability of the institutions which deal with regional or sub-regional issues to encourage adequate co-operation and integration, and their lack of knowledge of similar institutions and organizations outside the region.

As to human resources, the region is characterized by a scarcity of scientists, technicians and other skilled manpower, by low standards of available skills, and the total absence of specialists in a number of specific fields.

25. In terms of economic relations with the industrially advanced world, the region is suffering from the impact of world inflation and the instability in money markets. It is also exposed to the practices of the multinational companies, including financial and investment institutions in which the countries of the region deposit their surpluses but whose policies might be inconsistent with their interests. Member countries further suffer from overcharging for development projects by international contracting companies and from difficulties related to the transfer of technology, especially with respect to patents and the suitability of imported technology. In addition, the region suffers from high interest rates on the short-term commercial loans that the countries of the region are sometimes obliged to solicit, often from other member countries which accept lower interest rates on their bank deposits. The region is also subjected to protectionist measures in the markets of the developed world that affect the export of manufactured and intermediate goods. This reveals that the region's open economic policies are not being reciprocated. Even the international institutions which play an effective and positive role in promoting the development of the third world, such as the International Monetary Fund and the World Bank, still give the developed countries special voting privileges. Moreover, the technical conditions stipulated by the World Bank for granting loans to needy countries in the region are very hard and either go beyond their ability to meet them or involve them in problems with which they cannot cope. To this must be added the stands taken by some developed countries against the legitimate national and political aspirations of the countries of the region.

II. TRENDS AND PERSPECTIVES OF DEVELOPMENT IN THE REGION

A. Development and co-operation in the seventies

26. In the seventies the countries of the region realized GDP growth rates that averaged 9.2 per cent per annum, thereby exceeding the target rate of the strategy for the Second United Nations Development Decade which had been set at 6 per cent. The growth rate was estimated at around 7.4 per cent per annum in the northern region (including Iraq) which has a diversified economy. In the oil countries (except Iraq) it reached 10.7 per cent, and in the least developed countries around 6.3 per cent. These figures exceeded the growth rates achieved by other developing countries as well as the previous achievements of the region itself. Nevertheless, it can be stated that the region as a whole had the potential to achieve an even higher growth rate.

27. The GDP growth rates in the oil countries reflected the increased production and export of crude oil rather than any appreciable modification in the ratio of petroleum derivatives to crude oil. Moreover, the adjustment of oil prices in favour of the peoples of the developing supplier countries and in favour of the global development of alternative sources of energy began to meet the strenuous opposition of the more developed countries in the last half of the Second Decade. That opposition inhibited the achievement of genuine improvements in growth rates. Increased GDP did not reflect an improvement in the productivity and industrial capability of the countries of the region precisely because these increases were mainly the result of the export of crude and not the result of tangible progress in industry and, more particularly, in manufacturing. Even the industries that were established or launched in the Second Decade have not led to the creation of an integrated industrial structure capable of supporting sustained development.

28. Generally speaking, no great structural change has taken place despite the development achieved. Even the decline in the contribution of the agricultural countries of the region was not due to a major increase in the contribution of the industrial sector. It was, in some cases, the result of virtual stagnation in the agricultural sector itself and, more often, an increase in the contribution of the trade sector (especially the import component), the construction sector (mostly housing), and the service sector (especially government services).

29. Growth in agricultural production was disappointing. While the development strategy of the Second United Nations Decade had set a figure of around 4 per cent per annum for the developing countries, the growth rate of agricultural output in the region as a whole did not exceed 2.8 per cent. On the other hand, some progress was registered in specific crops in specific countries and in a number of the major agricultural countries of the region. The growth that did take place in agriculture was a haphazard response to local and regional demand. Accordingly, development focused more on horizontal than vertical expansion and there was little technological innovation. No appreciable progress in productivity was recorded. In fact, with the non-remunerative cultivation of marginal pasture land productivity actually declined. The major difficulties and bottlenecks of the agricultural sector persist. Foremost among these are the following: aridity; the backwardness of the productive base; limited managerial capability; soil depletion; salinity problems; inefficient use of water, crop rotation techniques, and the practice of leaving fallow land even in areas that are irrigated or that receive heavy rainfall; poor co-ordination between cultivation and livestock production on the farm; limited use of modern production factors; inadequate attention to fodder crops and pastures; inadequate veterinary and extension services; and insufficient concern for the interests of the bedouins who inhabit the grazing lands and who are responsible for the major portion of the domestic animals of the region. In addition, the infrastructure is weak; the effectiveness of agricultural planning machinery is limited; development policies are obscure in their identification of practical projects for implementing the studies conducted by the different Governments and by regional institutions and organizations; the mobilization of the human and material resources necessary for executing such projects is defective; the number of skilled technicians and workers is inadequate to the requirements of agricultural development projects and programmes; agricultural holdings are small and scattered and can only be consolidated and modernized with great difficulty; and finally, ~~educational,~~ training and research institutions and marketing and credit organizations are inadequate.

30. These factors together produced a growth rate in the agricultural sector that was even lower than the growth rate of the population itself. Simultaneously, there was an increase in the demand for consumer goods and foodstuffs resulting from the spread of urbanization. This was particularly true for the Gulf States. The abundant liquidity at the disposal of certain segments of the population led to an increase in the consumption of luxury goods and imports. Another result was a quantitative and qualitative shortfall in food security which exceeded by far that registered in the First Decade. Moreover, it should be noted that accompanying this increase in consumption large segments of the population continued to suffer from nutritional deficiencies. Attesting to this fact was the low level per capita consumption of animal protein.

31. Some countries of the region have witnessed the introduction of new industries. Petrochemical, engineering and metallurgical industries have appeared in the region, as well as fertilizer, iron and steel, and aluminium plants. The cement industry has seen some expansion. All this growth, however, took place at the expense of the foodstuffs industry and was accompanied by stagnation in textiles. Moreover, no development was made in the production of machinery and capital goods despite the fact that the weakness of these industries has constituted, and continues to constitute, a major obstacle to industrial development and self-reliance in the region. Even the production of construction materials, especially the cement required for the execution of ambitious investments, fell short of regional needs. As a result, most countries continued to import these materials in large and increasing quantities. Nevertheless, the industrial growth that did take place exceeded the targets of the development strategy of the Second Decade which had been set at around 8 per cent per annum. The region registered a growth of around 9.6 per cent in manufacturing, 13.8 per cent in water and electricity and around 7 per cent in mining. On the other hand, the overall growth in industry was accompanied by relative stagnation in the contribution of the manufacturing sector to total GDP. In most countries that contribution did not exceed 10 per cent, while a large proportion of the demand for consumer goods (estimated at an average of around 30 per cent) was met through imports. At the same time, the import of spare parts and materials for existing industries increased. Nor did the pattern of industrialization undergo any basic changes in the countries

of the region. The manufacturing sector is still characterized by light and consumer-oriented industries. These industries, moreover, are competitive and redundant at the regional level, are tied to the external sector, and are, finally, inefficient and not very competitive on world markets. Furthermore, the industries of the region are still restricted to the production of a limited volume and variety of goods, and their level of specialization and product integration is low. The region continues to depend upon the import of manufactured goods and the export of primary commodities and semi-processed goods. As a result of the import-substitution policies practised in the region combined with the weakness of internal markets and export difficulties, industries were established and left idle often to the point of 60 to 70 per cent of productive capacity. The policy of processing local raw materials has had some limited success in agriculture; but this has been offset by difficulties and reverses in the processing of petrochemicals, which are mostly exported. The result has been to increase dependence upon the outside because these industries have had to rely completely on imported expertise, technology, labour and intermediate goods without extending their potential benefits, especially through national education and training, to other sectors of the economy, and without strengthening product integration. In addition, the artificial barriers raised within the region continue to hinder trade in manufactured goods while the co-ordination of industrialization policies and plans at the regional level is a rare phenomenon.

Among the major features of industrial development in the ECWA region during the Second Decade were the expanded exploration for mineral resources, the export of almost the total volume of these resources, and the beginning of the storage, liquification and export of natural and associated gases. The manufacturing industries dependent upon local raw materials increased in capacity. In comparison with the wide expansion in the extraction and export of raw materials, however, the manufacturing capacity of the region actually decreased a little.

32. Despite the dramatic growth in the construction sector, estimated at 18.9 per cent per annum, two features of that growth deserve attention for they point to a weakness which should no longer have any justification. The first is that manual and primitive methods were used in the construction of housing in many parts of the region when productivity could have been raised considerably with the application of modern technology. This technology is readily available, the need for it is clear, and the increased demand for housing is evident.

Secondly, the implementation of construction activities, especially large development projects, has been entrusted to foreign contracting companies which often secure their contracts on a turnkey basis and which do not often sub-contract their work to local contractors, who are more often than not unqualified. In most countries of the region planning and policy-making in this field of activity are generally neglected and are hardly mentioned in their development plans.

33. In the area of transport and communications the region has also registered a significant growth rate, estimated at around 13.5 per cent per annum. The region has experienced a boom in the construction of highways, ports and airports which were built mostly towards the end of the present decade. Nevertheless, most of these facilities are still considerably below the needs of the region.

34. Foreign trade is conducted mostly with the industrially developed countries, particularly with the free-market economies and oil importers. Trade relations expanded considerably during the Second Decade, and, consequently, the export of raw materials had to be expanded. Meanwhile, the price of the foodstuffs imported by the region in increasing quantities rose sharply, accentuating the trade and balance of payments deficits of a number of countries in the region, especially since the import of consumer and capital goods and the import of technological services had also increased. As a result of all this import activity, the region was overtaken by a wave of acute monetary inflation. The foreign trade sector is already a major contributor to GDP in the region; consequently, regional economies are highly sensitive to the effects of foreign trade. During the seventies there was a rapid marked increase in both the volume and the value of imports as well as in the variety of goods imported. That increase reflected the growing need for developmental materials and foodstuffs, and the increase in disposable liquidity in the region. On the other hand, the increase in non-petroleum exports was generally low in both volume and value. This was a reflection of the poor development of the economic structure. The terms of trade of the oil-producing countries improved considerably as a result of the increase in oil prices; those of the non-oil-producing countries, however, declined, accentuating their trade and payments deficits. Intraregional trade has remained below the desirable and potential level and non-tariff barriers continue to obstruct its flow. In the same way, some countries of the region face similar obstacles when exporting to the industrially advanced countries.

35. Generally, the trade sector registered an annual growth rate of 12.2 per cent for the whole region. The service sector, however, only registered a growth rate of around 9 per cent. It has thus remained weak despite the rapid advances that took place in the educational systems and health services of most of the countries of the region. Those advances resulted in an increase in the number of educated people and a decline in mortality rates, especially for infants, and in the incidence of endemic diseases. While progress was considerable when compared with the standard of services that prevailed at the beginning of the decade, the situation was still far from adequate when measured against the needs of the population and especially the populations of the rural, remote and bedouin areas.

36. One of the most prominent features of the economic development of the region was the emergence of the public sector in forms which differed from one country to another. The public sector has become important even in those countries which practise a free enterprise system. Direct investment in both the public and the mixed sectors has reinforced the responsibility of the state for the economy and has strengthened its economic power. However, the problems that confront the public sector, especially with respect to management and profitable operation, have made it, in places, a burden on the economy.

37. The Second Development Decade was marked by a continuous manpower movement among the countries of the region. This included the professional and educational manpower needed for the implementation of local development plans. The type of manpower involved in this movement corresponded to the different requirements of the national development plans for planning and supervisory personnel in the engineering and social services sectors, such as doctors, social workers and the like. The Decade was also marked by the establishment of research centres and centres of graduate study. This too resulted in the movement of senior scientific staff from one country to another in the region.

38. In the area of technical economic co-operation among developing countries the region made important contributions which have had positive repercussions throughout the third world. The region played a major role in strengthening solidarity and co-operation among developing countries. The employment of high level

manpower and labour from the developing countries has resulted in the generation of substantial factor income; the region has granted them governmental aid and soft loans through its development funds; it has made direct project investments in their private sectors and opened up its markets to their products. Member States have also played an important role at the economic and political level within the group of non-aligned nations and the Organization of Petroleum Exporting Countries (OPEC). Finally, the region has participated in active dialogue with the developed countries for the purpose of establishing a New International Economic Order, especially through the Euro-Arab Dialogue.

39. There have also been a number of significant developments in the area of regional co-ordination and co-operation. These include the activities of the specialized agencies of the League of Arab States, the Economic Commission for Western Asia and the Council of Arab Economic Unity. One of the most important manifestations of the move towards integration has been the exchange of capital and labour between the petroleum-producing and the other countries of the region. Government grants, soft loans, and transfers of workers have helped to stimulate the economies of the non-oil countries, producing positive overall results despite the imbalances created in their manpower structures. Another important development has been the establishment of a network of development funds which have provided numerous loans to the non-oil economies and to the least developed member States of the region. In addition, direct governmental aid was rendered, especially to the least developed countries, and a number of joint venture companies were established; and the Arab Monetary Fund, a number of regional and international banks, and the Organization of Arab Petroleum Exporting Countries were created. A number of projects for linking up the international highway networks of neighbouring countries were executed. Some projects for linking up electricity grids were also launched and the exchange of services in the area of ports, transit, etc., was developed. In addition, there have been significant **co-ordination** efforts at the subregional and bilateral levels, such as the close co-operation among the Gulf States; between the Syrian Arab Republic on the one hand, and Jordan, Iraq and Lebanon on the other; between the two Yemens, etc. Enthusiasm for such forms of bilateral co-operation, however, usually rose and fell with changing political relations.

B. Quantitative objectives and development projections for the eighties

(a) Projected growth rates for the non-oil sectors and countries

40. The United Nations International Development Strategy for the Third Development Decade, according to the studies prepared so far, favours an overall GDP growth rate for the third world that ranges from 5.5 to 7.6 per cent per annum, with a growth rate of 2.7 - 3.5 per cent in agriculture and 8.3 - 9.4 per cent in industry. It would seem likely that the higher figures will eventually be adopted. For this region the potential for growth is considerably higher than these rates in most, if not all, member countries. On the basis of past development trends, development plans drawn up for the region investments approaching maturity, and projections already made, it would appear that during the Third Development Decade the economies of the non-oil-producing countries and those of the least developed member States (as well as the non-oil-sectors of the oil-producing countries) may be capable of realizing an average annual growth rate of 8 to 10 per cent.

(b) Development strategy for the crude oil sector and its impact on economic growth

41. The crude oil sector is in a special position to have either a positive or a negative impact on the rates specified above. This is because the major oil-producing countries can react with a great measure of flexibility in their response to demand and in their decisions regarding production. In countries with only a modest volume of production, such as Oman and Bahrain, in the non-oil-producing countries and in those with negligible production, such as the Syrian Arab Republic, and in the least developed States oil production is not expected to increase or be initiated unless significant new discoveries are made. The decisive impact will be determined by the position of the major oil-producing countries of the region.

42. The position of the major oil-producers is based on a strategy that has been quasi-established already; the impact of that strategy on production, however, cannot be ascertained as it is dependent on changing and even conflicting factors. In view of the relative flexibility in the ability to control the volume of oil production, decisions in this respect could be taken in the light of international, regional and local political and economic considerations. Most probably, the petroleum production strategy in its general form will be the

resultant of a number of conflicting factors, the most important of which are the following:

- Reconciliation between oil production and world requirements
This tension might lead to some increase in demand and in production, unless the world can cover its increasing requirements from other sources, such as Mexico and the North Sea. The rationalization of energy use in the developed countries could reduce the pressure of demand for oil.
- Attempts to prolong the lifetime of this exhaustible resource.
- Harmonization of oil production including price, real value and the consequent accumulation of surpluses, and the capacity to absorb these surpluses both within and outside the country.
- The increase in domestic absorptive capacity depends on other development strategies to be presented in later sections of this paper. The ability to invest surpluses externally depends on a number of factors including the ability of these surpluses to sustain the erosion resulting from fluctuations in exchange rates and from inflation; the availability of promising investment opportunities; the quality of development projects and feasibility studies in the developing countries that would justify the granting of sound loans and well-placed aid; and the extent to which the financial institutions in which these surpluses are deposited on a short-term basis will use them in the interest of the developing countries, especially the Arab countries by supporting international companies and institutions with contracts in the Arab world or involved in executing development projects on its behalf. At any rate, the improvement in the terms of trade of the oil-producing countries could precede any improvement

in their absorptive capacity. Hence, improvements in absorptive capacity will not necessarily have any impact on the expansion of production until they exceed a certain threshold.

- Undoubtedly, the volume of oil production is also a function of its price. The price strategy for crude oil is based on a number of principles, foremost among which are the evolution of the prices of industrial goods world-wide and the cost of alternate sources of energy.

(c) Projected growth rates by sector

43. Consequently it can be said that the petroleum production strategy will not lead ultimately to a material expansion in oil production but will, rather, slightly depress the average GDP growth rate in the region regardless of prices and the impact of the terms of trade on purchasing power. However, average growth will probably be higher than the estimates likely to be proposed in the new International Development Strategy for the developing countries as a whole, averaging between 7 to 9 per cent annually for the region, with country differences reflecting the stage of development attained by each. Thus the oil sector (refining included) is expected to grow at a rate of 5.5 to 6.0 per cent annually, while the non-oil countries and sectors are expected to grow at a rate of 8 to 10 per cent.

At a sectoral level, however, growth could be higher than that proposed for the developing countries, reaching an annual average rate of 3.5 to 4.5 per cent for agriculture, 9 to 11 per cent for manufacturing and 15 to 17 per cent for the construction sector.

C. Qualitative objectives of the development strategy

44. Despite the importance of quantitative targets, the member States are aware that qualitative objectives should be given a higher priority in the development strategy.

(a) The major qualitative objectives

45. Among the major qualitative economic objectives are the following: the attainment of economic independence and the elimination of all forms of economic dependency and foreign control over natural resources; increasing the volume and quality of production through the application of economies of scale; the correction of structural imbalances in production; increasing the productivity of labour especially by the application of economic incentives and stimulants; and, finally, enhancing absorptive capacity and promoting a more diversified integrated and closely knit economic structure. These strategies would lead to achieving the strategy's quantitative objectives through the following policies: the emphasis on the production of capital goods; the promotion of commodity integration of the products of agriculture, industry, mining and construction; the development of the contracting sector nationally and regionally; the integration of the elements of investment, namely, the development of the physical, service, human and institutional infrastructure alongside the implementation of productive projects; the curbing of local inflationary practices; the diminution of the growing region-wide deficit in the balance of trade in foodstuffs; and a reversal of the processes of desertification and soil salinity.

46. The development of human resources, including the intensification of training at all levels and improvements in administration and management, **occupy top priority** among development objectives.

47. One of the most important qualitative socio-economic objectives is the need for a concerted effort by the governmental, public, co-operative, mixed and private sectors to achieve a **balance between the economic and the social aspects** involved in the choice of project sites; and between rapid development on the one hand and a fair geographic distribution of its fruits and a more **equitable distribution** of income among the different social groups, on the other hand.

48. Among the more important qualitative social objectives are the following: increased participation of women in economic activity without prejudice to the preservation of traditional social and cultural values; improvements in the quality of life, particularly through the eradication of hunger, abject poverty, illiteracy, unemployment, endemic diseases, and through rural development; the provision of food security and the satisfaction of the basic needs of the

individual, especially low-cost housing, food, drinking water, electricity, human development services, waste disposal, and a clean and safe environment; and the development of technical cadres and planning staff.

49. Prominent among political objectives is the need for concerted regional and Arab action to create the objective conditions for a just peace which will provide the stability needed for development and permit the diversion of resources to the development effort.

(b) Production and consumption trends

50. During the past two decades the countries of the region have gained progressive control over their natural resources. During the Second Development Decade they gained greater control over their petroleum resources in particular, and there was a clear tendency towards increased volume and improved quality of production. Accordingly, and in view of the different projects that have been planned for the eighties or that have already been launched, it is expected that during the Third Development Decade the production strategy for the ECWA region will be marked by increased production and greater exports.

51. Considering the fact that consumption is generally low in most countries of the ECWA region, and relatively low in the oil-producing countries as against the volume of production projected for the eighties, the strategy for the region must necessarily aim at an increase in consumption rates. The countries of the region must, as a strategic goal, concentrate on increasing and diversifying the consumption of foodstuffs and meeting the essential needs of the population. This new consumption pattern calls for a progressive increase in the development of production and a reduction in the consumption of luxury goods and imports which constitute an obstacle to development and will lead to a greater external dependency. Thus, the Third International Development Strategy and the strategy for the ECWA region should include a review of the distorted patterns of consumption that have prevailed during the Second Decade, and a programme for an alternative pattern that would give priority to the needs of the majority of the population, the more deprived categories. The volume and the quality of goods and services available

to the region should be developed continuously while regarding the disparities prevailing in economic capabilities. Because of the relatively modest size of the industries presently programmed for the region as against fast growing domestic consumption requirements, it is expected that during the second half of the coming development decade domestic demand will in general dominate the development strategy for the region, along with a progressive increase in exports. Similarly, by mid-decade the progress of the development effort will reveal the need for more co-ordination and will encourage integration on the regional and, eventually, the Arab level.

(c) Equitable distribution of income

52. The prevailing disparities in the distribution of income both within and among the developing countries serve to obstruct national, regional and international development efforts aimed at improving the social and economic conditions of the peoples of these countries. This calls for action to redistribute income so that the peoples of these countries will be motivated to work more effectively, and the possibility of social and political unrest will be reduced. Accordingly, the less developed countries should be helped through a larger share of national, regional and international loans and grants for financing projects to reduce disparities in income distribution, and through the application of appropriate domestic economic and financial policies.

III. INTERNATIONAL AND REGIONAL DIMENSIONS OF THE DEVELOPMENT STRATEGY

53. The countries of the region are members of the Arab nation and have historic ties with the Islamic peoples and the group of non-aligned nations. The co-ordination of their efforts with the developing countries of Asia, Africa and Latin America is an imperative, as is the need to promote more favourable forms of co-operation and reciprocity with the industrially advanced nations through a policy of global interaction. Accordingly, a number of national, regional, Arab and international dimensions run alongside the human perspective in orienting the goals and strategies of development towards the construction of an integrated civilization.

54. It is necessary to make a clear distribution among national responsibilities, collective responsibilities within the region (especially regional co-operation and integration), within the third world (especially questions related to technical co-operation among the developing countries) and within the international community (especially questions related to the New International Economic Order, the North-South Dialogue, the Euro-Arab Dialogue and transfer of technology. It is also necessary to strike a proper balance among the national interests of each country, the interests of the region, the interests of the different international blocs and global interests. Nevertheless, these responsibilities are interrelated and influence each other at a variety of levels.

A. The region and the world

55. Resolution 2626/25 on the international development strategy of the Second United Nations Development Decade called for the improvement of the international situation, disarmament, and the implementation of policies aimed at the establishment of a more rational and a more equitable international social and economic order. The Arab States members of ECWA affirm their attachment to these principles and consider them to be a necessary foundation for accelerating the international development process.

The Arab States have observed, however, that actual progress in the implementation of these principles was inadequate during the past decade. Accordingly, the States of the region reaffirm the importance of redoubling the international effort to improve the world situation, to promote disarmament, to eliminate imperialism, racism, all forms of exchange and violations of economic sovereignty in order to facilitate the attainment of greater progress during the Third Decade.

56. The countries of the region feel that they have the responsibility and possess the potential to contribute to and enhance modern civilization; that they have the right to share in its fruits, to assimilate its contents, to participate actively and effectively in collective decisions and to contribute to international efforts that focus on specific issues, such as the protection of the environment, the fight against desertification and the erosion of coastlines, and the establishment of rights for the international community in the exploitation of the oceans, the high seas and outer space. The region will continue to support international agencies concerned with economic and technical co-operation.

57. The region will continue to play a complementary role in the world economy, supplying it with energy and financial liquidity, and supporting the developing countries, while receiving from it technology, capital goods, expertise, and labour. The region, however, will join other third world countries in calling upon the international community to reconsider the mechanisms, channels and ways and means of this mutual interdependence, notably, to establish a stable and effective international monetary system capable of ending floatation and stopping speculation and the harmful flow of "hot capital"; to reform the institutional framework of the rules and principles contained in certain international treaties and agreements which govern the flow of trade, technology, money and finance such as GATT, the International Monetary Fund and the rules governing maritime transport and insurance; and to regulate the activities and practices of multi-national corporations in order to ensure the harmonization of their activities with the development objectives and policies of the host countries and to make them useful instruments of progress based on mutual interest and confidence.

58. The region calls upon the International Monetary Fund and the World Bank to reconsider their voting rights in favour of the developing countries and to consider favourably their need for funds. It also calls upon them to ease the conditions and procedures governing the extension and use of loans.

B. The region and the hostile acts of the Zionist entity

59. The Israeli occupation of Palestine and the territories of several Arab States, the uprooting of the Palestinian people from their homeland and the continued violation and disregard of their national rights, the repeated acts of aggression against South Lebanon, and Israel's continuing military and economic threat (supported by powers hostile to the countries of the region and the well-being of its people) all constitute a threat to the economic independence of the region and a constraint against its need for a rapid rate of development. Moreover, the designs and objectives of the Zionist entity and its present collusive ties with the Sadat regime in Egypt add to the burdens of development of the ECWA countries and, consequently, contribute directly to impeding the attainment of the objectives of the international development strategy for the decade of the eighties, as well as threatening the stability of the States of the region and international peace and security.

C. The region and the industrially advanced countries

60. The region calls on the developed countries to rationalize the use of energy, bring an end to inflation and unemployment in their economies, especially the prices of capital goods, in order to end the "race" between the prices of these goods and the price of oil. It also calls for restraint in wage increases and social security costs which are partially paid for the developing nations to the detriment of their basic human needs.

61. The region also calls upon the industrially advanced countries to co-operate with it in the creation of a climate in which the developing countries can realize the principles of collective self-reliance and mutual advantage.

62. The countries of the region also urge the industrially advanced nations to co-operate in the establishment of the New International Economic Order, putting an end to the unstable system now prevailing and replacing it with conditions and relationships of a more just and, consequently, more lasting nature. The areas most in need of reconsideration include the following: The exchange of raw materials for manufactured goods and services; the cost and availability of commercial credit; the mechanism of the generation and distribution of international liquidity; and technology transfer, especially the question of patent rights. Changes in these areas should favour the implementation of integrated programmes that cover, in addition to the question of prices, ways of encouraging the developing countries to process these commodities themselves and to participate in their transport, marketing and distribution.

63. The countries of the region affirm their conviction that the stability and prosperity of the economies of the industrially advanced countries are also in the best interest of the developing countries. The advanced countries should realize, in turn however, that the prosperity of the third world is also in their best interest. This is true not least from the point of view of increased purchasing power, which can provide added stimulus to the economies of the more advanced countries. Increased co-operation with the developing countries will lead in the medium and long term to a reduction in the intensity of the economic stagnation which besets the major industrial countries at the present time. With respect to this region in particular, any assistance rendered by the more advanced countries in expanding the absorptive capacity of the region will help it to absorb its oil revenues and will consequently encourage it to increase the production of crude oil to meet the needs of the industrialized nations.

64. The countries of the region feel that such increased co-operation should achieve the following:

(a) Agreement between the developing and the industrially advanced countries for the transfer of an ever greater number of future development projects to the developing areas, taking into consideration the effect on the world economy. The adoption of this principle requires that this region be allotted an adequate share of industrial projects in the branches in which the region enjoys a clear comparative advantage;

(b) Agreement between the developing and the industrially advanced countries for providing the vertical and technical integration of such industries upon their establishment in the developing countries on the basis of regional integration.

65. The countries of the region feel that the industrialized countries should develop the technology that is exported to the third world in such a way as to make it compatible with the conditions and circumstances prevailing there and should carry out appropriate research for this purpose, instead of exporting their technology as originally developed for their own use.

66. In order to achieve these objectives, the countries of the region are also called upon to pursue more energetically the Euro-Arab Dialogue and to expand the dialogue to embrace other economic blocs; to participate in the North-South Dialogue and to join efforts with other developing countries to establish the basis of the New International Economic Order.

67. In placing their financial surpluses from oil in international financing operations, it would be beneficial for the oil-producing countries of the region to divert increasingly the flow of liquidity to the developing countries by supporting financial and production institutions and contracting firms which are active in the development of the third world in general and this region in particular, and to tie such financing operations as much as possible to specific projects implemented by the beneficiary in the developing countries.

68. **The ECWA countries** feel that the developing countries should make the assertion of national sovereignty over their natural resources a matter of policy covering both existing industrial facilities and future projects, in the best interests of both the peoples of the developing countries and international economic progress. The implication for this region is that each member country must be enabled to integrate its industries within the framework of its national economy, promote inter-sectoral and intra-sectoral integration and advance in the direction of regional economic integration.

69. It is the interests of the oil-producing member countries to seek to expand control over their resources by becoming actively involved in shipping, marketing and distribution operations and by establishing, as much as possible, direct links between producer and consumer countries.

70. In dealing with the restrictions imposed by the industrially advanced countries on the industrial exports of some member countries, it would be advisable to seek ways of tying together the exports of some member countries that face such restrictions with the exports of other member countries that are in greater demand.

71. The developing countries are in need of commercial and financial policies and arrangements for limiting the growing deterioration in exchange values and the increase in foreign indebtedness. They are also in need of a special strategy for stimulating trade among their own member countries and regions. The ECWA countries wish to affirm their solidarity with the demand of the Group of 77 in this regard and call upon the more advanced countries to make the trade and financial concessions necessary for achieving this objective **in the** interest of social and economic progress and international **detente**. The member countries of ECWA reaffirm the need for linking the prices of the manufactured goods of the industrially advanced nations to the prices of the raw materials exported by the developing countries.

72. It is imperative, therefore, that the **strategy** for the Third Decade should introduce deep-seated reform into the rules and practices of trade between the industrially advanced and the developing countries: that such reform should include, in addition to the measures noted above, an international recognition of the principle of the preferential treatment of the industrial goods produced in the developing countries; and that this principle should be extended to cover an increasing number of production sectors, taking into consideration the interests of the peoples of both the industrially advanced and the developing countries.

D. The region and neighbouring countries

73. It would be mutually beneficial to both the region and neighbouring countries, including those situated in Asia Minor, east of the Arabian Gulf and west of the Red Sea, to co-operate in inter-linking their infrastructure, especially their highway and electricity networks; in developing trade: in using their waterways; in protecting the environment, especially the sea, from pollution; and in the joint exploitation of their common water resources, marine transport facilities and fishing operations.

E. The region and the third world

74. The countries of the region are called upon to support and strengthen their economic and technical co-operation with the other developing countries and to increase its effectiveness, irrespective of the distances that separate them from the region. They are also called upon to support international organizations which seek to develop such co-operation. The oil-producing member countries are called upon to continue their policy of financial support to the developing countries, either bilaterally or through development funds, and to concentrate such support (in the form of loans and grants) to those developing countries whose economic conditions do not permit them to cope with the effects of world inflation.

The region's oil-producers are also called upon to support the region's development funds and to increase their effectiveness; to create job opportunities for workers and experts brought in from other developing countries, thus providing those countries with the additional liquidity represented by the repatriated earnings. The countries of the region are also expected to do the following: expand their trade with the developing countries and import more of their products: exchange most-favoured nation status whenever that is mutually beneficial: conclude clearing agreements with them and co-operate in specific areas of scientific research and in areas related to the transfer and adaptation of technology: develop local and traditional technology and exchange relevant experience: exchange information, notably on international agreements and contracts for the implementation of projects and commercial transactions with the developed countries, and on import prices, especially the prices of capital goods; and co-ordinate price policies for raw material and agricultural exports, moving towards the creation of producers' associations for particular commodities, such as phosphates and cotton, while supporting existing organizations, such as OPEC and OAPEC.

75. On the question of collective self-reliance among the countries of the third world, the member countries of ECWA feel that it would be beneficial and possible for every developing country, or group of countries, to set up for itself specific goals in precise areas and fields of specialization in the development of science and technology in which it can become the leader on a world scale within a definite period of time. This will give rise to a positive, mutually beneficial division of labour among the developing countries.

76. The countries of the region reciprocally support the aspirations of the countries of the third world, especially the non-aligned countries, for the attainment of economic independence, liberation from economic dependency, and control of their natural resources. They support them in their endeavours at collective bargaining at the international level, as well as in their effort to participate on an equal footing in international decision-making. They also support their just demands on the world community, regardless of whether the region has a direct interest or not.

F. The region and collective self-reliance

77. Collective self-reliance in the region can be manifested in the following tasks: providing food security by producing and storing more foodstuffs; achieving self-sufficiency in building and construction; regional co-operation on the basis of specialization and the division of labour in the creation of a local capability in the area of science and technology, in the training of manpower, in the conduct of scientific research, in the improvement and regional integration of infrastructure; and co-operation in the monetary and financial fields by increasing the effectiveness of the Arab Monetary Fund and the development funds of the oil-producing countries and by co-ordinating their activities.

78. One of the most important means of implementing economic co-operation is the establishment of joint ventures in finance, management and marketing and the exploitation of the advantages of large markets, economies of scale and capital intensity. This kind of activity could involve industrial projects, the projects of large, specialized regional contracting firms, merchant marine fleets, fishing operations, etc. Among the region opportunities for regional co-operation are the creation of new forms of co-operation among small enterprises engaged in similar activities in different parts of the region. Such co-operation should make for greater profits, reduce business risk, and achieve specific goals in the areas of training, research, transfer of technology and the exchange of services. Other areas for co-operation include the establishment of projects on a bilateral or sub-regional basis for the exploitation of common resources, especially water.

79. The countries of the region are expected to exploit the advantages of resource specialization to achieve regional integration. A collective effort should be made to increase production and productivity in the food crop and foodstuffs sector in suitable areas to the benefit of all member countries. The oil-producing countries will assume the responsibility of supplying the countries of the region with energy as well as with capital whenever the economic conditions for its investment exist. In the industrial sector, the oil-producing countries will probably move towards the petrochemical industries. The agricultural countries will naturally move towards agriculture-based industries, while the remaining industries should be distributed among the member countries.

80. Co-ordination in the future will be a more extensive yet easier task to accomplish than that of co-ordinating present-day activities. Development plans are being co-ordinated, efforts are under way to standardize them in a number of fields, and standard development models or ones employing similar variables are being introduced. In any case, there is a need for emphasizing the factors of integration and unity and overcoming the obstacles of divergence and conflicting interest. This can perhaps best be done by taking the net costs and benefits accruing to each country from a set of co-ordinated arrangements as the measure of the benefits of integration, rather than calculating the costs and benefits of each such arrangement separately.

81. There are issues of a regional nature which must be dealt with in the context of collective self-reliance. One such issue is the need to balance the positive and negative consequences of the intra-regional migration of labour. This requires a regional plan that would address itself to this balance and provide for the training of scarce and needed skills, the creation of additional employment opportunities for surplus skills and the introduction of needed structural and curricula changes into training and educational institutions. Other issues requiring collective effort are the combatting of endemic diseases, desertification, soil salinity, pollution of the environment with industrial and human waste, destruction of forests and free life, sand drifts, torrential floods, the extermination of animals and fish life, the threat of locusts to agriculture and imported diseases.

82. There are other areas that are suitable for regional co-operation whose pre-requisites for success must be explored. These include the establishment of joint banks and insurance and reinsurance companies; co-operation in meeting temporary liquidity shortages; the exchange of port services; co-ordination of transit operations; application of the rules of the Arab Common Market, especially concerning the removal of non-tariff barriers to intra-regional trade; standardization of tariffs, laws, regulations, codes, educational systems and scientific terms, and such specific systems as accountancy and housing credit.

83. It would be also useful to expand the establishment of regional agencies specialized in major fields such as the transfer of technology, feasibility studies, the development of traditional and local technology and training.

84. There is a growing tendency in the region to give priority to economic rather than political considerations. The countries of the region are also drawing closer together in political outlook. There is a growing realization in member countries that the fruits of co-operation should not be expected in the short term, but in the medium and the long terms.

85. Last but not least, the development and advancement of the least developed countries of the region deserve special consideration from the oil countries which are capable of providing them with funds, and from the more diversified economies of the region which are capable of extending needed technical assistance.

IV. PRIORITY AREAS OF DEVELOPMENT STRATEGY

A. General priorities

86. The countries of the region have common priorities in a number of fields but they also have different national priorities. The national priorities can be divided into three categories which correspond to the classification of member countries into three groups: the oil-producing countries, the non-oil-producing countries and the least developed countries.

(a) Common priorities

87. All member countries share some developmental priorities in common. Formost among these are the following: development of infrastructure; restraint of domestic inflationary factors; protection of the environment; combatting desertification; stemming the brain drain; increasing the proportion of scientists, technicians and skilled workers in the labour force; expansion of vocational training; limiting congested and concentrated urban growth in favour of decentralization; introducing changes into the social structure, life style and the relations between production and legislation so as to create stimulants and incentives for increased production and productivity; increased participation of women in economic activity while caring for mothers, working women, children and youth; narrowing the differences in the living conditions of urban and rural areas and between regions; settling the bedouins; and the promotion of small local projects.

88. In any case, the development strategy for the region as a whole should be built on three main pillars; namely, increased food production, expansion of infrastructure, and manpower development through education, training and industrialization.

(b) Priorities of the oil-producing countries

89. The oil producing countries face the special problems of providing for their post-petroleum economies; extending the life of their oil wealth while maintaining the real value of their financial assets, and striking a balance between oil production and their absorptive capacity; rationalizing the management of their financial assets; expanding the opportunities for fruitful investment; rectifying the structural imbalances in their economies; developing their national work force; and pursuing industrialization based mainly on petro-chemicals.

(c) Priorities of the non-oil-producing countries

90. The non-oil-producing countries are faced particularly with the tasks of agricultural expansion in both crops and livestock; providing food security; mechanizing and modernizing agriculture; decreasing the balance of payments deficit and the foreign debt, especially in relation to private commercial loans; developing traditional, local and new sources of energy and diversifying its productive base; increasing the contribution of industry to GDP; correcting the imbalances in manpower structure caused by migration; eliminating manifest, partial and disguised unemployment; distributing projects in a more geographically equitable manner; directing attention to the needs of the rural population and improving the investment climate for foreign capital.

(d) Priorities of the least developed countries

91. The least developed countries of the region have the same priorities as the non-oil producing countries, but with greater urgency. These countries have, in addition, problems related to their particular circumstances, such as the eradication of endemic diseases, reducing the isolation of population settlements scattered in mountainous areas, town planning and the provision of basic municipal services. These countries are also in greater need of financial and technical support from both within and outside the region.

B. Major supporting factors

(a) The role of planning in socio-economic development

92. Planning as the scientific approach to the achievement of the development strategies and objectives of the developing countries in general and the countries of the region in particular must be accorded greater attention if the objectives of the international development strategy for the eighties are to be met. Planning is essential for the rationalization of the different levels of decision-making in the many aspects and branches of development. Planning is essential if the maximum benefit is to be obtained from available resources and if the results of national and international development efforts are to be forecast with accuracy. Accordingly, national development planning skills must be expanded and developed in the developing countries. This need should be reflected in technical co-operation agreements among the developing countries, and in increased co-ordination in planning matters leading to the integration of the socio-economic development plans of the developing countries in general and the countries of the region in particular.

(b) The role of the public administration and supervisory bodies

93. Governments should lend support to their public administration, particularly where they are newly-established as in the least developed countries, in order to increase the effectiveness of supervisory bodies, develop economic administration and planning and statistics bodies, respond to the daily needs of the population and provide the population with security and order.

(c) The role of the public sector

94. The prominent role played by the public sector in the development process during the past decade has confirmed the need for maintaining and enhancing its role. Thus the economic activities of the public sector should be strengthened and developed to enable it to play a leading role in the orientation of the economy, contributing to the successful implementation of the development strategy.

(d) Role of science and technology

95. The region is totally dependent on imported technology, which was designed for the circumstances of the countries of origin, and which, consequently, may not be fully compatible with conditions in the importing countries. Such technology is especially inappropriate given existing regional resource patterns. It is essential, therefore, to exert a national and regional research effort to adapt imported technology, especially in the case of industrial projects of a regional nature which involve new technology. Hence, new industrial research centres should be established and existing ones strengthened. This could be a suitable field for regional co-operation. At the same time a special effort should be made to increase the region's ability to monitor investments and imports related to science and technology in order to control their quality and their conformity to required specifications. This could be linked to the task of ascertaining that their designs conform to environmental protection standards. Such supervision should be extended to cover the import of consumer and intermediate goods which might be harmful to personal health or to the environment.

96. Similarly, scientific and technological activities which relate to specific tasks or problems should be supported, and the encouragement of science and technology should be more closely integrated into development planning. Efforts should also be made to apply the results of locally conducted research and to stimulate demand for locally generated data; to encourage small and medium-sized institutions and universities to conduct development research, individually and collectively; to encourage university graduates to be more involved with national technological problems; and to encourage national contracting and consulting firms to contribute more effectively to the planning, execution, operation and maintenance of investment projects.

97. It is also necessary at both the regional and the third world levels to design channels for the exchange of information concerning the terms of agreement for the transfer of technology, foreign investments, the operations of multinational companies, and the criteria and acquired expertise used in the selection of technology.

98. The developed countries are called upon to facilitate and contribute to the free flow of information and know-how to all the developing countries; to evolve international systems and networks of information; to allocate a larger portion of their R&D efforts to solving technological problems relating to the countries of the region; to participate with existing and planned national R&D institutions in the preparation of programmes and research activities and in the evaluation of results; to provide these institutions with laboratory and scientific facilities and equipment on terms more favourable than those commercially available; and to make available financial aid, experts and scholarships for these activities.

C. Priorities by economic sector

(a) Agricultural development and food production

99. The exploitation of natural resources for the production of foodstuffs in the agricultural sectors of the developing countries is an international undertaking to elevate the world food crisis. The countries of the region feel that this task should be given first priority in the elaboration of the strategy for the coming decade, as it would contribute to the resolution of the problems of malnutrition, food shortages and the rising pressures on the balance of payments of the developing countries. The region's development strategy for the Third Decade aims at increasing both productivity and total production, decreasing the deficit in the foodstuffs balance of the region, alleviating the increasingly adverse effects of imported foodstuffs on the balance of payments and raising the level of self-sufficiency in staple food products. In this way, the strategy hopes to rectify the inadequate food security situation in the region.

100. The main line of the agricultural development strategy is to try to achieve an overall increase in productivity by concentrating on vertical expansion and intensive agriculture, and by focusing efforts on promising farms where the proper combination of economic factors exist and efficient management is feasible, especially in irrigated and sufficiently rainfed areas. This would involve soil reclamation measures, the correction of the crop rotation cycle including the

elimination of fallow land, the extension of livestock raising, the introduction of fodder crops and the provision of propagation materials that are compatible with improved production inputs. It would also mean expanding the area under irrigation and improving irrigation networks; increasing mechanization and the use of modern production inputs; improving the land-holding system; providing the necessary infrastructure, services and agricultural credit; and organizing agricultural relations in the producers' interest.

101. Traditional agricultural systems, bedouin-style livestock-raising and archaic fishing methods represent an obstacle to progress. They perpetuate the stagnation in both productivity and the volume of production which have remained at a minimum even though agriculture constitutes the main source of livelihood for most rural residents. Efforts must be exerted to improve these systems by improving the management of rain-fed agriculture, improving pasture land and integrating the cultivation of rain-fed or newly-irrigated areas with the production of livestock and animal products. Government investments should be made in selected areas of the more remote regions, where development efforts ought to be concentrated which would serve as models for the surrounding regions. In addition, the infrastructure, veterinary and extension services should be strengthened.

102. A basic condition for the success of the food and agricultural development strategy is to focus on social factors. The acceleration of agricultural development cannot disregard the need for a commitment towards the rural base and the human element intrinsic to it, especially small farmers and the rural poor. The eradication of poverty in rural areas will lead to the attainment of a balanced and sustainable development process.

103. Intensive efforts are needed to organize farms and to improve the system of landholding, with special consideration for the problems of small and fragmented land holdings and with objective of more efficient large-scale production. This would require a study of land ownership and holding patterns and a study of the extent to which co-operative models of production, machinery maintenance, import purchasing and crop marketing are appropriate for resolving the problem.

104. Regional co-ordination and co-operation are necessary for the development and advancement of the bedouins. The oases of the region and the bedouins and their livestock deserve more consideration. Fodder reserves must be maintained, and means of transporting water to ~~the~~ bedouins in dry seasons must be provided.
105. A comprehensive regional perspective requires that co-ordination take place between countries sharing similar geographic and climatic features. This co-ordination should aim at the establishment of compatible production facilities that will help raise production and promote balanced development. Also required is the development of a crop structure suitable to each region through the efficient use of available irrigation water.
106. Likewise, rainfall and rain-fed lands should be exploited by applying the findings of Arab and international agricultural organizations and research centres to the intensive production of two rather than a single crop per year, the introduction of fodder, particularly leguminous crops into the agricultural cycle and the extension of livestock raising to complete the cycle of organic materials on the land. Intensive agricultural methods should be pursued using fast-growing propagation materials that are resistant to salinity, disease, and the aridity that is characteristic of the ECWA region, at least until sufficient irrigation water can be provided for increasing the area and the general yield.
107. Food and fodder should be given priority in agricultural production. This includes processed and unprocessed plant, animal, poultry and fish products. Agricultural industries should be introduced gradually into the rural areas in order to diversify both the sources of income and the variety of agricultural products, and in order to create a balance between food and cash crops.
108. Whenever the opportunity for using modern methods of food production presents itself, an intensive effort should be made to apply scientific methods to the task of providing the environment appropriate to this type of production, for example, the establishment of covered or protected forms and the application of advanced irrigation techniques which conserve water without reducing productivity.

109. Agricultural extension services and the social, technical and economic advancement of the farmer are considered to be among the foremost requirements of agricultural production. The information dispensed by these extension services originate at research centres on a variety of levels. It would be advisable, therefore, to plan for closer contact between farmers in the region and international, Arab and local research centres through the agency of agricultural extension and orientation services. Absolutely essential is the allocation of sufficient funds for agricultural research and extension services which focus on local requirements and risk reduction.

110. Because most farmers have limited means, the provision of concessionary short, medium and long-term agricultural credit will serve the objectives of vertical and horizontal expansion. Accordingly, it is essential that a detailed programme be drawn up in the countries of the region whereby financial institutions and governments make available such loans on terms that are compatible with the low economic and financial returns expected from agricultural production.

111. In order to provide for greater food security, a time-table should be established for increasing storage capacity of staple food products (i.e. meat and grain) so as to guarantee a strategic food supply for a minimum of 3 months. Storage areas should be distributed geographically throughout the region and storage purchases should take advantage of low-price periods.

112. A major policy technique is the use of price incentives. This will increase production and the income of the farmer, helping to eradicate poverty. Likewise, ways and means must be found to give the small farmer access to modern technology, including mechanization and/or the use of modern inputs that serve to increase productivity and to prevent and combat agricultural diseases and pests.

113. In the area of sea fishing, an intensive programme is needed to effect a reasonable improvement of present fishing methods, infrastructure (especially at small fishing ports) and for distribution, simultaneously, large projects are being prepared to introduce modern fishing methods on the high seas in wide-scale commercial operations, and in coastal waters of the region. Also advisable is the

exploitation of internal bodies of water for fish production. Fish is a cheap and economically efficient source of protein. Fish farming can be profitably combined with the cultivation of crops, such as rice, that require inundation in water.

114. In the area of agricultural investment, a balance should be established between projects yielding direct, short-term returns (particularly orchard cultivation, livestock and poultry raising and modern fishing operations) based on technological advancement and projects related to infrastructure, the reclamation of new land or the rehabilitation of neglected, salinated land which give rise to medium and long-term development. Moreover, it would be advisable to establish in the oil countries a number of highly modern productive projects requiring large investments (such as greenhouses). In addition to serving the needs of agricultural experimentation and research, they would help meet some local food needs. In countries where traditional agriculture prevails, new sites for productive projects should be located on the borders of small, traditional cultivations in the vicinity of irrigated areas and areas of abundant rainfall. In this way, the new projects will have a demonstration effect on neighbouring cultivators and will help improve rural nutrition. This would be the opposite of the development pattern that has been followed thus far, in which new projects were located near the cities in order to meet the food needs of urban areas. In any case, priority should be given to existing rather than new projects, and on improving the operation of completed projects.

115. At the level of regional co-ordination and co-operation, agricultural plans should be co-ordinated, expertise exchanged, and joint ventures promoted in projects destined to help cover the region's needs for essentials, particularly those not now available in the region. There should also be co-operation in the collective utilization of pastures, range lands and deserts, and in the resolution of the problems of trans-national bedouins in an effort to improve their social and economic conditions.

(b) Relation between absorptive capacity and infrastructure

116. The major contradiction governing the development of the region is the contradiction between the financial resources available for investment and the absorptive capacity of the region. This is most clearly apparent in the major oil-producing countries. It is also present in the least developed and in some of the non-oil-producing countries which receive generous aid from the oil-producing countries where it is a matter of lower absorptive capacity rather than an excess of funds. It is present in a milder form in the other oil-producing countries, and almost disappears in the non-oil-producing countries which enjoy more diversified economies. This contradiction imposes a definite long-term orientation on the region's development strategy requiring it to give top priority in development to the task of strengthening and expanding the absorptive capacity of the region. Even though the contradiction differs in intensity from one country to another and is virtually absent in some, the strategy of building up absorptive capacity remains valid for all the countries of the region without exception.

117. If absorptive capacity means the ability of the economy to introduce and assimilate modern technology materially, humanly and organizationally and to launch and bring to fruition desired investment, then the principal means for accomplishing this would be to strengthen or construct the missing material, human and institutional infrastructure. This would involve a concentration on the following: the building of highways, bridges, railways, ports, airports, dams, aqueducts, drainage and irrigation canals and raising the standards of existing installations to international specifications standardized at the regional level; electrification of the countryside; development of tele-communications systems; establishment of a sound system of education, training and research; strengthening supervisory, planning and executive institutions, and the organizations responsible for the provision of data, information and studies.

118. Since such investments do not yield direct returns, they are almost exclusively the responsibility of governments. The availability of an adequate infrastructure would enable the private sector (and also the mixed and public sectors) to implement successful projects of all sizes yielding direct returns; the absence of proper infrastructure renders every thing much more difficult or even impossible.

119. The oil countries are able to allocate adequate funds for infrastructure, but the non-oil countries could only do so with great difficulty since they would be using up scarce resources without increasing their direct income in return. Therefore, in view of the high priority of infrastructural projects and the relative simplicity of conducting feasibility studies on them, it would be useful if the major portion of aid and soft loans granted by development funds in the region were allocated for infrastructural projects.

120. Undoubtedly, government and public sector funds will also be allocated to other areas of development, but the purpose and application of such allocations will vary from country to country. In the oil-producing countries, the major concern will be to find additional outlets for the use of their surplus funds concentrated in government hands; whereas the concern of the non-oil producing countries will be to create opportunities for generating new income for use in future development efforts. There is general agreement, however, that such expenditures are necessary in order to promote an integrated economy, to pave the way for the operations of the private sector and mixed projects, to ensure the implementation of major projects that do not interest the private sector, to expand work opportunities, and so forth. Drawing the dividing line that will achieve a proper balance between direct return investments and investments in infrastructure, naturally, is the responsibility of each country and the proportions will certainly differ.

121. The strategy of establishing and strengthening infrastructure has regional as well as national implications; basic infrastructural facilities should be planned and programmed to form integrated networks at the regional level. Consequently, sufficient funds should be allocated to link the infrastructure of neighbouring countries (e.g., highways, railways, electricity grids) with as much standardization as possible, and to permit the exploitation of common rivers through co-ordinated irrigation, drainage, fresh water and industrial projects. Plans should also be made for reciprocity in the use of airports, ports and artificial satellites and for the creation of a single telephone and telex network

for the region. In addition, efforts should be made to standardize laws, regulations, procedures, scientific terms, etc. and to establish joint training and research institutes. Development funds in the region are called upon to give attention to this type of investment and to make available concessionary loans.

122. Since investment in physical infrastructure and housing will receive a large share of total investment allocations, common sense calls for an effort to provide the major requirements of the construction industry. This requires investment in the contracting sector, in the mining and manufacturing industries related to building materials, in electricity and in manpower development, especially skilled manpower.

(c) Importance of the construction industry

123. The construction sector has not yet received sufficient attention from planners in the region and has been left to develop spontaneously. This has often resulted in foreign contractors carrying out projects, with occasional sub-contracting to local firms. Only rarely did five-year plans make specific allocations for this sector, usually especially for construction machinery. Consequently, it is essential that the development strategy for the Third Decade concentrate heavily on the development of the construction industry, making it more capital intensive and basing it on the most advanced technology available. The strategy should also focus on training to make available qualified personnel capable of operating large and complicated construction machinery.

124. The development strategy for the Third Decade should give this industry a comprehensive regional dimension, both in terms of its role in the building of infrastructure at the regional level and in terms of its financing and organization. Specialized joint-capital contracting firms should be set up to achieve two objectives before the end of the Third Decade: the attainment in this field of collective self-reliance and regional self-sufficiency so that construction works and projects can be implemented with capabilities drawn from within the region.

(d) Industries related to infrastructure

125. Priority should be given to the electrification of the region and training in various branches of the electricity industry. The integration of all parts of the region into a single electricity network is an ambitious objective that can be reached, or at least approached, during the Third Development Decade.

126. Top priority should be given to the cement industry in order to achieve self-sufficiency for the region based on a policy of collective self-reliance before the middle of the Third Development Decade.

127. Similarly, countries of the region should give priority to the mining and quarrying of building materials, the production of iron rods, wood products, cables, sanitary articles and equipment, tiles, concrete blocks and the like. These industries should provide opportunities for multilateral and bilateral co-operation as well as the establishment of local industries, depending on project size and the resources of the individual countries.

(e) Priorities in the manufacturing sector

128. As for other possibilities for the development of manufacturing industries, special attention should be given to the fabrication of machinery and related metal industries which would provide extensive practical opportunities for the transfer of technology. They would also help to raise the level of manpower skills in the region and would help promote industrial integration. A start can be made with the fabrication of the simpler and more commonly used types of machinery: equipment used in the food, textile and textile-printing industries; some construction equipment, such as cement mixers; some agricultural machinery; and some large but simple equipment, such as storage tanks, fuel trucks, utility pylons, fishing boats, spare parts; and some military vehicles and equipment. The development of the manufacture of machinery must be given a regional dimension in its financing, management and marketing aspects.

129. The fabrication of machinery, equipment and spare parts deserves to be made the main axis of a new import-substitution strategy in contrast with the previous approach which concentrated on consumer goods. In addition, there should

be a concentration on industries using locally-produced raw materials and having export possibilities.

130. The type of industry presently planned for includes for the most part marginal manufacturing industries limited to the initial or the final processing stage of an industrial operation. Thus no major change in the structure of production is expected to take place before the middle of the Third Decade. The second half of the Decade, however, will be marked by an expansion in integrated and more complete manufacturing processes and in more diversified lines of production.

131. The industrialization process expected for the Third Decade in most ECWA countries will be accompanied by intra-sectoral linkages among the evolving branches of industry and inter-sectoral linkages between industry and the agricultural and infrastructural sectors. The creation of these linkages will be a major goal of the strategy for the region, especially during the second half of the Third Development Decade.

132. Accordingly, the strategy for the Third Decade should place a special emphasis on the treatment of raw materials, the elaboration of the completeness of the region's industrial processing capability and the generation of maximum value added. The ECWA countries insist that their share of oil refining operations, petrochemical by-products, steel products, aluminium by-products, etc. be increased appreciably in compliance with the Lima Strategy adopted by the United Nations.

133. Beginning at the middle of the Third Decade, the ECWA countries will endeavour to diversify their industrial sectors, to expand their industrial and production bases and to integrate their industrial structures at the regional level. To this purpose, they will attempt to acquire the necessary technology and to adopt and develop it to meet their needs.

134. The strategy of the ECWA countries for the Third Development Decade will provide for the stimulation of those manufacturing industries which are dependent upon agricultural materials and which provide for the essential needs of the population for food and clothing. It will provide for their development in both the agricultural and the mixed oil-producing and agricultural countries. Foremost among the elements contributing to the success of this goal will be the full employment of the productive capacities of existing facilities.

135. The eighties will be marked by a tangible growth in the domestic consumption of refined petroleum products and this trend will continue to the end of the present century. Accordingly, an interest in the development of solar energy will become a major strategic trend during the Third Development Decade in this region, which enjoys an exceptionally high endowment of sunny days in the year. The same applies for the other alternative sources of energy, both traditional and new, such as oil-bearing rock.

136. The aim of the industrialization process is to develop the industrial sector along lines that would promote intra-sectoral and inter-sectoral integration. It aims at bringing the sector to a level of efficiency that would make it competitive capable of exporting its output and capable of developing effective use of advanced industrial technology. It aims also to enhance the standard of skill and the volume of employment in industry; to promote regional co-operation in the development of the different fields of industry; and to convince each country to introduce a regional perspective into its national industrialization policies, embracing the region in general and the neighbouring countries in particular.

137. The fact that the countries of the region possess a number of the same as well as a number of different mineral and agricultural resources will, once these resources are mobilized for industrial processing, constitute an incentive for the gradual introduction of sectoral planning at the regional level in a number of industrial branches. This, too, will be one of the objectives of the strategy for the Third Development Decade. In this way, the question of regional industrial integration will become one of the constituent elements of the development strategy.

138. Thus the expansion alluded to will help achieve another goal of the strategy for the region: the goal of geographic balance in the distribution of industry both within the region and within its member countries.

139. Because of the diversity of the raw material endowment of the member countries, industrialization should assume specialized dimensions involving the

division of labour at the regional level. The northern and south-western parts of the region might concentrate on agricultural industries, such as vegetable oils, sugar, animal feed and canned and preserved foods. The southern and eastern parts of the region could become a centre for maritime and fish-related industries. The countries which possess abundant petroleum and gas resources could co-ordinate the establishment of petrochemical and basic chemical industries, which use phosphates, sulphur and potash, and energy-based industries such as iron and steel. Engineering and technologically advanced industries should be located where there is a relative availability of skill and manpower. This would most probably be in the northern part of the region. The need for the improvement of the environment, the advancement of institutions and training facilities and the promotion of regional co-operation in these fields should also be taken into consideration.

140. Industrialization at the regional level can best be implemented through a special industrialization programme drawn up for the region as a whole. This would include industrial projects of a regional nature which would take into consideration the region's ability to meet financing, investment and operations requirements and the special advantage of an expanded market at the regional level. Projects should be chosen so as to create groups of related projects linked together in an integrated manner on a specialized basis. Each country would commit itself to turn out a specific product for the benefit of the region as a whole, and to import the goods produced by the other countries. It is important to mention that the envisioned specialization does not involve the granting of a monopoly to any one country of any industry. Factories producing a given commodity on behalf of the region can be located in more than one country; moreover, the distribution of industries among member countries should not be based on comparative cost considerations only, but should also reflect a reasonable and fair distribution of the burdens and benefits of industrial co-operation as a whole.

141. The development strategy for the Third Decade for the ECWA region will adopt as a basic goal the achievement of a tangible increase in the contribution to GDP of industry in general and manufacturing in particular, and an increase in value added through manufacturing. Such increases will be accompanied by increased job opportunities and a greater responsiveness to consumer needs.

142. Another strategic goal of the countries of the region is to increase the diversity of their exports by increasing the proportion of manufactured goods in total exports and by improving the commodity balances in the foreign trade of both the oil-producing and the other countries of the ECWA region.

143. As for existing industries, efforts must be made to improve their management, increase their competitiveness, employ their excess capacities, co-ordinate production stages, eliminate bottlenecks, enforce meticulous maintenance programmes and raise the level of mechanization without prejudice to the continued use of manual labour at appropriate production stages. The introduction of simplified techniques and the modification of factory designs to eliminate or cut down on time-consuming operations could yield large returns against very limited costs. This would require the expansion of university curricula to include subjects related to the development of industrial management skills and industrial relations, setting up management and productivity development centres, strengthening already existing centres and linking their research and development activities with training efforts. Such efforts could take on regional or sub-regional dimensions, involving groups of neighbouring countries in the region.

(f) The role of the oil sector in development

144. Among the most prominent objectives of the international development strategy is the expansion of the national economies of the world and the consolidation of their economic independence, including the assertion of their sovereign rights over their respective resources. Accordingly, it is incumbent upon the countries of the region to reduce their dependence upon oil revenues for the financing of investment and current expenditures. To this purpose, they must increase the growth rate of the other sectors of their economies in relation to general economic growth. This would help them to construct more diversified and more balanced economies that are less vulnerable to the dangers emanating from the vicissitudes and the developmental problems of the industrialized economies.

(g) Mineral resources

145. The development strategy at the regional level envisages greater collaboration among the member countries in geological exploration of a more organized and comprehensive nature, as in the preparation of geological maps and geophysical and geochemical surveys on a regional scale, an increased use of remote-sensing techniques, and in the development of regional and sub-regional co-operation in the exploration, extraction, processing and exploitation of mineral reserves, taking into consideration the economic and technical advantages of collective action and of co-operation in the development of expertise at the regional level.

146. At the national level, the strategy focuses on optimizing the processing of mineral products, including the utilization of the by-products that result from the processing of raw materials. It seeks to encourage the development of small mines in which appropriate technologies can be used in conjunction with intensive use of manual labour. It also accords special importance to the protection of the environment in the development of the mining sector.

(h) Water

147. The strategy calls for intensified efforts at both the regional and the national level to conduct a comprehensive evaluation of the region's water resources, in particular to prepare detailed regional studies of water basins and to link these studies with development plans to ~~meet~~ the needs of the people of the region for fresh water and for water for irrigation, agricultural, industrial and hydroelectric use. The strategy also calls for greater regional co-operation in the evaluation of the regional manpower situation and needs and the condition of the region's training facilities. It encourages regional co-operation in the establishment and reinforcement of such facilities and in the utilization of their services both nationally and regionally.

148. At the national level, governments should give special attention to the economics of water use (i.e., a cost-analysis of the various uses of water), particularly for irrigation, and should apply the results of these studies to

regulations governing water rationing and a revision of water resource legislation in favour of the establishment and development of departments devoted to water resource conservation, management and development.

(i) Energy

149. At the national level, the strategy is concerned with increasing the effectiveness of energy use through the improvement of existing techniques, the application of energy-saving production techniques in the construction of new projects, the expansion of the opportunities for the use of low-level thermal energy and the selection of the thermodynamic level most appropriate to the productive process at hand in all energy uses. The strategy is also concerned with encouraging the development of domestic or local sources of energy, including the application of production techniques which are based on renewable energy sources employing simple and inexpensive technological methods.

150. At an international level, the strategy focuses on the establishment of an electricity network at the regional or sub-regional level, and on the exchange of expertise among member countries and between the region and third world countries in fields of mutual concern. It also focuses on increasing research and development efforts in the area of new renewable energy sources. It encourages member countries to participate in activities involving the transfer of suitable energy-related technology and to endeavour to benefit as a group from the technical improvements applied in the industrially developed countries.

151. At the global level, the strategy is concerned with participation in international efforts to develop the use of new sources of energy, especially solar energy, by taking advantage of the areas which have near permanently clear skies. The region is expected to share in the financing of this research, providing that the findings are applicable to the region. The strategy also encourages the energy-rich countries to support the energy-poor countries of the third world.

152. At the same time, the oil-producing countries should seek to increase the local processing of hydrocarbons, with particular emphasis on gas and petrochemicals, in co-ordination with one another. They should also pursue their

collective effort to analyze the price structure of energy and to link oil prices to the prices of their essential imports from the industrially advanced countries.

(j) Transport and communications

153. In addition to the discussion of infrastructure, the following objectives, strategies and policies related to the transport and communications sector deserve comment:

Highways and land transport

Efforts must be exerted to co-ordinate highway and port capacity to eliminate the bottlenecks that have formed along certain sections of international highways in the region. Also, secondary roads and rural, agricultural and desert road networks should be developed (in conjunction with efforts to combat desertification). Regional co-operation is needed to facilitate the movement of passengers and goods: border facilities should be improved; border crossings should be simplified and procedures accelerated and traffic regulations and signs should be standardized and streamlined.

Ports and maritime transport

Efforts should be made to complete port projects in progress; to expand existing ports in the non-oil countries whose implementation has lagged; to rationalize port administration, simplify clearing operations and reduce the delays caused by poor organization; to develop joint ventures in national and regional merchant fleets for the transport of petroleum and other goods; and to develop national skills and expertise to replace foreign expertise wherever possible.

At the international level, efforts should be pursued to secure the ratification of a code of conduct for liner conferences and for the effective application of agreements for participation in commodity bulk shipping.

Tele-communications

Emphasis should be placed on the maintenance of existing installations; improvements in the quality of services, regional co-operation to standardize the technology used in order to facilitate the integration of the region through a unified telephone and telex system; the use of more advanced and more easily serviced forms of technology; and on the establishment of telex centres within the region to replace dependence on the outside world for connexions between different parts of the region.

(k) Foreign trade

154. In view of the growing importance of the volume of trade and its evolution, particularly among the developing countries, it is essential that the balance of trade be corrected in favour of these countries and that the appropriate trade policies be adopted in order to provide a suitable climate for the establishment and development of national industries. Such policies include the application of protective tariffs; the standardization of customs tariffs, especially in the countries of the ECWA region; the reinforcement of solidarity between the developing countries and the countries of the region by limiting the competitive import of goods from the industrialized countries. It is likewise necessary to reject the preferential policies pursued by the industrialized countries in technology transfer operations and to implement development projects in the developing countries, including the countries of the region.

(l) Tourism

155. The development strategy for tourism involves co-operation in planning and developing tourist facilities and in organizing group tourism on a sub-regional basis for the non-oil countries in the northern part of the region, for the least developed member countries and for the coastal areas; the protection and preservation of archaeological ruins; the organization of archaeological excavations in co-operation with international bodies; the simplification of border formalities and procedures for tourists; the improvement of transportation facilities linking touristic sites; and the development of traditional crafts and other local goods of interest to tourists.

D. Social development priorities

(a) The role of social change in development

156. The variables of social change play a vital role in the achievement of the economic development goals of the international development strategy. To attain the goals of national and regional development and the goals of the international development strategy in the presence of the other conditions of development, action must be taken to increase employment; to increase the participation in socio-economic and political activity of the different social groups (particularly those of limited income), trade unions, professional and popular associations; and to increase the participation of limited-income groups, especially those living in rural areas, in the distribution of general social services and in total GDP.

(b) Human resources and manpower

157. The full utilization of human resources should have top priority among the objectives of the region. This calls for the protection and development of these resources through the provision of the necessary services in all sectors, particularly basic services in rural areas and in low-income urban districts, as well as the provision of greater opportunities in education, training and employment for the idle and unskilled segments of the population. It also involves a reconsideration of the orientation of the educational system with a view to reducing the proportion of theoretical studies, where job opportunities are few in favour of technical and vocational training, where supply falls short of demand.

158. The social development goals of the strategy for the Third Development Decade can be summarized as follows:

- (i) Mobilization and training of manpower at the regional level oriented toward the needs of agriculture, industry and other areas of development.
- (ii) Promotion of the free movement of manpower among the countries of the region to maximize employment in the service of the development strategy for the Third Decade.

- (iii) Provision of a suitable material, intellectual and moral climate for scientific brain-power at the country and at the regional level. One of the goals of the strategy for the Third Development Decade should be the stemming of the scientific brain drain in which high level manpower, whose training absorbs a considerable proportion of the balance of payments of the countries of the region, is lost to the region. These people are now recruited by the industrially developed nations without compensation to their countries of origin.
- (iv) Establishment of centres of scientific and applied studies devoted to the task of studying and supervising the execution of projects financed by countries of the region, so as to optimize the benefits derived by the region from its own capabilities.

159. In order to formulate a clear policy for linking available manpower with training and employment, the relevant statistics must be updated and improved. It is essential that a comprehensive survey of manpower supply and scientific and professional specialists be conducted, along with a survey of the requirements of projects and institutions for these specialists. In addition, there is a need for a survey of schools, universities, institutes and centres of vocational and handicraft training, including the number of their graduates, their level of training, and the extent to which the activities of these facilities are compatible with development needs. Undoubtedly, regional co-operation in this field and the participation of regional and international institutions could be of great mutual benefit.

160. The redistribution of manpower throughout the region is a desirable objective. It is necessary, however, to study the impact of labour migration at the regional level, especially the migration from the non-oil to the oil-producing countries, including the impact on both exporter and host country. The purpose is to make sure that the advantages derived from this kind of regional integration are distributed equitably, and that the exporting countries are able to continue to supply the labour needs of the host countries in the future without disturbing the balance of their own employment structures.

(e) Population policy

161. In view of the fact that population growth rates, though relatively high, do not constitute a major difficulty for economic growth in most of the countries of the region, the issue of family planning takes on dimensions which are more health than development oriented.

162. In view of the fact that internal migration is a source of concern to a number of countries of the region, especially in terms of the convergence on capital cities, the consequent disruption of the depopulated agricultural areas and the consequent fall in agricultural production, the policy of moving urban amenities to rural areas is the proper substitute for the movement of the rural population to the cities.

163. The most important population problems of the region are related to the situation of the nomadic bedouins, external migration, brain drain, uneven population distribution including scattered and isolated settlements in remote mountain areas and the high death rates that have persisted in some areas among the poorer groups. It is essential, therefore, that the strategy encourage regional co-operation to resolve these problems. Thus, the bedouins should be helped to settle; a wage policy and material and moral incentives should be devised to stem the brain drain; and a fairer system of relations should be established between labour-importing and labour-exporting countries. In addition, efforts should be made to develop modern population centres that would attract the residents of small and remote settlements. Desert, rural agricultural and secondary roads need to be constructed. Furthermore, there should be a concentration of health and educational services in the poorer areas, and special care for the educational and nutritional requirements of the poor.

164. In view of the marked shortage of demographers and specialists qualified for training others, and the inadequacy of references and modern training materials in Arabic, regional co-operation in this field should accelerate the resolution of these problems.

(f) Basic needs

165. The development strategy for the Third Decade emphasizes the need to increase the share in the fruits of development of the rural population and the poor districts of the cities, especially in the poorest and least developed areas to an extent that is commensurate with their size. At the same time the strategy encourages work on a long-term basis to eliminate, through integrated rural development projects, the gap between the rural and the urban areas to combat endemic diseases and illiteracy, and to modernize the rural areas. It also affirms the need to develop rural industries, health and educational services; and to eradicate the differences between advanced and backward urban districts by providing basic utilities and services, including sanitation, fresh water, electricity, sewerage and public transport, as well as work opportunities and food security.

166. Special attention must be given to special groups in the population, such as the handicapped, refugees, displaced persons, the elderly, orphans and disabled war veterans.

167. In view of the fact that the cost of education, health, housing, food and social services has reached, in the non-oil countries, the maximum level permitted by their GDP and their development priorities, it is essential that alternative patterns and models be found to meet basic needs, especially those of the poorer sections of society. Regional technical and financial co-operation could be the means for exploring and adopting new approaches and for bearing the risks and expenses involved in the experimental stage.

(g) The role of women

168. Intensified efforts should be made to enlist the participation of women in development, without prejudicing the social and cultural values of the region. This objective should transcend the mere assertion of the legitimate rights of women to include the necessity of their participation on an equal basis in the formulation of development plans and policies and in the implementation of programmes, projects and decisions. They should benefit fully and equally from employment opportunities.

(h) Housing and physical planning

169. In view of the lack of interest in physical planning shown during previous development stages, the development strategy for the Third Decade affirms the importance of physical planning as a major instrument for overcoming housing and human settlement problems in all member countries.

170. In view of the heavy internal and external migration to the major urban centres of each country, which has distorted the normal pyramidal distribution of the population, the development strategy should concentrate on a reasonable degree of urban decentralization to stimulate the growth of smaller towns and to create a kind of division of labour between the capital cities and the larger and medium-sized towns. For sparsely populated areas, however, centralization is appropriate in order to develop small towns and rural marketing centres and to encourage people to leave their small and scattered settlements which are difficult and expensive to service.

171. It is essential to improve the technology of housing construction to raise productivity and reduce costs, including: the construction of simpler housing; the purchase of land at reduced prices; the ~~encouragement~~ of housing co-operatives; and the provision, where lacking, of sanitary facilities. In addition, rent laws should be revised in order to ensure fair treatment for owners and tenants alike, and to make available more housing for rent.

172. In view of the emergence of surplus housing in some of the oil countries, a result of the ~~overly optimistic demand projections of investors based on the expectation that~~ past high migration and economic development rates would continue, it is appropriate to consider the adoption of integrated policies regarding income, credit and rents which would allow lower-income groups to have gradual access to higher quality housing. This would ultimately lead to the elimination of poorly constructed, old and unplanned housing and to the continuation of housing construction at a pace which is compatible with the desired rate of economic growth.

173. Due to the inadequacy of the human and institutional infrastructure in the field of construction planning, a special effort must be made to set up machinery capable of formulating plans, defining stages of execution and training the needed personnel to carry out the different tasks involved. Efforts should also be made

to promote regional co-operation in this field and to develop appropriate channels of communication between contractors and decision-makers on the one hand, and local citizenry on the other, in order to determine needs and to enlist the participation of the public in the planning and organizational aspects of construction operations.

E. Protection of the environment

174. Greater efforts than ever before should be exerted to protect the regional environment in the early stages of development to avoid a repetition of the problems which accompanied industrial development in the industrially developed world. This problem has many aspects: the protection of the sea from pollution, especially from oil; the protection of water resources, such as rivers, lakes, subterranean basins and coastal areas from industrial and human waste; and the protection of natural lakes and man-made bodies of water from becoming centres for the breeding and spreading of disease carriers. It also embraces the protection of the atmosphere from the effects of gases emitted by industry and transport vehicles; the preservation of fish, wildlife, forests and plants from extinction; the protection of natural resources from depletion due to such practices as over-grazing and the use of mass-killing methods in hunting and fishing. Finally, it also involves combatting desertification by checking the encroachment of the desert on marginal agricultural land.

175. In order to achieve the objectives of environmental protection, a concerted effort must be made at the national, regional and international level. At the national level, government must assume its responsibility in this field. It must formulate appropriate legislation and take into consideration environmental implications when implementing development projects.

At the regional level there should be co-operation in the application of unified programmes affecting sites common to two or more countries, such as coastlines and rivers, and in the preparation of joint programmes for the development of deserts, including the implantation of grazing areas and the building of desert. Co-operation should also extend to the formulation of laws and regulations, the exchange of

expertise on similar development projects and the training of specialized personnel in these areas.

At the international level there should be co-operation with neighbouring countries, such as those bordering the Mediterranean Sea, the Arabian Gulf and the Red Sea, for the protection of these waterways. The countries of the region should also participate in the general international effort to fight pollution and protect the environment.