REFERENCES

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr.
GENERAL

E/ECWA/49
25 March 1977

Original: ENGLISH

ECONOMIC COMMISSION FOR WESTERN ASIA

Fourth session
24-29 April 1977
Amman, Jordan

Item 7 of the Provisional Agenda

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THIRD BIENNIAL REVIEW AND APPRAISAL OF PROGRESS IN THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE SECOND DEVELOPMENT DECADE IN WESTERN ASIA

77-843

CONTENTS

/...

LIST OF TABLES

/...

INTRODUCTION

The present report has been prepared to meet the requirements of the third biennial review and appraisal of progress in the implementation of the International Development Strategy for the Second United Nations Development Decade in Western Asia.[1/] It focuses on developments in the period 1971-1976 with respect to selected Strategy targets and policy issues of concern to the Region, such as growth of output and changes in its structure; investment-savings efforts; developments in certain sectors; trade expansion, economic co-operation and regional integration; and social aspects of development.

The assessment of progress is made against the targets and policies as set out in the Strategy, although these are only meant as overall guidelines and not for individual countries and regions. The assessment, however, continues to be seriously impeded by deficiencies in the flow of statistical information, relating to coverage, reliability and timing, and resulting in differences in treatment and qualifications with respect to conclusions.

1/ For the mid-term review and appraisal exercise, see Economic Commission for Western Asia, Overall Growth Performance (E/ECWA/13 and Corr. 1); Highlights of overall Review of Growth Performance and Sectoral Trends and Development Issues (E/ECWA/21 and Corr. 1); and Sectoral Trends and Development Issues (E/ECWA/21/Annex).

I. EXPANSION OF PRODUCTION AND DIVERSIFICATION

A. Expansion of Production

Available national accounts time series (see Table 1) show that growth in aggregate output at constant prices - measured in terms of gross national product (GNP) - in the Region as a whole during the first half of the nineteen seventies was significantly above the 6 per cent per annum average target set out in the International Development Strategy (IDS) for the developing countries as a group. With the exception of Democratic Yemen and Jordan - where output expansion was minimal, averaging slightly above one per cent per annum - GNP grew at rates varying between 11.4 per cent in Yemen, 11.5 per cent in Iraq, 13 per cent in the Syrian Arab Republic, and 19.4 per cent in Saudi Arabia.[1/] The Lebanese economy, which was growing at an average annual rate of close to 7 per cent in the period 1970-1974, suffered a severe setback subsequently as a result of the events which have afflicted the country since April 1975 and led to a slowing down and/or cessation of activity in virtually all sectors, and the large destruction of productive capacity and infrastructure.

Rapidly expanding exports and public outlays, notably in the oil-producing countries, largely explain the dynamism which the Region's economies experienced during the first half of the present decade. In addition, the relatively satisfactory performance in the

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1/ Available estimates for Bahrain, Oman, Qatar and the United Arab Emirates put the rate of growth in GNP in the period 1973-1975 at 69, 40, 21 and 17 per cent, respectively. Abu Dhabi's GNP at constant prices rose at an average annual rate of 31 per cent in the period 1970-1974.

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key sector of agriculture, as well as a generally fast growth in the manufacturing sector, were also important factors which contributed to rapid expansion.

An important feature of the rapid economic progress achieved by the oil-producing countries has been the narrowing in the gap between output measured in terms of national and domestic production.[1/] This must be viewed mainly against the developments in the oil industry whereby countries of the Region gained increasing - in certain cases full control - over the exploitation of their oil resources, as well as increased inflows, in certain countries, of investment income from abroad made possible by investment of surplus funds there. Thus, the ratio of GNP to GDP between 1970 and 1974 increased from 87 to 94 per cent in Iraq, 89 to 99 per cent in Kuwait, 66 to 84 per cent in Abu Dhabi, and 78 to 83 per cent in Saudi Arabia.[2/] Over the 1970-1975 period, the corresponding ratio for Oman rose from 83 to 91 per cent.

The population of the Region grew appreciably faster than the 2.5 per cent per annum recommended in the IDS (see Table 1). With the exception of Yemen, where population grew at the average annual rate of 2.5 per cent, the remaining countries experienced population growth rates of 3 per cent and above, with the smaller oil-producing countries recording significantly higher rates.

1/ The discrepancy between GNP and GDP largely reflected the payment abroad of factor incomes arising in connexion with the operations of foreign-owned oil companies.

2/ Available evidence points to further and substantial narrowing of the GNP-GDP gap in 1975 in Saudi Arabia.

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Table 1. Average annual growth rates of aggregate and per head gross national product in countries of the Region, 1970-1975

(in per cent)

	Growth rates[a/]					
	Gross national product		Population[b/]	Gross national product per head		Gross national product per head (1975 US Dollars) 1975[d/]
	At constant prices[c/]	At current prices		At constant prices	At current prices	
Democratic Yemen	1.1	7.4	3.1	-1.9	4.2	245
Iraq	11.5	39.0	3.4	7.8	34.4	1,052
Jordan[e/]	1.2	12.2	3.3	-2.1	8.6	443
Kuwait	...	28.9	5.9	...	21.3	10,326
Lebanon	6.7	13.0	3.0	2.8	8.8	1,239
Oman	...	47.8	3.2	...	43.2	2,284
Saudi Arabia	19.4	58.5	3.0	15.9	51.7	4,311
Syrian Arab Republic[f/]	13.0	25.7	4.0	8.6	20.1	737
Yemen	11.4	30.2	2.5	8.7	27.1	178

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ 1970-1974 for Lebanon and 1971-1974 for Iraq.

b/ Excluding Palestinian refugees living in camps for Jordan, Lebanon and the Syrian Arab Republic.

c/ For Jordan and Lebanon, GNP figures, which are reported at current prices, were deflated using the cost of living index and are, therefore, subject to a considerable margin or error.

d/ 1974 for Iraq and Lebanon.

e/ The contribution of the West Bank is reported to be arbitrarily estimated.

f/ Refers to gross domestic product at market prices.

While for several countries in the Region fast population growth might not constitute a cause for concern and may even be desirable, given their resource endowments and potential, in other countries, such as the two least developed ones (Democratic Yemen and Yemen) and Jordan, population pressures tend to dissipate the development effort and perpetuate low incomes per head. Thus, in both Democratic Yemen and Jordan, fast population growth, coupled with minimal economic expansion were reflected in a decline of about 2 per cent per annum in real GNP per head during the first half of the current decade.1/

The benefits from recent economic expansion do not seem to have been evenly distributed between, or within, countries. The Region includes countries with a per capita income which in 1975 exceeded $ 10,000 as in Kuwait and the United Arab Emirates, and countries with a per capita GNP as low as $178 and $245, as in the case of Democratic Yemen and Yemen, respectively. Moreover, per capita income figures are misleading as indicators of standards of living in the Region, in view of their very skewed distribution within individual countries, a striking example of which is the large disparity in income levels between the rural and urban segments of the population.

B. Price Changes

In marked contrast with the pattern during the preceding decade, when output expansion in the Region was generally associated with a relatively high degree of price stability, the nineteen seventies have witnessed a sharp acceleration in the rate of inflation. This has been reflected in the movement of consumer prices which have gained considerable momentum since 1973 in virtually all the countries of the Region.

1/ It should be emphasized that, with the possible exception of Iraq, Jordan and the Syrian Arab Republic, the absence of reliable population estimates and/or national accounts statistics in the remaining countries of the Region can introduce a substantial margin of error in the GNP per head estimates for those countries, as shown in Table 1.

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During the first half of the present decade, the consumer price index increased at average compound rates varying between 6 per cent in Iraq and Lebanon and 27 per cent in Yemen, with Jordan, Kuwait and the Syrian Arab Republic experiencing annual increases in the neighbourhood of 10 per cent, Bahrain and Democratic Yemen about 12 per cent each and Saudi Arabia 14 per cent. In this connexion, the parallel movements in food prices and the overall consumer price indices is worth noting.[1/]

Imported inflation - given the high degree of openness of the Region's economies - was a major factor in generating inflationary pressures during the period reviewed.[2/] However, the significance of domestic factors, including the levels of food production, public expenditures and money supply also deserve serious attention in any explanation of inflation in the countries of the Region (see Table 2). For example, the sharp rise in the consumer price index in several countries during 1974, and its subsequent slower pace in 1975, must be viewed against the extremely poor performance of agriculture in 1973 and the sector's recovery in the following year. Similarly, the strong development drive - as well as rapidly rising public current expenditures - which the Region has been witnessing in the period reviewed have created strong demand pressures in such vital areas as labour and housing, causing wages, salaries and rents to rise steeply. At the same time, the money supply in all the countries of the Region rose rapidly. Moreover, in some countries, efforts to relieve demand pressures through increased imports were hampered by the inability of existing port and storage facilities to handle additional imports.

1/ Similar data are not available for other Gulf countries (Oman, Qatar and the United Arab Emirates). However, there is reason to believe that inflationary pressures there were equally strong.

2/ See Section III-A.

Table 2. Inflation: Selected indicators

Country	Average annual percentage rate of change: 1970-1975				
	Consumer price index		Government expenditure		Money supply[b/]
	All items	Food	Total[a/]	Current	
Bahrain	12.7	...	30.0	23.9	12.4
Democratic Yemen	12.4	...	23.0	11.1	12.9
Iraq	6.0	7.4	25.9	19.3	21.8
Jordan	10.7	16.6	19.2	17.0	14.8
Kuwait	9.9[c/]	14.5[c/]	24.4	23.2	21.3
Lebanon	5.6	8.9	15.4	12.7	14.3[d/]
Oman	...	...	65.1	66.8	45.2[e/]
Qatar	...	...	43.8	30.7	31.1
Saudi Arabia	14.2	10.9	53.0[f/]	40.0[f/]	72.0[f/]
Syrian Arab Republic	10.9	11.3	30.3	24.6	22.9
United Arab Emirates	...	...	116.8[g/]	92.9	22.4[h/]
Yemen	26.6[c/]	22.8[c/]	23.0	24.5	33.6

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ Current plus development expenditures.

b/ Defined as currency in circulation plus demand deposits.

c/ Relates to the period 1972-1975.

d/ Relates to the period 1970-1974.

e/ Relates to the period 1970-1972.

f/ Relates to the period 1971-1975.

g/ Relates to the federal budget and the period 1972-1974.

h/ Relates to the period 1972-1974.

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C. Investment - Savings Effort

An analysis of the process of domestic capital formation in the Region shows that, over the first half of the current decade, significant increases were recorded in the share of total production which was allocated for investment in most countries for which the relevant statistics were available (see Table 3). Over the period 1970-1974, the ratio of investment to Gross National Product (I/GNP) rose from about 2.5 to 18 per cent in Democratic Yemen, 18 to 22 per cent in Jordan, 15 to 36 per cent in Oman, and 15 to 21 per cent in the Syrian Arab Republic. In Yemen, the ratio increased from 15 to 22 per cent over the 1970-1975 period.[1/] As can be noted, these countries include the two least developed member states and none from amongst the major oil-producing countries.

In contrast, the I/GNP ratio fell in the major oil-producing countries, reflecting mainly the sharp and sudden rise in their incomes for which time is needed before commensurate expansion in investment can be expected. Thus, in Kuwait, Saudi Arabia and Abu Dhabi,[2/] the I/GNP ratios were about halved over the first half of the nineteen seventies. On the whole, however, the Region's investment effort during this period has been impressive, with average I/GNP rates ranging from about 8 per cent in Kuwait to 36 per cent in Oman, and with the two least developed members, namely, Democratic Yemen and Yemen, realizing rates of 13 and 21 per cent, respectively, and Jordan investing, on the average, 20 per cent of its GNP.

1/ Available information shows that the I/GNP ratio rose from 18 to about 20 per cent in Lebanon between 1970 and 1972.

2/ In Iraq the share of fixed capital formation in GNP fell from 16.6 per cent in 1970 to 11.1 per cent in 1974.

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Table 3. Investment and savings rates and gross domestic investment during the first half of the nineteen seventies

(in percent)

	Democratic Yemen			Jordan			Kuwait[a/]			Oman[b/]		
	1970	1974	1971-1974 Average	1970	1974	1971-1974 Average	1970	1974	1971-1974 Average	1970	1974	1971-1974 Average
I/GNP	2.5	18.0	13.2	18.2	22.3	20.1	12.9	5.2	8.1	15.1	36.1	35.8
I_P/GNP	1.0	1.2	1.1	8.1	10.6	9.7	5.4	1.8	2.9	2.0	6.5	8.9
I_G/GNP	1.5	12.0	7.4	4.3	8.2	7.0	7.4	3.3	5.1	13.1	29.6	26.9
S/GNP	3.0	-9.0	-2.2	-2.0	4.3	-0.8	47.5	73.5	64.8	60.8	48.8	42.6
S_P/GNP	5.5	-4.4	2.4	14.8	18.7	13.8	31.3	58.7	49.4	23.8	27.7	25.9
S_G/GNP	-2.5	-4.6	-4.6	-16.8	-14.4	-14.6	16.2	14.8	15.4	37.0	21.1	16.7
S/I	120.0	-50.0	-16.9	-11.1	19.5	4.0	368.2	1,424.9	798.6	401.5	135.0	119.1
S_P/I_P	540.0	-368.7	217.0	183.6	177.0	143.0	580.4	3,293.0	1,696.7	1,211.8	426.5	291.6
S_G/I_G	-104.0	-38.2	-62.6	-392.6	-175.6	-208.0	219.1	447.2	299.2	280.7	71.1	62.1

(Continued)

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Table 3. Investment and savings rates and gross domestic investment

(in percent)

(Continued)

	Saudi Arabia[a/]			Syrian Arab Republic[b/]			United Arab Emirates (Abu Dhabi)			Yemen[a/]		
	1970	1975	1971-1975 Average	1970	1974	1971-1974 Average	1970	1974	1971-1974 Average	1970	1975	1971-1975 Average
I/GNP	20.7	9.3	11.8	15.0	20.9	19.0	39.7	18.5	25.5	14.8	22.2	21.0
I_P/GNP	10.2	5.5	6.9	5.2	5.4	6.6	16.3	10.8	15.3	7.6	9.5	9.1
I_G/GNP	8.9	5.1	5.4	9.8	15.5	12.4	23.4	6.0	8.6	5.9	4.8	4.7
S/GNP	31.6	78.0	70.7	13.5	12.9	15.1	58.0	76.9	71.7	-4.9	-9.1	-4.9
S_P/GNP	17.2	...	...	9.5	2.4	8.1	17.6	4.4	8.0	-1.3	-5.0	-1.3
S_G/GNP	14.4	...	...	4.0	10.5	7.0	40.4	72.5	63.7	-3.6	-4.1	-3.6
S/I	153.0	839.7	599.5	89.8	61.5	79.1	146.2	414.9	281.0	-33.2	-41.0	-23.4
S_P/I_P	169.3	...	...	182.2	44.3	122.8	108.0	41.1	52.6	-16.5	-53.0	-13.9
S_G/I_G	160.8	...	...	40.8	67.5	56.0	172.7	1,200.9	743.1	-62.1	-84.6	-78.0

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

Notations:
GNP = Gross national product
I = Gross domestic capital formation
I_P = Private gross fixed capital formation
I_G = Government gross fixed capital formation
S = Gross national savings
S_P = Gross private savings
S_G = Gross government savings

a/ Fiscal years corresponding to the nearest calendar year stated.

b/ Changes in stocks are not reported separately and are included in private consumption. Therefore, the savings rates shown in the table differ from realized savings rates to the extent that stocks have changed.

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Investment activities have been clearly dominated by the public sector in each of Democratic Yemen, Kuwait, Oman and the Syrian Arab Republic. A more balanced distribution to investment between the private and the public sector emerges in the case of Jordan and Saudi Arabia, with the private sector taking the lead.1/ On the other hand, this sector showed a definite lead in the case of Abu Dhabi, Lebanon and Yemen.

A similar analysis of the savings effort in the Region (see Table 3) shows that the savings rate differed widely, ranging from very high proportions of savings relative to GNP in the oil countries, to generally negative or moderate rates in the non-oil countries. In varying degrees, Kuwait, Oman, Saudi Arabia and Abu Dhabi entered the Second Development Decade with savings rates already much above the Decade's target of 20 per cent savings of the gross product. These countries, with the exception of Oman, were able to save an increasing portion of their incomes, with savings averaging 65, 72 and 43 per cent of GNP in Kuwait, Abu Dhabi and Oman, respectively, over the period 1971-1974, and 71 per cent in Saudi Arabia in the period 1971-1975. Needless to say, the savings record in these countries also largely exceeded the Decade's overall target of a 0.5 per cent annual increase in the savings/output ratio suggested in the IDS for all developing countries.

In marked contrast, Democratic Yemen, Jordan and Yemen experienced negative savings rates, whereas the Syrian Arab Republic managed to save, on the average, about 15 per cent of its GNP.2/

1/ Available information shows that, over the period 1971-1974, the contribution of the public sector in Iraq to fixed capital formation only slightly exceeded that of the private sector, with average annual percentage shares of 6.9 and 6.2 per cent of GNP, respectively.

2/ Lebanon also managed to save around 15 per cent of its GNP in the period 1970-1972.

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Negative savings by the public sector in both Democratic Yemen and Jordan were partly offset by the savings of the private sector which averaged 2.4 and 13.8 per cent of the two countries respective GNP in the period 1971-1974. In Yemen, both the private and public sector were negative savers. In Kuwait, private savings by far exceeded those realized in the public sector (49.4 per cent as against 15.4 per cent of GNP over the same period). In Oman and the Syrian Arab Republic, private savings exceeded public savings, although to a much lesser degree, the difference being quite small in the latter country. Only in Abu Dhabi the public sector had a definite lead, with a savings rate of about 64 per cent, compared with only 8 per cent for the private sector, in the period 1971-1974.

On the average, savings have exceeded investment by very wide margins in the oil-producing countries during the first half of the current decade. In Kuwait, the savings/investment ratio averaged about 8 to 1, followed by Saudi Arabia, Abu Dhabi and Oman where it averaged 6 to 1, 2.8 to 1 and 1.2 to 1, respectively. Moreover, the savings-investment gap widened substantially in these countries, with the exception of Oman, where the savings/investment rate declined steeply. The opposite has been true in Democratic Yemen, Jordan, the Syrian Arab Republic and Yemen, where national savings fell short of investment requirements, implying substantial resource inflows.

Savings tended to exceed investment in the private sector for all the countries shown in Table 3, and for which the relevant statistics were available, except in Abu Dhabi and Yemen. On the other hand, public savings exceeded investment in Kuwait, Oman, Abu Dhabi and fell short of it in the remaining countries.

D. Structure of Output

The attainment of the overall objectives of the Second Development Decade is linked in the IDS, inter alia, with the achievement of a substantial reduction in sectoral disparities and a rapid diversification

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of the structure of developing countries' economies. To this end special emphasis is put on expanding production in the manufacturing sector, the target annual rate of growth of which is set at 8 per cent during the Decade.

It can not be claimed that recent growth trends in the ECWA Region have resulted in significantly more balanced economic structures (see Table 4). Rather, developments in the oil industry have further accentuated the Region's already heavy dependence on oil production and oil exports. Similarly, and in the face of a relatively narrow production base, fast growth and the stepping up of development expenditures have meant increased reliance on imports.

In terms of its contribution to output, the share of the mining and quarrying sector in Gross Domestic Product (GDP) rose from 47 per cent in 1970 to 54 per cent in 1975 in Saudi Arabia, and maintained its relative position in both Kuwait and Oman at about 68 per cent of the total in 1974 and 1975, respectively. In Iraq and Abu Dhabi, however, the share of mining and quarrying in GDP declined by 4 percentage points, to 28 per cent between 1971 and 1974, in the first instance, and by 8 percentage points, to 56 between 1970 and 1974, in the second. It should be emphasized, however, that the significance of the oil sector is not adequately reflected by its overall contribution to GDP in terms of value added. Oil revenues constitute the main source of foreign exchange and are at the basis of public revenue and, consequently, the major determinants of the level of imports and public sector activity in the oil-producing countries. Moreover, the beneficial effects of oil revenues are increasingly being felt beyond national boundaries through financial assistance to other countries in the Region and developing countries elsewhere.

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Table 4. Structure of Output, 1970-1975
(Per cent of GDP) a/

Country and period		G D P	Services	Commodity Production b/ Total	Agri-culture	Manu-facturing	Mining and quarrying
Bahrain	1970	100	20	80	1	50	26
	1972	100	24	16	1	43	28
Democratic Yemen c/	1970	100	69	31	22	5	
	1975	100	62	38	23	7	
Iraq	1971	100	38	62	15	10	32
	1974	100	43	57	12	10	28
Jordan	1970	100	69	31	15	11	
	1975	100	64	36	11	17	
Kuwait d/	1970	100	20	80	1	4	68
	1973	100	25	75	-	4	68
Lebanon	1970	100	70	30	9	14 e/	
	1972	100	70	30	10	14 e/	
Oman	1970	100	7	93	16	-	69
	1975	100	19	81	3	-	68
Saudi Arabia f/	1970	100	30	70	6	10	47
	1975	100	28	72	4	6	54
Syrian Arab Republic	1970	100	56	44	22	22 g/	
	1975	100	61	39	18	21 g/	
Abu Dhabi United Arab Emirates	1970	100	25	75	-	1	64
	1974	100	32	68	-	-	56
Yemen h/	1970	100	35	65	55	5 i/	
	1975	100	41	59	48	6 i/	

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ Computed with reference to GDP at current factor cost for Jordan, at constant factor cost for Democratic Yemen, Iraq, Saudi Arabia, Syrian Arab Republic and Abu Dhabi, at current market prices for Bahrain, Kuwait, Lebanon and Oman, and at constant market prices for Yemen.

b/ Comprises agriculture, manufacturing, mining and quarrying, construction and utilities.

c/ Original data excludes BP refinery, being treated as non-resident.

d/ Fiscal years beginning 1 April of year stated.

e/ Excludes petroleum refining.

f/ Fiscal Hijri years corresponding to the nearest calendar year stated

g/ Includes construction and utilities.

h/ Fiscal years beginning 1 July of year stated.

i/ Includes utilities.

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Also, there has not been significant changes in the relative importance of manufacturing in total output except perhaps in Jordan (see Table 4). The Region, however, possesses the financial resources needed to introduce diversification in the longer run through individual country's efforts, as well as through regional and inter-regional co-operation.

The manufacturing sector still occupies a modest place in the economies of the Region in terms of its contribution to output, employment or exports.1/ Aside from Bahrain, Democratic Yemen, Kuwait and Saudi Arabia, where oil refining dominates manufacturing activity, industrial production in the Region largely consists of light manufacturing of the import-substitution type, with very little spill-over to external markets, except perhaps in the case of Lebanon.2/ More recently, however, several countries have been devoting increasing attention in their industrialization efforts to capital intensive and/or export-oriented industries, based largely on locally available materials.

The pace of industrialization in the Region is expected to accelerate in the coming few years, in view of the sizeable investments planned for projects under active consideration. However, the parallelism in the industrialization programmes of several member countries, particularly in the area of petrochemicals, fertilizers, cement, iron and steel production, should be a cause of concern, as it could imply considerable duplication and waste, and is inconsistent with efforts to promote regional integration on a sound and enduring basis. It should also serve to stress further the urgent need for co-ordination and harmonization of industrialization efforts in the Region.

1/ Its share in GDP, in the relatively more industrialized members (Iraq, Jordan, Lebanon and the Syrian Arab Republic), ranges between 10 and 17 per cent. It is of negligible importance in countries like Oman, the United Arab Emirates and Yemen.

2/ Prior to the events, the manufacturing sector was expanding very rapidly, with exports leading the process.

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Available information (see Table 4) indicates a continuation of the downward trend in the contribution of agriculture to total output. Between 1970 and 1975, the share of agriculture in GDP fell from 15 to 11 per cent in Jordan, 16 to 3 per cent in Oman, 6 to 4 per cent in Saudi Arabia, 22 to 18 per cent in Syrian Arab Republic, and 55 to 48 per cent in Yemen. In Iraq, the share of agriculture in GDP declined from 15 per cent in 1971 to 12 per cent in 1974.

The significance of agriculture for the Region derives from the fact that it is not only an important generator of income, but also a major source of employment and exports. The proportion of the population basically depending on agriculture is estimated to vary between 50 and 80 per cent of the total, with the countries of the Gulf and the Peninsula falling near the upper limit. Moreover, agriculture supplies a significant share of regional exports; in 1973, for example, agricultural commodities accounted for 97 per cent of total export earnings in Yemen and 60 per cent in the Syrian Arab Republic. Furthermore, on the development of agriculture will depend the Region's ability to cope with its serious food shortage problem which has made it the largest food importer per head in the world.

As far as the distribution of total output between commodity production and services is concerned, the dominance of the former in the oil economies is a reflection of the importance of oil in total economic activity. In general, the share of commodity producing sectors in total output has tended to decline over the first half of the current decade in the oil economies. The same has been true in the case of Yemen, reflecting the decline in the relative importance of agriculture. At the same time, countries traditionally dependent on services such as Democratic Yemen and Jordan experienced significant increases in the relative share of commodity production; a positive development from these countries' point of view. In contrast, the share of services in total output rose further in the Syrian Arab Republic.

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II. SECTORAL DEVELOPMENTS

A. Agriculture

Agricultural output in the Region increased during the first half of the present decade at an average annual rate of 3.5 per cent.[1/] Non-food production was virtually stagnant, while that of food grew at a rate of 3.8 per cent per year (see Table 5). These results were influenced by the relatively favourable weather conditions that prevailed during a number of years and Governments' efforts to accelerate agricultural development, the favourable effects of which on production have been increasingly felt in activities related to the livestock industry. The massive investments being made in most countries towards the expansion of irrigated agriculture are also having a gradually increasing impact on the outcome of production, particularly in Iraq, the Syrian Arab Republic, Saudi Arabia and Yemen.

At the country level, rapid progress was achieved in the small agricultural sectors of the oil economies of the Gulf, with expansion rates varying between 5 and 7 per cent per year recorded, except in Oman where overall agricultural growth averaged 2.3 per cent only. The results in the other countries were mixed, with above average performance in the Syrian Arab Republic and Yemen, and average performance in Democratic Yemen (see Table 6).

The performance of agriculture in the Region during the first half of the current decade was a definite improvement over the disappointing record of the sixties, when the sector barely grew at all. Regional output per head experienced even marginal annual increases, but production increases still fell considerably short of increases in aggregate food demand. The latter increase is presently estimated

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1/ According to preliminary estimates, the outcome of the Region's agriculture in 1976 was 4.5 per cent better than the 1975 output. Needless to say, agricultural performance over a relatively short period of time may not accurately reflect the actual pace at which the sector's development is proceeding. This stems from the fact that agricultural production in Western Asia, a predominantly arid and semi-arid Region, is characterized by wide annual fluctuations in output and, thus, a high degree of instability depending on weather conditions and availability of sufficient and timely rainfall.

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Table 5. Growth of agricultural output[1/] in the ECWA Region, 1970 - 1976

(Average percentage rates of growth)

	1970/72 - 1975	1975 - 1976[2/]
Total agriculture (net)	3.5	4.5
Food (net)	3.8	4.4
Non-food (net)	0.1	1.8
Agriculture per caput (net)	0.2	...
Food per caput (net)	0.7	...
Non-food per caput (net)	-3.3	...
Crops (gross)	2.8	...
Cereals (gross)	1.7	...
Oil crops (gross)	1.9	...
Livestock products (gross)	4.2	...

Source: United Nations Economic Commission for Western Asia, based on data compiled from international sources.

1/ Based on production indices.

2/ Preliminary.

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Table 6. Growth of Agricultural output[1] in ECWA countries, 1970 -1976

(Average percentage rates of growth)

	1970/72 - 1975	1975 - 1976[2]
Bahrain		
Total agriculture	5.3	0.7
Food	5.3	0.7
Democratic Yemen		
Total agriculture	3.2	2.3
Food	3.3	3.0
Iraq		
Total agriculture	-2.4	12.1
Food	-2.4	12.9
Kuwait		
Total agriculture	7.6	12.0
Food	7.5	9.5
Jordan		
Total agriculture	-4.7	30.2
Food	-5.4	32.0
Lebanon		
Total agriculture	1.7	-0.01
Food	1.5	-0.01
Oman		
Total agriculture	2.6	2.2
Food	2.7	1.5
Qatar		
Total agriculture	6.3	3.4
Food	6.3	3.4
Saudi Arabia		
Total agriculture	6.2	2.7
Food	6.1	3.4
Syrian Arab Republic		
Total agriculture	7.3	-
Food	9.2	-
Yemen		
Total agriculture	10.3	1.4
Food	10.2	0.7

Source: United Nations Economic Commission for Western Asia, based on data compiled from International sources.

1/ Based on net production indices.

2/ Preliminary.

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at around 5 per cent per year, assuming plan targets are met. The attainment of 3.7 per cent of target growth rate for agricultural output[1/] will depend on the intensification of agricultural development efforts, especially in Iraq and the Syrian Arab Republic, which together account for two-thirds of the Region's agricultural output.

The achievement of the IDS target, however, would still leave the Region in a situation where increases in food demand will largely outstrip regional production, thus adversely affecting food and agricultural trade. In a longer term perspective, such a situation is not permissible nor tenable. A better balance between food requirements and production is imperative, and this will require heavy emphasis on rural development and on increasing food production.

Progress in the livestock sector was satisfactory and largely resulted from efforts in a number of countries to develop the livestock industry, particularly poultry production and, on a more limited scale, dairying (cows) and fattening. Crop production, particularly pulses, cereals, cotton and oil crops, gave a rather poor showing during the first half of the nineteen seventies.

Apart from rare exceptions, the major share of increased production came from horizontal expansion. Livestock numbers built up rapidly and more lands, both rainfed and irrigated, were put under crops. The heavy emphasis on horizontal expansion in rainfed areas has in the past, in many instances, adversely affected yields and caused severe environmental damage. This is supported by widespread evidence from the cultivation of marginal and sub-marginal lands and the overstocking on the range which do not even hold the potential for marginal production increases.

1/ This target has been set after analysis of FAO's Indicative World Plan (IWP) for the Near East Region and taking into account the IDS global growth target in agricultural production of 4 per cent per annum.

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The Region's agricultural development in the past focussed on the maximization of cropped area per unit of labour. The new strategy should primarily be geared towards boosting labour productivity through maximization of yields. In a short period of time this could result in growing more valuable crops, reduced overhead costs and increased resources for farmers, and better possibilities for developing agro-allied industries.

To counter inadequacies in basic agricultural knowledge and poor level farming practices, it is of crucial importance to make an all-out effort to inventorize and disseminate to the farmers the knowledge readily available in the Region. Hence, the intensification of agricultural production calls for a powerful programme of field demonstrations, with priority to areas showing great production potential. Such a programme would act as an 'eye-opener" bringing awareness of what the possibilities for improvement are and what impact even the modest successes can have on farmers' well-being. In the longer term, the solution to the know-how problem basically lies in strengthening and upgrading agricultural research institutes and in building up or improving the techniques of communication between authorities and farmers.1/

Another important factor which merits emphasis is the urgent need to ensure timely distribution and availability to farmers, especially small ones, of adequate supplies of modern inputs and implements. Conventional organizational structures have largely failed to bring modern inputs within the reach of the financially weaker farmers.

1/ A positive development in the Region to be noted is the establishment and start of operations of the International Center for Agricultural Research on Dry Areas (ICARDA), temporarily operating from Damascus.

There is a widespread evidence in the Region of the possibilities for substantial increases in yield per unit of area through increased, more intensive and proper application of agricultural inputs and mechanization. Of paramount importance is increased fertilizer use as quick impact can be expected from it.[1/]

The constitution of food reserve stocks remains a matter of top priority in the Region. In most member countries, the construction or expansion of wheat storage facilities is underway or completed. In a number of countries the building of a nation-wide network of stores for livestock feed has reached advanced stages which will permit reducing cyclical fluctuations and disruptions. Much still needs to be done with regard to the elaboration of adequate food reserve policies (procurement, storage and distribution) and food management supply policies.

Successful agricultural development in the Region is closely linked to achieving integrated rural development. The provision of needed inputs and increases in investments cannot alone achieve the desired results unless the rural population itself has access to these resources and the ability and motivation to maximize the benefits from their utilization. Thus, priority ought to be given to providing resources to rural areas and increasing the capacity of the rural population to make effective use of these resources. Production performance will prove successful in the long-term only if the active participation of the small farmers and landless labourers can be secured in the short and medium run. An important area for action is the generation of information, with a view to identifying the rural poor and elaborating action programmes in their favour.

1/ It is to be noted that international market conditions put a break on the rapidly increasing use of fertilizers in the Region where consumption of nitrogenous fertilizers dropped by some 10 per cent in 1974 and did not show indications of picking up in 1975.

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The attainment of the IDS target for agriculture calls for a higher priority to be accorded to agricultural development. It is encouraging to note that, in the new development plans of member countries, a more balanced approach has been adopted, allocating an increased share of planned investment to the agricultural sector.

The effective implementation of agricultural plans1/ presupposes not only improving the absorptive capacity of the sector, through expanding the institutional framework, but also the training of sufficient experts in the identification, selection, preparation, appraisal and implementation of investment projects and in agro-industrial management and administration.2/

B. Manufacturing

Despite the relatively high rates of growth of the manufacturing sector (see Table 7), which is partly explained by the low initial level of industrial development, the Region's economies remain highly dependent on primary activities.3/ Furthermore, the pattern of industrialization has not been basically altered during the period under review and, as a whole, remains characterized by a narrow range of manufactured products and a low level of specialization. Complementarity in production is also limited and reliance on extra-regional markets for the importation of manufactured goods remains very strong.

1/ In the past, actual outlays on agriculture ranged between 30 and 60 per cent of planned investment.

2/ The FAO Near East Co-operative Programme established in 1974 at the Regional Office in Cairo and the FAO Technical Co-operation Programme, established in 1976 at Headquarters, Rome, are good examples of the dynamic approach adopted towards solving this crucial problem. In addition, FAO has pledged to intensify its efforts towards training at the national level large numbers of people in project preparation and appraisal.

3/ Figures available for recent years reveal that manufacturing in the Region still accounts for less than 10 per cent of total economic activity, as compared with around 33 per cent in developed countries and 20 per cent for the developing countries as a group. See also Table 4 section I-D.

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With the exception of a few industries, such as oil refining, textiles, cement and petrochemicals, light industries, catering mainly for the domestic market, such as food, beverages, tobacco, clothing, footwear and construction materials, are preponderant (see Table 8). In several countries, however, an increasing weight has, in recent years, been given to the development of a number of specific heavy industries, including fertilizers and other chemical products. Plans for the development of petrochemicals exist in Iraq, Kuwait, Saudi Arabia and the Syrian Arab Republic.1/ Provisions for manufacturing agricultural and transport equipment, and iron and steel products, are also incorporated in the development plans of Iraq, Saudi Arabia and the Syrian Arab Republic.

In the mid-seventies, the value of exports of manufactured products, excluding refined oil products, accounted for a small fraction (2 per cent) of total merchandise exports, as against less than 4 per cent at the beginning of the Decade.2/ This rate, however, is much higher in the non-oil economies, reaching 20 and 70 per cent in Jordan and Lebanon, respectively. However, when refined products are included in the picture, exports of manufactures represent some 8 per cent of the Region's total export. The largest part of this difference is attributable to Saudi Arabia, where refined oil exports in 1975 accounted for more than 60 per cent of the Region's total exports of refined products.

In 1975, more than two thirds of the Region's imports consisted of manufactured products. This dependence, on external sources however, varied from 40 per cent in the case of Bahrain, Democratic Yemen and Yemen, to more than 80 per cent in most other countries. Jordan's and Syria's imports of manufactured products were close to the regional average, i.e., 63 and 69 per cent, respectively.

1/ Among the largest projects envisaged is the petrochemical complex in Saudi Arabia which comprises 23 plants producing annually a total of 2.5 million metric tons of a variety of petrochemical products. The approximate cost of these projects, which are expected to be completed by 1983, is around $3.24 billion.

2/ The decline is attributable to the substantial increase in the value of oil exports.

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Table 7. Growth of manufacturing output in the Region, 1970-1975

	Average percentage growth rate
Democratic Yemen a/	-7.8
Iraq b/	11.7
Jordan b/	12.6
Kuwait c/	25.0
Lebanon d/	15.6
Oman	50.0
Saudi Arabia e/	4.4
Syrian Arab Republic b/	7.5
United Arab Emirates f/	15.0
Yemen g/	10.9

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ Relates to 1970 - 1974 and reflects an average decline of 9.9 per cent in value added in refining and a 4.5 per cent increase for other manufacturing activities at current prices.

b/ Based on industrial production indices.

c/ Relates to 1970 - 1973 and based on current value added data.

d/ Relates to 1970 - 1972 and based on current value added data.

e/ Based on constant prices value added data and reflect average growth rates of 1.5 and 11.4 per cent, respectively, in oil refining and the rest of the manufacturing sector.

f/ Relates to 1970 - 1974 and to value added at constant prices for Abu Dhabi.

g/ Based on value added data at constant prices.

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Only about 7 per cent of the total economically active population of the Region is employed in manufacturing. Available figures for the oil-producing countries suggest that persons engaged in manufacturing represent roughly some 3 and 6 per cent in Saudi Arabia (1975) and Iraq (1973), respectively, and are as high as 14 and 21 per cent in Bahrain (1971) and Kuwait (1973), respectively. Lebanon ranks first among the non-oil producing countries with some 18 per cent of its labour force engaged in manufacturing (1970), followed by Jordan and the Syrian Arab Republic, with 13 and 12 per cent in 1975, respectively. Food production is the largest employer in manufacturing in Iraq (21 per cent) and Kuwait (24 per cent), while the textile industry is the largest employer in the Syrian Arab Republic (29 per cent).

In recent years, the share of manufacturing in capital formation varied from 7 per cent in the case of Kuwait (1972) to 17 per cent in Yemen (1971) and 25 per cent in Iraq (1974). In 1974, Syria's Gross Fixed Capital Formation in manufacturing and mining accounted for 46 per cent of total capital formation, as against only 18 per cent in 1970. This increase is partly attributable to the stepping up in oil exploration and exploitation activities, and partly to the need to reconstruct a number of major industrial establishments that were damaged during the October 1973 Arab-Israeli war.

With the exception of Lebanon and, to a lesser extent, Jordan a striking aspect of the growth of investment in manufacturing in the countries of the Region has been the vigour with which the public sector has been increasing its participation relative to that of the private sector. This tendency is also reflected in the current development efforts of the countries in question. However, governments have differed considerably in the positions they have taken regarding the role of the public sector. In Iraq and the Syrian Arab Republic, for instance, where, by virtue of nationalization, most of the large and medium industrial establishments are now in government hands, the share of the public sector in total planned investments in manufacturing is of the order of

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90 per cent. In Kuwait and Saudi Arabia, as well as in the other oil-producing countries, preference for private ownership and control of manufacturing industry has not prevented the governments from undertaking large-scale projects in order to supplement private efforts. Governments' initiative have been exercised mainly in the area of petrochemicals and metallurgical industries, where, by virtue of the magnitude of the risks and the huge investment required, such industries were not considered to be sufficiently attractive to the private sector.

Despite repeated declarations by the countries of the Region in favour of establishing closer co-operation among them in the manufacturing field, achievements in this area have not yet taken a concrete form. However, there is an increasing recognition that trade liberalization alone may not be the most practical method for promoting industrial development on a regional basis.

The type of co-operation which is presently envisaged takes the form of jointly-owned, capital intensive ventures producing intermediate and capital goods for the regional and world markets. In this respect, and considering the high priority accorded to agricultural development by the countries of the Region, serious efforts are being deployed by regional organizations to identify possible inter-country investment opportunities for the manufacture of agricultural machinery and equipment. Prospects for manufacturing railways' spare parts, components and, eventually, equipment are also receiving attention as promising areas for regional co-operation.

Table 8. Composition of the Manufacturing Sector

(percentage distribution of value added)

ISIC		Democratic Yemen (1969 - 1971) (average) All Branches	Democratic Yemen (1969 - 1971) (average) Excluding Refining	Iraq (1971-1973) (average)	Jordan (1969-1971) (average)	Kuwait (1969-1972) (average)	Syrian Arab Republic (1971-1973) (average)	Yemen (1972-1973) (average)
1	Manufacture of food, beverages and tobacco	1.5	20.0	27.2	19.0	6.8	32.2	16.7
2	Textiles, wearing apparel and leather industries	4.5	60.6	20.7	12.8	3.1	39.3	22.0
3	Manufacture of wood and wood products and furniture	0.1	1.8	0.5	4.8	4.3	6.2	10.6
34	Manufactured paper and paper products, printing and publishing	0.2	2.0	3.1	3.1	1.8	1.2	2.2
35	Manufacture of chemicals and chemical, petroleum, coal, rubber and plastic products	92.6	1.6	25.0	25.9	74.4	6.4	0.6
36	Manufacture of non-metallic mineral products except products of petroleum and coal	0.1	0.9	13.4	16.2	4.6	4.4	38.2
39	Basic metal industries fabricated metal products, machinery, equipments and other industries	1.0	13.2	10.0	18.1	4.9	10.3	9.7

(Continued)

Table 8. Composition of the manufacturing sector
(percentage distribution of value added)

(Continued)

ISIC		Democratic Yemen (1969-1971) (average): All Branches	Democratic Yemen (1969-1971) (average): Excluding Refining	Iraq (1971-1973) (average)	Jordan (1969-1971) (average)	Kuwait (1969-1972) (average)	Syrian Arab Rep. (1971-1973) (average)	Yemen (1972-197 (avera
37.	Basic metal Indust.	(-)	(-)	(-)		(0.2)		
38.	Fabricated metal products, machinery and equipment	(1.0)	(13.2)	(9.9)	(17.2)	(4.5)	(9.9)	(3.7
39.	Other industries	(-)	(-)	(0.1)	(0.9)	(0.2)	(0.4)	(6.0
3.	MANUFACTURING	100.-	100.-	100.-	100.-	100.-	100.-	100.

Source: United Nations Economic Commission for Western Asia, based on data compiled from international sources.

C. Petroleum

Developments in the oil industry, since the beginning of the current decade, have radically altered the nature of relations between the oil-producing countries of the Region and the international oil companies in favour of the former. As a result, the setting of oil prices reverted to these countries who also gained increased - in certain cases complete - control over the exploitation of their oil resources, leading to a very sharp increase in governments' revenues. The strategic importance of oil for the world economy implies - as recent experience illustrates - certain limitations on the freedom of action of the oil-producing countries with respect to setting both price and production levels.

The immediate and apparent effects of developments in the oil industry, particularly since the fourth quarter of 1973, were to accentuate the Region's dependence on this sector. In the longer-term, however, higher oil revenues and accumulated reserves provide the means for bringing about fundamental structural changes, not only in the economies of the oil-producing countries themselves, but also in the Region as a whole, by combining these financial resources with the human, agricultural and natural resource endowments of other countries.

The impact of the oil sector on the economies of the producing countries continued to be felt mainly through Government spending of oil revenues, with little generated in terms of economic externalities and linkages. Increased concern with integrating the oil sector more firmly with the rest of the economy is reflected, inter-alia, in efforts to instal additional refining capacity, establish oil-based industries and make productive use of the natural gas associated with the extraction of oil.

A major feature of the Region's heavy dependence on oil relates to the fact that most of the crude oil produced is exported as such. Thus, in the year 1974, the Region, as a whole, exported about 92 per cent of its total oil production, compared with 89 per cent in 1970. While exports continued to flow mainly in the direction of Western Europe and Japan, some of the producers in the Region have been searching for new export outlets for their oil. At the same time, serious efforts are being made to expand nationally-owned fleets of oil tankers.

The volume of crude oil production in the Region as a whole increased at an average annual rate of 7.4 per cent over the first half of the current decade, and by almost 13 per cent in 1976 (see Table 9). This, however, concealed large variations in individual country performances and over time. Thus, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates recorded average increases of about 13, 18 and 16 per cent, respectively, in the period 1970-1975, compared with about 8 per cent in Iraq, 5 per cent in Oman, 4 per cent in Qatar, and declines of 7 and 6 per cent in Kuwait and Bahrain, respectively. Moreover, the expansion in crude oil production from the Region reflected the fast growth in the period 1970-1973, followed by an average rise of 3 per cent in 1974 and a drop of 10 per cent in 1975. Notwithstanding these developments, the share of the Region in total world output of crude petroleum increased from about 22 per cent in 1970 to 26 per cent in 1975.

A number of factors contributed to depress world and regional production of crude oil in 1974 and 1975, including recession, energy-conservation measures, a mild winter in the industrialized countries, and falling back on stocks following the sharp rise in oil prices. In some countries of the Region, supply availabilities (Bahrain and Oman) and deliberate Government policy to restrain production (Kuwait) were also important factors in depressing regional production.

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Table 9. Crude oil production in the Region

	Annual percentage growth rates		Percentage share in world output	
	1970-1975	1975-1976	1970	1975
Bahrain	-5.9	-6.6	0.2	0.1
Iraq	7.9	-5.2	3.4	4.2
Kuwait	-7.0	3.1	6.6	3.9
Oman	5.1	7.6	0.6	0.6
Qatar	3.8	10.1	0.8	0.8
Saudi Arabia	13.3	21.8	8.3	13.3
Syrian Arab Republic	17.6	1.3	0.2	0.4
United Arab Emirates	16.4	15.2	1.7	3.1
ECWA Region	7.4	12.9	21.8	26.4
World total	3.2	7.6	100.0	100.0

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

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The slow rate of expansion in crude oil output in 1974, however, was associated with a very steep rise in prices and improved conditions of exploitation which led to an increase of the oil revenues in the Region by more than fourfold; from about $9 billion in 1973 to $43 billion in 1974.1/ In contrast, the decline in output in 1975 was associated with a relatively small (10 per cent)2/ increase in the tax-reference posted price as of October first, following the freezing of prices instituted by OPEC since January 1974. The successive raising of royalty and income tax rates during the second half of 1974, and the steady move by the oil-producing countries to achieve full sovereignty and control over their oil resources were offsetting positive developments, given the declines recorded in output in several countries.

D. Transport, Communications and Tourism

1. Improvement of port facilities

Since the beginning of the present decade, port facilities in the Region have been greatly expanded and improved, especially in the Gulf area, to meet the rapid expansion (actual and anticipated) in trade flows. The handling capacity of several ports3/ is estimated to have expanded by 30 per cent or more during this period. On the other hand, a number of completely new port facilities have been established, namely, Port Mina Zayed (Abu Dhabi) and Port Mina Qaboos (Oman). Works are also underway which will more than double the capacity of the ports

1/ In 1970 oil revenues stood at $3.1 billion.

2/ Prices remained unchanged throughout the balance of 1974 and 1975. As of 1 January 1977, prices were raised by 5 per cent by each of Saudi Arabia and the United Arab Emirates and by 10 per cent by the other OPEC members. The latter group of countries decided also on a further 5 per cent increase as of 1 July 1977.

3/ Including Beirut (Lebanon) prior to the events, Basra (Iraq), Shuwaikh (Kuwait), Dammam (Saudi Arabia), Port Raschid (Dubai), and Doha (Qatar).

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of Shuwaikh (Kuwait), Um Qasr (Qatar), Dammam and Jeddah (Saudi Arabia), and Port Rashid (Dubai), before the end of the current decade. Plans have also been finalized for the development of the ports of Hodaida (Yemen), Aden and Mukalla (Democratic Yemen), Latakia (Syrian Arab Republic) and Aqaba (Jordan).

2. Development of National and Multi-National Shipping Lines

Only four countries in the Region have so far created national shipping lines with fleet capacity of some significance, namely, Iraq, Kuwait, Lebanon and Saudi Arabia. The Syrian Arab Republic has recently established a shipping company and has plans to acquire ships suitable for operations within Conference arrangements. The present and anticipated growth of imports and the availability of financial resources have led the countries of the Region to give serious thoughts to expanding, and/or establishing merchant fleets.

In the field of oil transportation, the Arab Maritime Petroleum Transport Company (AMPTC)[1/] ordered two 386,000 DWT tankers for delivery, respectively, in December 1976 and April 1977, and has more recently ordered two new 278,000 DWT tankers. AMPTC intends to increase its paid-up capital from $100 million to $500 million in 1977.

Under a second phase of investment, AMPTC intends to acquire smaller tankers in the 80-150, and 40-70 thousands DWT ranges. Phase 3, which began in 1975, involves Liquified Petroleum Gas carriers. National oil shipping concerns have also been active. Saudi Arabia has been operating two 35,000 DWT tankers to supply crude oil from Ras-Tanura to the refineries in Jeddah; Kuwait and Iraq, on the other hand, have, respectively, tanker fleet capacities of 423,740 gross registered tons (GRT) and 17,098 GRT involved in international shipping of oil.

1/ Owned by 8 countries members of the Arab Organization of Petroleum Exporting Countries, of which 6 are ECWA countries, namely, Iraq, Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates (Abu Dhabi).

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With respect to general cargo shipping, the most important of the national enterprises is the Kuwait Shipping Company (KSC) which has 17 ships in operation and 15 more on order. In June 1974, KSC signed a contract for four 22,300 DWT multi-purpose cargo carriers, to add to nine previous orders in the 16,000 DWT range. With these new ships expected to be coming into operation soon, KSC will have doubled over the current decade its shipping capacity on the Gulf-North America-Far East-Europe liner runs. The Iraqi Maritime Transport Company, on the other hand, owns at present 6 cargo ships with a total capacity of 66,400 GRT and has two new 3000 GRT ships on order. The Company is planning to add eleven new ships to its fleet over the next five years, thus increasing its capacity by 91,400 tons. Saudi Arabia operates at present a small fleet of eight cargo ships with a total capacity of about 36,992 GRT, mainly for the purpose of coastal transport between the different ports of the country.

It is worth noting also the plan for establishing a multi-national shipping enterprise by the Governments of Bahrain, Qatar, the United Arab Emirates and Oman to cater for liner operations serving the Gulf area from the United Kingdom and Northern Europe, and from Japan and the Far East which would initially start operating with 3 to 4 ships in the 22,000 DWT Range.

3. Membership of Shipping Conferences

Trade between the Region and its major trading partners is dominated by well organized Shipping Conferences.1/

1/ These are (a) The Associated Continental Middle East Lines (ACMEL) and its two related conferences; the U.K. Lines Agreement and the Mediterranean Middle-East Conference; and, (b) The Japan/Far East - Arabian Gulf Liner Conferences, namely, the Japan/India-Pakistan-Gulf/Japan Conference (SCAGA), the Straits/Bombay/Karachi/Arabian Gulf Conference, and the Thailand/West Coast of India, West Pakistan and Arabian Gulf Freight Conference. Most prominent among these are ACMEL and SCAGA. The Kuwait Shipping Company is a member of both ACMEL and SCAGA, whereas the Iraqi Maritime Transport Co. is a member of ACMEL only.

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Membership of a liner Conference has always been subject to stringent conditions and often to the unanimous approval of current members. With the actual and potential level of imports into the region accounting for a major part of the traffic of all Conferences involved in shipping into the Middle East, the bargaining positions of national or multi-national shipping lines owned by countries of the Region applying for Conferences' membership should have been greatly enhanced.

4. Freight Rates

Freight rates for both dry cargo and tanker freight markets in the Region followed closely world trends. From 1970 to 1972, both weakened under the impact of low demand for tonnage and rising supply. However, in the latter part of 1972, an upsurge of demand occurred and enabled the market to absorb not only new deliveries by the world shipbuilding industry, but also an increasing number of recommissioned vessels. Freight rates were pushed to new heights throughout 1973 and 1974. These general increases were reflected in the freight rates applied by Shipping Conferences operating in the Region, which actually announced several increases over 1972 and 1973. It is further worth noting that, in addition to those general increases Shipping Conferences also applied significant surcharges to a number of ports in the Region on account of congestion.1/

5. Transport and Communications Infrastructure

Railways

The total length of the meter-gauge railways network still functioning in the Region is estimated at 1849 kilometres as of December 1976. This network, however, is being slowly phased out for lack of

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1/ Beirut, Latakia and Dammam, among others, were faced with surcharges which reached the levels of 25 to 75 per cent.

demand reflecting competition from other modes of transport, especially road transport, the abandoning of certain sections because of the state of war in the area, and the gradual replacement of meter-gauge railways, especially in Iraq, by the more efficient standard-gauge.1/

The standard-gauge railways network, on the other hand, has a present total length of 3,392 kilometres. This network has been expanding rapidly over the past few years on account of both new construction in the Syrian Arab Republic (600 kilometres) and the change-over to standard-gauge of formerly meter-gauge sections in Iraq. More than 2,000 kilometres of standard-gauge lines are being further planned for construction, mainly in the Syrian Arab Republic and Iraq, to improve the rail connection between the two countries, and possibly through Kuwait to link the Saudi Arabian network with the Iraqi one and, thence, to Turkey and Europe.

Roads

The total length of metalled/paved all-weather roads in the Region is estimated at 362 thousand kilometres as of 1974-1975.

This network is being expanded rapidly, especially in countries of the Gulf. Foremost among the new roads under construction or planning, until the end of the present decade, are 3,000 kilometres to be constructed in Saudi Arabia, including the proposed 50 kilometres causeway connecting the Eastern Province of Saudi Arabia to Bahrain, 300 kilometres in the United Arab Emirates, 400 kilometres in Yemen, 110 kilometres in Oman, and 150 kilometres in Democratic Yemen. In addition, work is being undertaken to improve the geometric and mechanical specifications of a number of existing highways, especially on international links in Lebanon, Syrian Arab Republic, Iraq, Jordan, Kuwait, and Saudi Arabia.

1/ The only section of the meter-gauge network which appears to still retain a commercial interest and profitability for some years to come is the section of the old Hedjaz Railway in Jordan running from Zarka, north of Amman to Ma'an, and its extension from Ma'an to the port of Aqaba which was completed in 1976 for the specific purpose of transporting Jordanian phosphate having lengths of 256 and 115 kilometres, respectively.

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6. Tourism

Despite the fact that the Region is endowed with a great variety of touristic resources, tourism has been of real economic significance for only two or three countries, namely, Lebanon, Jordan and the Syrian Arab Republic, as shown in Table 10 below.

Table 10. Number of tourists and receipts from tourism in selected countries, 1974

Country	Number of tourists arriving	Receipts (in US $ Million)
Bahrain	200,000	...
Iraq	544,800	12
Jordan	544,913	30
Lebanon	1,511,131	356
Syrian Arab Republic	617,707	53
Yemen	5,000	...

Source: United Nations Economic Commission for Western Asia, compiled on the basis of national and international sources.

Plans are being laid down for further developing tourism in the Region, especially in Lebanon, Syrian Arab Republic, Jordan, Iraq, Kuwait, Democratic Yemen and Yemen, to exploit their touristic potential. This includes the establishment of the appropriate infrastructure and facilitation of exit and entrance formalities, to be achieved before the end of the current decade.

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III. TRADE EXPANSION, ECONOMIC CO-OPERATION AND REGIONAL INTEGRATION

The first half of the Second Development Decade witnessed a world commodity boom between 1972 and 1974 simultaneously with a world-wide wave of inflation. The boom reached its peak in 1974 and was followed in 1975 by a deep recession in the industrial countries. As a result, the quantum of exports from developing countries, taken as a group, fell by 15 per cent and export earnings by about 5 per cent in 1975, the first decline since 1958. The developing countries' share in world exports rose from one-fifth in 1970 to 29 per cent in 1974, but then declined to 27 per cent in 1975. At the same time, the share of the Region in world exports expanded from 2.6 per cent in 1970 to 8 per cent in 1974 and 7.4 per cent in 1975.

A. Overall Export and Import Trends

Attaining the overall growth target of at least 6 per cent per annum in the gross product of developing countries as a whole during the Second Development Decade implies, *inter alia*, an average annual expansion of "somewhat less than 7 per cent in their imports and somewhat more than 7 per cent in their exports". These targets - interpreted in terms of volume expansion - were exceeded by the Region as a whole and in most member countries during the first half of the current decade (see Table 11).

Compared with an average annual growth rate of 9 per cent during the nineteen-sixties, the aggregate dollar value of merchandise exports from the Region expanded at an average annual rate of 50 per cent in the first half of the current decade, reaching over $58 billion in 1975. All countries, but notably the oil producers, contributed to the steep rise in export earnings,[1] with the value of oil exports rising from $5.8 billion in 1970 to $59.6 and $54.8 billion in 1974 and 1975, respectively.

1/ The phenomenal rise in the Region's export earnings during the first half of the nineteen-seventies was largely concentrated in 1974 when these earnings rose by 230 per cent. In 1975, export proceeds for the Region as a whole declined by 5.6 per cent.

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Table 11. Export and import volume and price indices, 1970 - 1975

(Compound percentage annual rate of change; 1970=100)

	Unit value index		Commodity terms of trade a/	Volume index	
	Exports	Imports		Exports	Imports
Region (total)	38 b/	...	...	12 b/	...
Iraq	46	14	32	6	26
Jordan	23	18	5	14	7
Kuwait	47	14	32	-11	12
Lebanon c/	20	16	5	15	16
Saudi Arabia	46	15	32	9	30
Syrian Arab Republic	24	17	7	11	13

Source: United Nations Economic Commission for Western Asia, based on data compiled from international sources.

a/ Export unit value index divided by the corresponding import unit value index.

b/ Relates to the period 1970 - 1974 and is based on indices relating to the "Asian Middle East" region which includes, in addition to the ECWA countries, Cyprus, Iran and Turkey.

c/ Relates to the period 1970-1974.

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The average annual growth rate of regional imports accelerated from 6.4 per cent over the last decade to 41 per cent in the period 1970-1975, with an 83 per cent increase realized in 1974. All countries - with the exception of Democratic Yemen where imports seem to have stagnated - contributed to the record import performance with the oil-producing countries leading by substantial margins (see Table 12).

The expansion in the Region's export trade during the first half of the current decade reflected mainly the effect of higher prices, which rose at the average annual rate of 38 per cent between 1970 and 1974, and to a lesser extent an expansion in volume averaging 12 per cent over the same period (see Table 11). Available data show marked inter-country differences, with the expansion in the volume of exports ranging from 6 per cent per annum in Iraq to 14 and 15 per cent in Jordan and Lebanon,[1/] respectively, and recording an average decline of 11 per cent in the case of Kuwait. Similarly, the recorded rise in the Region's imports is explainable, to a considerable extent, in terms of higher prices, but with generally similar or higher increases in volume.

The faster rise in export prices relative to those of imports has resulted in improved commodity terms of trade, i.e., the ratio of export to import prices. In the three oil-producing countries for which the relevant statistics were available, namely, Iraq, Kuwait and Saudi Arabia (see Table 11), the commodity terms of trade index showed an improvement of over 30 per cent, on the average, during the first half of the current decade. However, in the case of Jordan, Lebanon and the Syrian Arab Republic the corresponding improvement averaged 5 to 7 per cent per annum.

Table 12. Overall export and import trends, 1970-1975

	Average percentage annual rate of change[a], 1970-1975		Export/Import ratio		Trade balance (Million dollars)		Reserves/Imports ratio	
	Exports	Imports	1970	1975	1970	1975	1970	1975
Region (Total)	50.0	41.0	1.92	2.62	3,466	36,018	0.63	1.46
Bahrain	39.5	35.0	0.80	0.92	-52	-91	0.27	1.25
Democratic Yemen	17.2	-0.1	0.67	1.50	-66	100	0.30	0.27
Iraq	49.5	47.5	2.16	2.31	588	4,611	0.91	0.77
Jordan	37.0	31.5	0.14	0.17	-158	-607	1.39	0.66
Kuwait	36.5	31.0	3.04	3.76	1,276	6,595	0.32	0.69
Lebanon	41.5 b/	37.0 b/	0.33	0.38 c/	-375	-1,250 c/	0.69	0.84 c/
Oman	6[illegible].0	120.0	5.90	1.61	89	406	6.97	0.36
Qatar	48.0	45.0	3.94	4.41	189	1,3[illegible]5	0.28	0.25
Saudi Arabia	65.0	60.0	3.5[illegible]	3.84	1,731	2[illegible],478	0.96	3.24
Syrian Arab Republic	35.5	36.0	0.57	0.56	-155	-736	0.15	0.44
United Arab Emirates	6[illegible]	6[illegible]	2.58	2.46	429	3,[illegible]85	...	0.36
Yemen	31.[illegible]	55.[illegible]	[illegible]	[illegible]	-3[illegible]	-283	2.47	1.15

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ Computed from the dollar value of trade.
b/ Relates to 1970 - 1974.
c/ Relates to 1974.

Recent trade developments have tended to reinforce the positive trade balances in the oil economies - with the exception of Bahrain whose trade balance continued to be negative except in 1974 when a surplus was recorded - and to accentuate the trade deficits in the non-oil economies - except in Democratic Yemen whose trade balance showed a surplus during the period 1974-1975. Thus, the combined surplus of the former group of countries rose from $4.2 billion in 1970 to $48.9 and $37.4 billion in 1974 and 1975, respectively. In contrast, the trade deficit in the latter group deteriorated from $0.8 billion in 1970 to $2.2 billion in 1974. The ratio of exports to imports in the oil economies rose from 2.7 in 1970 to 5.5 in 1974 and fell to 3.1 in 1975. In the non-oil economies, however, the ratio, which remained virtually unchanged throughout the period 1970-1973, slightly improved to 0.5 in 1975.

The record export performance, notably in 1974, enabled the countries of the Region to make substantial additions to their international reserves,[1/] which rose from $2.4 to $32.5 billion between December 1970 and 1975.[2/] Saudi Arabia's additions to total reserves were the highest, rising from $0.7 billion to $23.3 billion.[3/]

1/ Refers to gold and foreign exchange holdings by monetary authorities, the reserve position with the Fund, plus Special Drawing Rights where applicable.

2/ Partial data for 1976 reveal that the countries of the Region continued to accumulate reserves and, by September of that year, their cumulative reserve position reached $35.6 billion.

3/ Significant additions were also made by Iraq, Kuwait and the United Arab Emirates, where reserves increased from $462 to $2,727 million, from $203 to $1,655 million, and from negligible amounts to $989 million, respectively. It is also worth noting that, by the end of 1975, Lebanon's reserves stood at $1.6 billion, only $100 million below their corresponding 1974 level, compared with $0.4 billion in 1970.

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Relating reserves to merchandise imports, Saudi Arabia emerges as the country with the highest reserves/imports ratio (see Table 12). Yemen's apparently high reserves/imports ratio is merely a reflection of the low level of imports. In Iraq, Kuwait, Jordan and Lebanon, reserves have generally been adequate to meet import requirements, covering between 7 and 8 months of imports. Democratic Yemen, the Syrian Arab Republic and the small oil-producers, including Oman, whose highly satisfactory ratio deteriorated after 1972, continued to have the least adequate reserves/imports ratio during the period under review; in 1975 reserves were barely sufficient to cover 3 to 4 months imports at prevailing rates.

B. Export Diversification

The IDS puts considerable emphasis on the objective of diversifying the export trade of developing countries, both in terms of commodity composition as well as geographical concentration.

The striking feature of the export trade of the oil economies is their extreme - and in certain cases increasing - dependence on fuels[1/] and the very little that has been achieved by way of diversification (see Table 13). While re-exports explain, to a considerable degree, the relatively high and growing importance of manufactures in the export trade of Bahrain, Kuwait and Qatar, it is worth noting that recent trends have been strongly influenced by the expansion in production and export of aluminum in Bahrain, and of chemical fertilizers in both Kuwait and Qatar.

In the case of the non-oil economies, significant progress towards increasing the relative share of manufactured and semi-manufactured products in total export earnings seems to have been achieved only in

1/ The bulk of these is exported as crude oil, except in Kuwait and Saudi Arabia, where refined oil products are relatively important, and in Bahrain where fuel exports consist entirely of refined products.

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Lebanon and Jordan. Lebanon represented a unique case in the Region where exports of manufactures, even at the outset of the current decade, were significantly more important than those of primary commodities and kept increasing to reach around 70 per cent of total export earnings in 1974. Over the first half of the decade, the share of manufactures in total Jordanian exports also increased from about 13 to 20 per cent. In the Syrian Arab Republic, on the other hand, the relative share of manufactures declined to less than 8 per cent in 1975, mainly as a result of the emergence towards the end of the nineteen-sixties of crude oil, as an important and rapidly expanding export item which, at the same time, reduced the country's reliance on its traditional exports, notably cotton.[1/]

Among the obstacles that have hindered the process of export diversification in the Region in the direction of manufactured and semi-manufactured goods, probably the more effective one relates to the narrowness of the industrial production base and the inward-looking orientation that the development of manufacturing industry in the Region has generally, and until recently, taken. Related to this, is the availability of highly competitive products from outside the Region and restrictive business practices on the part of transnational corporations.

The second major obstacle relates to access to world markets, particularly those of developed countries. International action to facilitate the export of manufactured and semi-manufactured goods from developing countries to the markets of developed countries, which culminated in the introduction of the Generalized System of Preferences (GSP), at the beginning of this decade, turned out to be of only marginal immediate benefit to the countries of the Region, in view of the restrictions major donor countries imposed on their readiness to import

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1/ Oil accounted for 70 per cent of the value of Syrian exports in 1975.

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Table 13. Structure of experts in countries of Western Asia, 1970, 1974 and 1975 (in percentage)

	Primary commodities (SITC 0+1+2+4)			Fuels (SITC 3)			Manufactures (SITC 5-8)		
	1970	1974	1975	1970	1974	1975	1970	1974	1975
Region (Total)	4.8	1.3	...	80.4	96.5	94.0	3.5	2.0	...
Bahrain a/	6.0	2.1	1.7	75.3	84.6	80.9	18.5	13.2	17.5
Democratic Yemen b/	...	97.3	96.9	...	-	-	...	2.7	3.1
Iraq	4.4 c/	0.8	0.8	94.2 c/	98.6	98.5	1.2 c/	0.1	0.1
Kuwait d/	1.3 c/	0.4	...	95.8 c/	96.4	...	2.8 c/	3.3	...
Jordan	86.5 c/	78.5	79.2	0.4 c/	0.3	0.6	12.7 c/	21.3	20.3
Lebanon	40.3 c/	29.9 c/	...	0.2 c/	0.4 c/	...	59.5 c/	69.8 c/	...
Oman	0.9	0.2	0.3	99.1	99.8	99.7	-	-	-
Qatar d/	...	0.1	0.1	96.4	98.2	97.2	...	1.5	2.8
Saudi Arabia	0.1 c/	...	...	99.8 c/	99.8	99.8	-	...	...
Syrian Arab Republic	77.0 c/	36.8	21.9	10.9 c/	55.2	70.3	11.5 c/	8.0	7.7
United Arab Emirates	...	-	-	... f/	99.9	99.9	...	-	-
Yemen	99.7 f/	95.3	...	-	-	...	0.2 f/	3.6	...

Source: United Nations Economic Commission for Western Asia, based on data compiled from national and international sources.

a/ Includes designated re-experts, ships and aircraft supplies.
b/ Domestic exports, excluding oil.
c/ 1968 - 1970 average.
d/ Non-oil exports consisting mainly of re-exports.
e/ 1971 - 1973 average.
f/ 1969 - 1970 average.

certain products of export interest to the Region (e.g. textiles), the relatively unimportant position of manufactures in export trade, and the fact that very little of exported manufactures were marketed outside the Region.

The countries of the ECWA Region, however, together with other developing countries, have an opportunity, in the current Multilateral Trade Negotiations which cover trade in both primary commodities and manufactured goods, and tariff as well as non-tariff barriers to trade, to work towards improved access for their exports in the markets of their major trading partners. In this connexion, the findings of a recent study on the "Structure of Trade Barriers Facing Products of Export Interest to the ECWA Countries in Three Developed Markets"1/ are worth noting. It was found out that countries of the Region would face the highest tariff barriers on food, tobacco, mineral fuels, animal and vegetable oils and fats, chemicals and other miscellaneous manufactured articles in the three developed markets covered. Restrictive non-tariff measures are also prevalent in the three markets on food, petroleum and manufactures. However, very few current export items are subject to non-tariff measures, largely discretionary licenses. It was further concluded that it would be in the interest of ECWA countries to participate in the multilateral trade negotiations in order to ensure that trade barriers on actual and potential exports are reduced.

C. Regional Co-operation and Economic Integration

The aspect of regional co-operation which has received the most emphasis until the last few years concerned the expansion of intra-regional trade. Notwithstanding the efforts of the Council for Arab Economic Unity (CAEU) and the creation of an Arab Common Market (ACM), the growth of intra-regional trade did not live up to expectations and was rather

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1/ Prepared by the ECWA Regional Project on the Multilateral Trade Negotiations and covering the EEC, the United States and Japan.

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tal)	4.8	1.3	...	80.4	96.5	94.0	3.5	2.0	...
/	6.0	2.1	1.7	75.3	84.6	80.9	18.5	13.2	17.5
Yemen b/	...	97.3	96.9	...	–	–	...	2.7	3.1
	4.4c/	0.8	0.8	94.2c/	98.6	98.5	1.2c/	0.1	0.1
	1.3c/	0.4	...	95.8c/	96.4	...	2.8c/	3.3	...
	86.5c/	78.5	79.2	0.4c/	0.3	0.6	12.7c/	21.3	20.3
	40.3c/	29.9c/	...	0.2c/	0.4c/	...	59.5c/	69.8c/	...
	0.9	0.2	0.3	99.1	99.8	99.7	–	–	–
	...	0.1	0.1	96.4	98.2	97.2	...	1.5	2.8
ia	0.1c/	...	...	99.8c/	99.8	99.8	–	...	...
b Republic	77.0c/	36.8	21.9	10.9c/	55.2	70.3	11.5c/	8.0	7.7
b Emirates	...	–	–	... f/	99.9	99.9	...	–	–
	99.7f/	95.3	...	–	–	...	0.2f/	3.6	...

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1/ Prepared by the ECWA Regional Project on the Multilateral Trade Negotiations and covering the EEC, the United States and Japan.

disappointing. Although the dollar value of intra-regional trade rose substantially since the beginning of this decade, with exports increasing from an average of $0.4 billion in 1968-1970 to $2.1 billion in 1975, and imports expanding from $0.5 to $2.5 billion over the same period, in relative terms the respective shares of exports and imports in the Region's overall trade fell from 7 to 3.7 per cent and from 15 to 11 per cent.[1/]

The Region provides only a marginal outlet for exports from the oil economies, reflecting the overwhelming importance of oil, most of which is consumed outside the Region. In contrast, the Region remains a major market for exports from the non-oil economies, notably Jordan and Lebanon, and the main outlet for member country exports of manufactured and semi-manufactured goods.[2/]

Several explanations have been advanced for the disappointing performance of intra-regional trade, including weaknesses in the transport systems, differences in economic systems and levels of development, shortages of foreign exchange, use of tariff and non-tariff barriers, and more favourable trade relations with countries outside the Region.

1/ It may be worth pointing out that intra-trade of the countries members of the CAEU and ACM has been generally declining in relative importance. Thus, intra-ACM exports and imports, which represented 4 and 5 per cent of the group respective flows in 1968-1970, declined to 1.6 and 1.8 per cent, in 1975. The corresponding intra-CAEU trade flows declined from 3 and 5 per cent to 1.6 and 2.2 per cent over the same period.

2/ About one-third and over two fifths of Jordan's and Lebanon's respective exports in 1975 were marketed within the Region. On the side of imports, the Region supplied one-half and one-fourth of 1975 imports in Bahrain and Democratic Yemen, respectively, 17 per cent in Jordan, and an average of one-tenth in the remaining countries (excluding Iraq, Kuwait and Oman where the Region's share in imports was less than 5 per cent).

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Critical assessment of the performance of intra-regional trade has led to the voicing of new approaches. At the core of the proposed change in approach lies the realization that the development of the production structure and base, along complementary lines, is the essential prerequisite for expanding intra-regional trade.1/ This awareness has been reflected in the growing enthusiasm for co-operation in the field of production, more particularly through the promotion of joint ventures. It is encouraging, moreover, that this has been taking place at a time when several countries of the Region are accumulating surplus funds at unprecedented rates, and for which the Region could provide a natural outlet. These developments have also coincided with the start of operations of the first regional development bank, namely, the Arab Fund for Economic and Social Development, as well as expanding and/or establishing national development finance institutions with a regional scope of operation.

Many of the problems and impediments to faster development in member countries can perhaps be overcome only within a regional context. The prospects of transforming existing complementarities among the economies of the Region into productive undertakings has been greatly enhanced by the recent developments affecting the oil industry. The resulting sharp rise in oil revenues has endowed the major oil-producing countries with a financial surplus, a portion of which could undoubtedly be usefully combined with human, agricultural, mineral and other resources available elsewhere in the Region.

1/ With a view to achieving a more rapid expansion of intra-regional trade than hitherto, studies are now being made of measures to remove the barriers to reciprocal trade, e.g., the establishment of foreign-exchange quotas for each State to finance reciprocal trade other than trade resulting from bilateral agreements; the formulation of a system whereby temporary permission could be given for exceptional restrictions to be imposed on trade; the establishment of dispute-settlement machinery; the establishment of trade offices by each State in the territory of others, etc. A draft common tariff nomenclature has been prepared and there is a proposal to set up a central customs administration, whereby a common external tariff is established and the customs revenue equitably distributed among member states, but these have not yet been approved by the members of the CAEU.

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In addition to the financial aspect, co-operation among member countries has been concerned mainly with the establishment of new, and strengthening of existing, institutions and undertakings dealing with the promotion of regional economic co-operation and integration, the setting up of joint ventures, as well as the conclusion of co-operation agreements.

In the area of institution building, a significant development was the establishment of the Arab Monetary Fund, with an initial capital of 250 million Arab Dinar Units (SDRs 750 million). The objectives of the Fund are to protect the currencies of member States, help to meet balance of payments deficits and provide development finance at low interest rates. Another significant development in this area was the fourfold increase in the capital of the Arab Fund for Economic and Social Development, to KD400 million.

Several joint ventures in the areas of financial institutions, shipping, petroleum, livestock, mining and manufacturing development have been established in the period reviewed involving substantial investments. The impetus for the setting up of joint ventures has generally come from Governments, inter-governmental organizations (e.g., the CAEU), and the Organization of Arab Petroleum Exporting Countries (OAPEC).

Another aspect of regional co-operation has been the conclusion of a number of bilateral trade and co-operation agreements, including an agreement on co-ordination and co-operation between Jordan and the Syrian Arab Republic, covering industrial joint ventures, mutual tax exemptions, the creation of an industrial free zone on the boarder, power network linkages, etc.; the technical and economic co-operation agreement and trade development protocol between Iraq and Jordan; the agreement between Bahrain and Saudi Arabia for developing and strengthening their economic and trade relations by promoting joint development projects; granting capital invested by each country in the other the same status

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as national capital, exempting certain products from customs duties and the unification of customs procedures; and, an agreement between Kuwait and the Syrian Arab Republic for co-operation in development, construction and housing ventures in the latter involving an investment of $200 million.

Finally, in the important area of plan co-ordination and harmonization, the planning sub-committee recommended to the Secretariat of the Council of Arab Economic Unity to set up a time schedule to achieve plan co-ordination and harmonization between the Arab countries as of 1981.

Co-operation between member States of the ECWA Region and developing and developed countries in other regions deepened in the period under review. The successful move to gain control over their oil resources, and the concomitant sharp rise in financial resources of oil-producing member countries, have been instrumental in prompting and making possible closer inter-regional co-operation. So far, this co-operation has been of a predominantly financial nature.1/ However, new avenues are being considered and sought constantly to widen and deepen its scope.

In attempting to build closer ties and co-operation with other regions, the countries of the Region played an effective role in the context of the Afro-Arab dialogue. Such efforts, however, have not been confined to relations with developing countries, but have also been extended to developed countries. Several meetings, grouping Arab and European experts, were held in the context of the Euro-Arab Dialogue concerned with co-operation in the fields of industry, infrastructure,

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1/ Between January 1973 and June 1975, concessional and non-concessional flows committed to developing countries and multilateral institutions by the five oil-producing countries members of OPEC (Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates) amounted to $17.74 billion, of which $11.85 billion were bilateral and $5.90 billion multilateral. Disbursements, however, totalled only $8.79 billion, of which $5.51 billion were bilateral and $3.28 billion multilateral. (see: UNCTAD, TD/192/Supp.1, Table 6, p. 63).

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agriculture and rural development, financial co-operation, trade, scientific and technological co-operation, cultural co-operation and issues relating to labour and social affairs. The fact that very little in terms of concrete results has been achieved so far is largely a reflection of the divergence in the premises from which the two sides view the dialogue; the Arab side attaching basic importance to the political aspects of the dialogue, while the European side attributing more significance to the economic, cultural and social aspects.

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IV. SOCIAL OBJECTIVES AND DEVELOPMENT OF HUMAN RESOURCES

A. Social Services and Welfare

The period reviewed witnessed substantial progress in the Region towards the achievement of the goals set by the IDS in the social field.[1/] Governments allocated more resources to the social sectors and also, in several instances, encouraged activities by non-governmental agencies. The major achievements in the social field have been in education and health. Social welfare tended to lag behind, lacking in programmes and trained personnel.

Progress was most striking in the area of education, where several countries came close to attaining the IDS goal of universal enrolment of children of primary school age. In some countries, however, primary schools still enrol less than 50 per cent of the relevant age group. The main problems facing such countries are the shortage of teachers, especially of trained teachers, and of textbooks and teaching materials.

Related to the expansion of education facilities is the gradual decrease in adult illiteracy.[2/] The reduction of illiteracy, however, continues to be a slow process.

Secondary school enrolment continued to increase, with rapid progress made by several of the oil-producing countries, notably Kuwait. Enrolment ratios at the secondary level remain low, however, reflecting the common practice of discontinuing education after completion of the primary cycle. The more developed countries of the Region have been able

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1/ An exception to the record of continued progress was Lebanon, where civil disturbances resulted in widespread unemployment, the closure of almost all schools, and the cessation of community services.

2/ Iraq, for example, was able to reduce the illiteracy rate for adult males from 61.0 per cent in 1970 to 58.5 per cent in 1975.

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to retain a somewhat larger proportion of the secondary school age group in schools. Increased enrolments moreover tend to be in "academic" secondary schools rather than in the greatly needed fields of vocational and technical education.

In the field of health care, some of the countries have made great progress, offering medical care to all citizens at little or no cost. This has been possible where financial resources exist, the population is relatively small, and geographic barriers do not impede the delivery of health care.1/

Other countries in the Region, with relatively large populations and mountainous terrain, have had difficulty in expanding the health sector, both with respect to preventive and curative health measures.2/ A particularly acute shortage is in the area of trained medical personnel, both high- and middle-level. The low-income member countries tend to lose such personnel as quickly as they are trained, while other countries rely heavily on personnel from countries outside the Region.

In a number of countries, major medical complexes have been established to provide centres for health education as well as points for the dissemination of new ideas in preventive and curative medicine.3/ These centres have an important social impact in increasing awareness of the importance of medical care and maintaining high standards of service.

In the field of housing, needs remain acute in the Region. Four major achievements, however, can be identified (a) large increases in

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1/ In Bahrain, for example, the ratio of hospital beds to population reached 4.1000 in 1974, a creditable achievement.

2/ In Democratic Yemen, the bed/population ratio was 1.4:1000 in 1974, while in Saudi Arabia it is planned to reach 2.5:1000 by 1979.

3/ An example of this is the new King Faisal medical centre in Saudi Arabia.

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financial resources allocated to housing programmes and to real estate banks permitting an expansion in construction activity; (b) extensive manufacture and use of prefabricated elements;[1] (c) improved administration of housing programmes, largely due to the better training of personnel; and, (d) the initiation of large-scale housing projects for rural areas.

The countries of the Region are attempting to improve rural living standards by giving increasing attention to the social aspects of rural development through such measures as the setting up of agricultural co-operatives, provision of health and educational services and rural settlement planning. In some instances, these measures take the form of an integrated rural development scheme, as in the Jordan Valley development plan, in the Northern Areas Rural Development Project of Democratic Yemen, and several projects in Iraq. Attention has also been given to increased population involvement in rural development projects. In Yemen, "Local Development Associations" participated fully in the development of their respective rural areas, proposing and administering projects and programmes.

The expansion of educational and health services have had a favourable impact on the well-being of children. Governments' attention has also been given to such important areas as nutrition and feeding programmes. Although infant mortality statistics are not available, it is believed that the rate has been steadily declining.

Youth programmes have tended to concentrate on athletics and on increasing political consciousness. Youth have benefitted from the expansion in secondary and higher education, but there has been insufficient attention paid to the needs of out-of-school youth, especially in the area of employment. Most countries of the Region have established a ministry concerned, at least in part, with youth affairs.

1/ Iraq has established four new factories for this purpose and new factories have also been established in Saudi Arabia, Kuwait, the United Arab Emirates and Oman.

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Progress continued to be made in integrating women into the development effort, with some countries recording significant achievements, notably in the field of education.[1/] Women have also been entering gainful employment in greater numbers. Overall participation rates, however, continue to be low.

B. Development of Human Resources

National policies in the field of human resources development have not yet been formulated in the countries of the Region, although important steps have been taken in this direction. Government offices have been set up to deal with particular sectors, such as women's affairs, and have in some cases been charged with policy formulation. It remains, however, for such policies to be elaborated and translated into programmes and projects for achieving an integrated approach to the development of human resources. In the meantime, public outlays reflect a strong commitment to the improvement of human resources.[2/]

There are four major policy issues related to the development of human resources that deserve special attention. The first of these is the linkage of educational programmes to employment and national economic needs. In nearly every country, the expansion of education had followed the traditional secondary-school-university pattern, with insufficient emphasis neither on technical and vocational training nor on university-level programmes in scientific and applied fields. A remedy for this situation is to formulate policies and plans at the regional rather than the national level. In this way, particular national needs and programmes can be fitted

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1/ In the Syrian Arab Republic, the number of girls in secondary education increased from 17,330 in 1970 to 30,330 in 1974, an increase of 75 per cent in four years. In Yemen, where great efforts are being made to create an educational system, the number of girls in primary schools increased from 8,263 in 1970/71 to 22,788 in 1974/75.

2/ In Qatar, for instance, the number of teachers at all levels of instruction has been increasing even more rapidly than the number of students, and the education budget shows this beneficial emphasis.

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into the overall regional needs. Recent years have witnessed a number of initiatives at the regional level, including convening seminars and inter-governmental meetings. Further action at the regional level will enable member countries to deal more effectively with the unemployed school-leavers and underemployed school and university graduates.

A second policy issue relates to the disparity in development between rural and urban areas. Some countries of the Region are attempting to reduce this disparity by giving increased attention to rural development. It must be emphasized, however, that rural development must be concerned with the social as well as the agricultural dimensions. Increased productivity must benefit the producers, and this may best be effected through a policy of integrated rural development. Among the countries in the Region that are beginning to apply an integrated approach are Democratic Yemen, Iraq, Jordan and the Syrian Arab Republic.

A third policy issue concerns the improvement of the human environment. The countries of the Region have dealt with this question in piecemeal fashion, for example, through urban planning or the introduction of local anti-pollution measures. The improvement of the environment needs to be dealt with at a higher level, with a well-formulated policy and appropriate administrative machinery.

A fourth policy question relates to the appropriate role of social welfare programmes: the emphasis to be given to remedial measures, to preventive measures, and to developmental activities. Remedial measures have a place in every country's plan, with assistance being given to disadvantaged individuals and groups. There is growing awareness that remedial measures must be joined with developmental activities, such as programmes for training or retraining, and with preventive measures in such fields as improved housing and community facilities.

C. Employment and Income Distribution

An important feature of the employment situation in the Region is the low level of participation of the population in the labour force. On

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the whole, this participation did not improve in the first half of the present decade and its rate rarely exceeded 25 per cent of the total population, as against estimated average rates of about 45 and 41 per cent in 1970 in the industrialized and developing countries, respectively. Such a low rate of participation in national economic activity can only serve to emphasize the magnitude of the manpower under-utilization problem in the Region.

Reflecting increases in the size of the population reaching working age and in female participation rates in some countries of the Region, the size of the labour force did grow at relatively high rates. However, this did not noticeably affect the level of population participation rates in economic activity. In the oil-producing countries, for example, the high rates of growth of the labour force were mainly generated by the flow of migrant workers. In these countries local population participation rates hardly exceed 20 per cent.

In terms of broad economic activity, the non-oil producing countries of the Region are, generally, characterized by the concentration of a large part of their labour force in the agricultural sector. This feature has changed little in recent years. In spite of the growing exodus from the rural areas, the size of the labour force in agriculture continued to grow rapidly, with its share in the total labour force rising in a number of countries. This trend, which is likely to continue in the future, indicates that overall growth in the agricultural labour force has been related to demographic growth and does not reflect a rise in employment levels.

The secondary sector encompasses modern activities and is generally regarded as the key sector for economic growth. Although employment in this sector has grown in absolute terms in the countries under review, its relative share in the labour force has either been stagnant or registered only moderate increases. In manufacturing activities, the share of employment rarely exceeds 14 per cent, a clear indication that industrial development in these countries has not been able to absorb a growing percentage of the labour force. On the contrary, in some oil-producing countries, the development of the oil industry was accompanied by a reduction in the size of employment.

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As a generator of employment opportunities, the performance of the secondary sector has been disappointing in view of the increasing efforts directed towards industrialization. Several factors have contributed to this. First, the bulk of industrial goods used continues to be imported from outside the Region. Second, the use of capital intensive production techniques has limited the labour absorptive capacity of the sector. Third, the average level of skills, particularly in agriculture, has been too low for the surplus manpower supply to be absorbed by the industrial sector.

In contrast, employment in the tertiary services sector increased rapidly in all countries. This was partly due to the range of activities inherent in this sector and the ease of entry to it, and partly to the migration of surplus agricultural workers which could not be absorbed in modern industries. This led to the formation of concentrations in the urban sector, characterized by wide-spread unorganized and unspecified activities covering considerable underemployment. Hence, the growth of the share of services in the total labour force cannot be taken to reflect real growth in terms of productive employment and is not a consequence of developments in effective demand.

The low participation rate of the population in economic activity, the spread of under-employment, the rapid development of female educational attainment, which will work to induce more females to seek employment, and inflationary pressures, which will act also as a push factor for women to seek jobs outside home, will exert pressure for rapidly raising the general level of employment in the countries of Western Asia. In order to meet this situation, comprehensive and long-term plans for raising the general level of employment are essential. Such plans should form an integral part of overall national development plans so that employment promotion becomes a major objective. Then a clear-cut and full-fledged national employment policies should be formulated in line with planned objectives. Such policies should encompass actions on the supply as well as on the demand sides of the employment problem the objectives of which

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should be to take effective measures leading to curtail the manpower supply flow and to raise demand of labour. In addition, urgent action is required to improve the collection, classification and analysis of labour data - the basic prerequisite for effective planning and implementation.

It is generally believed that there are two approaches for bringing about a better distribution of income, namely, through the achievement of high growth rates over a long period of time, without changing the present income distribution pattern, and/or through the redistribution of income. The countries of the Region are no exception to this general pattern.

In the richer oil-producing countries, reliance has been put mainly on achieving rapid growth for improving the distribution of national wealth and the implementation of policies which indirectly affect income distribution, e.g., free education, health care and housing. Iraq and the Syrian Arab Republic implement more active income redistribution policies, whereas Jordan and Lebanon do not have clear policies in this respect and rely for the improvement of living standards on raising average income levels. The poorest countries of the Region, i.e., Democratic Yemen and Yemen have been following distinctively different paths. The latter has still not defined a clear policy of income distribution, while the former seems to have opted for income redistribution as a means to improve the national distribution of wealth.

As the priorities in most statistical publications are still set by the data requirements of a growth-oriented development strategy, very little information exists on income distribution in the countries of Western Asia to permit a meaningful evaluation of progress. Fragmentary information, however, indicate that the proportion of national income accruing to the poorest 20 per cent of the population in 1970 was 4 per cent in Lebanon and that the share of the lowest 40 per cent in Iraq was 7.2 per cent.

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The initially low incomes per head in several countries of the Region provide an indication of the limits that the path of a growth-oriented development strategy imposes on improving the distribution of income among the population. Generally speaking, and until more specific and reliable information becomes available, bringing about a better distribution of income does not seem to be attainable solely through an acceleration of economic growth; it will actually need to be supplemented by a policy of income redistribution adapted to the specific conditions and requirements of individual countries.

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V. SCIENCE AND TECHNOLOGY

The participation of the developing world in shaping and operating the international patent system remained marginal during the first half of the present decade. No figures exist on the number of patents registered in the countries of the Region, but considering the total held in the developing world, it can only be very low.1/

Information on patents and patents administration in the Region is very limited, as in none of the member countries the collection, classification and analysis of patent data required for assessing the operation of the international patent system as a whole, or national practices in particular, has been undertaken in a systematic manner or in depth. Democratic Yemen, Oman, Saudi Arabia, the United Arab Emirates and Yemen do not have as yet national patent laws although some of them grant protection through systems of registration of patents granted abroad. Moreover, member countries, with the exception of Jordan, Lebanon and the Syrian Arab Republic, have not signed as yet the Paris Convention.2/

It is expected, however, that the countries of the Region will take a more active part in the current revision of the Paris Convention and that subsequently more countries will join the International Union. The countries of the Region are also playing an increasingly active role in the activities related to intellectual property protection and transfer of technology of such international and regional organizations as UNCTAD, WIPO, UNIDO and the Industrial Development Centre for the Arab States (IDCAS).

1/ Out of 3.5 million patents in existence about 6 per cent were granted by developing countries, of which only about 35,000 are held by nationals of developing countries.

2/ The International Union for the Protection of Industrial Property established in 1883.

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Thus, modern global trends in patent development, including the establishment of industrial property offices acting as sources for technological information and the changes in the administration of inventions and protection of inventors' rights, have been taken into account in the "Model Law on Inventions for the Arab States", which was prepared by IDCAS in co-operation with WIPO,1/ and published by the former in 1974. Few countries in the Region have established such offices and deal at present in an ad hoc way with the different aspects of intellectual property; in many instances through their ministries of industry, trade or their central banks. However, with their increasing participation in international activities in this field, these countries may be expected to formulate patent legislation and establish industrial property offices during the coming years.

The countries of the Region, through the Group of 77, have become more actively involved in current international efforts to establish an International Code of Conduct on the Transfer of Technology.

At the regional level, the Conference of Ministers of Arab States, responsible for the Application of Technology to Development, held in Rabat, Morocco, from 16 to 26 August 1976, reviewed the protection of intellectual property and its relationship to the transfer of technology in the Arab States, and expressed also the need for greater efforts by Arab countries in the various international activities, as well as regional co-operative efforts in this field. The following priorities were established for action at the national level:

- the promulgation or updating of national legislation concerning the protection of industrial property, taking into account local and regional needs, relations with the industrialized countries and drawing on the model laws prepared by IDCAS and WIPO;

1/ In addition, WIPO is at present engaged in the preparation of a new model law for developing countries on inventions and know-how placing particular emphasis on the functions of industrial property offices as centres for the collection and dissemination of technological information. This new model law is expected to be published in 1977.

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- the establishment or reorganization of national bodies responsible for the protection of industrial property; and,
- the training of specialized personnel in the field of industrial property protection through the introduction of relevant disciplines in higher education.

To accelerate the implementation of the above recommendations, it was decided by the Conference to take the following action at the regional level:

- to organize regular meetings from 1977 onwards of heads of national bodies responsible for the protection of industrial property for the purpose of co-ordinating national action; and,
- the setting up of a committee of Arab experts to study the possibility of establishing an Arab regional mechanism for the protection of industrial property.

At the regional level, the countries of the Region are also expected to take active part in the joint ECWA/UNCTAD co-operative programme aiming at the eventual establishment of a centre or network for the transfer and development of technology in Western Asia. Activities in this area will include, among others, surveys of national practices, policies, institutional support, training courses and advisory services.

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VI. DEVELOPMENT PLANNING

During the first half of this decade, the Region witnessed increased awareness that development must be a comprehensive and integrated process and should not be confined to the mere initiation of projects. One aspect of this awareness has been the increased reliance which member countries have been placing on comprehensive planning as a method of development. Another aspect relates to the efforts being exerted to strengthen or create institutions to promote development, such as the modernization of administrative and legislative structures and the modification of educational systems in line with development objectives and requirements.

Several countries of the Region are currently engaged in the implementation of development programmes extending over the second half of the current decade (Democratic Yemen, Iraq, Jordan, Saudi Arabia and the Syrian Arab Republic).

Total investment envisaged under Jordan's Five-year Development Plan for Economic and Social Development (1976-1980) amounts to JD765 million, divided equally between the private and public sectors. Planned allocations reveal a marked shift in investment priorities towards industry (mining and manufacturing) and agriculture, with shares of 29.9 and 15.6 per cent of the total, respectively. The overall objectives of the Plan are the achievement of (a) an annual rate of real growth in GDP of 12 per cent; (b) an increase in the share of commodity-producing sectors in total output from 35 per cent in 1975 to 44 per cent in 1980; (c) a more equitable distribution of development gains between various segments of the population and regions; and, (d) a reduction in the trade deficit from JD153 million in 1975 to JD131 million in 1980.

The Saudi plan (1975-1980) envisages a total outlay of SR498 billion and an average annual rate of increase in real GDP of 10.2 per cent.1/ The basic targets of the plan are (a) the improvement and expansion of the country's physical and social infrastructure and the diversification of the economy by exploiting the country's agricultural, mining and industrial potential; and, (b) the development of manpower resources by expanding educational training and raising health standards. The ultimate goal is to increase opportunities for gainful employment, raise the standard of living and welfare of all sectors of the population, and reduce dependence on imports.

The Five-Year Plan (1974/75 - 1978/79) of Democratic Yemen seeks to diversify the economic base of the country and to effect a gradual change-over from a service economy to one with a more balanced economic structure by promoting growth in the major commodity producing sectors (agriculture, fishing and manufacturing).2/ Exploration for possible oil and mineral resources, strengthening the country's basic infrastructure and improving education and social services for all population groups are also important objectives in the Plan.

Information on the Iraqi and Syrian five-year development plans, covering the period 1976-1980, is still fragmentary. Under the Iraqi Plan, the economy is projected to expand at an annual rate of 13 per cent in real terms. Emphasis in the industrial programme, with investment allocations estimated at JD1.40 billion, is put on the development of heavy industry. The agricultural programme, with an investment allocation of JD1.36 billion, emphasizes structural reform, collectivisation, mechanization and irrigation.

1/ The projected growth rates for certain crucial sectors are 4 per cent in agriculture, 14 per cent in manufacturing, and 15 per cent in both construction and in transport, communications and storage.

2/ Allocations for industry, agriculture and fishing represented 17.9 per cent and 36.8 per cent, respectively, of total planned investments of 75.4 million Yemeni dinars. However, annual revisions of the Plan have resulted in more than doubling of total planned investments for the first two years of the Plan period.

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The Syrian Plan envisages an 80 per cent real growth in GNP over the Plan period. The industrial sector, expected to grow by around 90 per cent, focuses in particular on the production of oil, phosphates and iron and steel products. The Plan envisages also the completion of infrastructural works related to the Euphrates Dam project and bringing under cultivation some 640,000 hectares of new farm land, as well as the construction of 6000 kilometres of railroad.

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SUMMARY AND CONCLUSIONS

Growth in aggregate output at constant prices for the Region as a whole during the first half of the nineteen seventies was significantly above the 6 per cent annual average target set out in the International Development Strategy for developing countries as a group. Democratic Yemen and Jordan, however, failed to attain this target and experienced declines in their respective incomes per head. Rapidly expanding exports and public outlays, notably in the oil-producing countries, largely explain the dynamism of the Region's economies. The relatively satisfactory performance in the key sector of agriculture and generally fast growth in the manufacturing sector were also important factors.

Similarly, population growth was appreciably faster than the 2.5 per cent per annum recommended in the Strategy. While for several countries rapid population growth might not constitute a cause for concern, and may even be desirable given their resource endowment and potential, in the two least developed countries and in Jordan, population pressures tend to dissipate the development effort and perpetuate low incomes per head.

In marked contrast with the preceding decade, when output expansion was generally associated with a relatively high degree of price stability, the nineteen seventies have witnessed an intensification of inflationary pressures, notably since 1973.

Another distinctive feature of the development process has been the narrowing in the gap between output measured in terms of national and domestic production of the oil-producing members, reflecting the diminishing importance of factor income payments abroad which recent developments in the oil industry made possible and, in certain cases, increased income inflows from investment made abroad.

On the whole, the Region's investment-savings effort has been impressive. Available statistics show that significant increases were recorded in the share of GNP going to domestic capital formation in Democratic Yemen, Jordan, Oman and the Syrian Arab Republic. The decline in the investment/GNP ratio

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in the major oil-producing countries reflects the sudden and sharp rise in their incomes for which time is needed before commensurate expansion in investment can be expected.

The savings rate differed widely, ranging from very high proportions of savings relative to GNP, in the oil economies, to moderate, and in certain cases, negative rates, in the non-oil economies. In varying degrees, Kuwait, Oman, Saudi Arabia and Abu Dhabi started the Second Development Decade with savings rates already very much higher than the Decade's target of 20 per cent. In marked contrast, Democratic Yemen, Jordan and Yemen, recorded negative savings rates. In general, savings exceeded investment by very wide margins in the oil economies, and fell short of them in the non-oil economies, implying substantial resource inflows.

Agricultural production in the Region increased during the period 1970 - 1975 at an average annual rate of 3.5 per cent - only 0.5 per cent below the target in the Strategy. This represented a marked improvement over the disappointing record of the nineteen sixties. Food production, which increased by 3.8 per cent per annum, continued to lag considerably behind demand, thus emphasizing the food shortage problem and the need to constitute food reserve stocks.

Despite its relatively fast growth in recent years, the role of the manufacturing sector as a generator of income, employment and exports in the Region has generally remained modest. The low level of industrialization is further attested to by the preponderance of light manufacturing processes of a generally import-substitution type, and the heavy dependence on imports to satisfy the bulk of the Region's needs for capital goods, raw materials and an important share of its consumption requirements. The pace of industrialization in the Region, however, is expected to accelerate in the coming few years, in view of the sizeable investments planned and projects under active consideration. Further impetus is expected from the investment of part of the recently accumulated financial resources in industrial projects of a regional character.

The immediate and apparent effects of recent developments on the oil industry, which have radically altered the nature of relations between the

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oil producing countries and the oil companies in favour of the former, were to accentuate the Region's dependence on the oil sector. Increased concern to integrate the oil sector more firmly with the rest of the economy is reflected in efforts to install additional refining capacity, establish oil-based industries, and make productive use of natural gas associated with the extraction of oil.

Since the beginning of the current decade, port facilities have been greatly expanded and improved, especially in the Gulf area, to meet the rapid expansion - actual and anticipated - in trade. While only a few countries (Iraq, Kuwait, Lebanon and Saudi Arabia) operate national shipping lines with fleet capacities of some significance, serious considerations and efforts are being given to expand and/or establish national and multinational fleets.

Compared with average annual growth rates of 9 and 6.4 per cent in the preceding decade, the dollar value of the Region's export and import trade rose, on the average, by 50 and 41 per cent over the first half of the current decade, respectively. The expansion in exports reflected mainly the effect of higher prices, with volume growth averaging 12 per cent per annum. By the end of 1975, the Region's international reserves stood at $32.5 billion, compared with $2.4 billion in 1970.

Success in raising the share of manufactures in total exports has been limited. Among the obstacles hindering the expansion of manufacturing exports, probably the more effective relates to the narrowness of the industrial production base and the inward-looking orientation (import-substitution type) that industrial development in the Region has generally - and until recently - taken. International action through the Generalized System of Preferences turned out to be of only marginal immediate benefit to the countries of the Region. However, these countries, together with other developing countries, have an opportunity in the current Multilateral Trade Negotiations to work towards improved access for their exports in the markets of major trading partners.

The aspect of regional cooperation which has received the most emphasis until recently concerned the expansion of intra-regional trade. Notwithstanding efforts by the Council of Arab Economic Unity and the creation of

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an Arab Common Market, the performance of intra-regional trade did no measure up to expectations and was rather disappointing, with exports constituting only 3.7 per cent of total regional exports in 1975, compared to an average of 7 per cent in 1968 - 1970.

Several explanations have been advanced for the disappointing performance of intra-regional trade, including weaknesses in the transport systems, differences in economic systems and levels of development, foreign exchange shortages, tariff and non-tariff barriers, and more favourable trade relations with countries outside the Region. It is increasingly being realized, however, that the development of the production structure and base, along complimentary lines, is the essential pre-requisite for expanding intra-regional trade. The prospects of transforming existing regional complementarities into productive undertakings have been greatly enhanced by the recent improvement in the Region's overall financial situation. The growing number of joint ventures is an evidence to this.

The period reviewed witnessed substantial progress in the Region towards the achievement of the goals of the strategy in the social field. Notwithstanding these positive developments, social development has continued to lag behind economic development. More emphasis need to be placed on achieving productive and full employment; more equitable income distribution; more balanced spatial development, whether between regions or between rural-urban areas; the integration of population policy within overall development planning for the achievement of a satisfactory and dynamic balance between a growing population, its productive capacity and available resources and implications of fast population growth for education, employment, food supplies and housing facilities; and, a re-orientation of the educational system to meet manpower needs and developmental priorities and eliminate bottlenecks and/or excesses in certain categories of labour and skills. More of the attention of planners in the Region is required in connexion with problems of urbanization and damage to the environment associated with the process of growth, as well as problems related to human and rural settlements.

In none of the member countries the collection, classification and analysis of patent data required for assessing the operation of the international patent system as a whole, or national practices in particular,

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has been undertaken in a systematic manner or in depth. Moreover, member countries, with the exception of Jordan, Lebanon and the Syrian Arab Republic, have not as yet signed the Paris Convention. It is expected, however, that the countries of the Region will be more active in the current revision of the Convention and formulate patent legislation and establish industrial property offices during the coming few years. The countries of the Region, through the Group of 77, have also become more actively involved in current international efforts to establish an International code of conduct on the Transfer of Technology.

The Region has witnessed positive developments in view of the increased awareness that development must be a comprehensive and integrated process and not confined to the mere initiation of projects. One aspect of this awareness has been the increased reliance which member countries have been placing on comprehensive planning as a method of development. Another aspect relates to the efforts being exerted to strengthen or create institutions to promote development, such as the modernization of administrative and legislative structures, and the modification of educational systems in line with development objectives and requirements.

The Region, as a whole, enters the second half of the nineteen-seventies with a relatively satisfactory record of economic and social progress and improved growth prospects, resulting mainly from its newly acquired wealth. However, member countries continue to be faced with important structural problems and urgent economic issues, while new challenges keep emerging.

Among the more serious and longstanding problems facing the Region are the imbalances in economic structures and the persistence of large income disparities. Structural imbalances find expression not only in the overwhelming dependence on one sector (oil), and in the generally low level and inward-looking orientation of industrialization attained, but also in the preponderant role of the external sector in economic activity and the vulnerability this implies, the generally relatively low share of manufactures in total exports, and in the relative shortages of skilled manpower.

Income disparities between and within countries are amply illustrated by the fact that the Region includes in its ranks some of the richest countries

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in the world and some of the least developed ones, in the first instance, and by the large and growing disparities in income levels between different segments of the population within the same country.

Countries of the Region urgently need to achieve better balances between the economic and social components of growth, as progress in the latter has lagged behind in almost all of them.

Where regional cooperation and integration are concerned, there is also pressure to find workable arrangements that will translate aspirations into achievements. Attention should be paid to the emerging parallelism in the industrialization programmes of several member countries, in the area of capital-intensive and export-oriented industries which are being set up (as this could imply considerable duplication and waste), and is inconsistent with efforts to promote regional integration on a sound and enduring basis.

In addition to the major problem areas mentioned above, the newly acquired wealth brought about by developments in the oil industry carries its own problems and challenges. The oil-producing countries have become, in the short- and medium-term, more heavily dependent on a commodity (oil) that is of world-wide concern, with serious implications for their development.

There is also the closely related problem of the conversion of this wealth into productive assets, in view of the exhaustable nature of the commodity in question and the risks inherent in accumulating large financial reserves. Attention should also be drawn to the inflationary implications of large expenditures in the oil-producing countries themselves and in the rest of the Region, as well as potential bottlenecks in infrastructure and manpower.

While understandbly the Region's oil wealth will be used to diversify and develop the economies of the oil-producing countries in the first place, the rest of the Region stands to benefit greatly from them, both directly and indirectly. Developing countries in other regions can also expect, on the basis of recent trends and current undertakings, to be the recipients of substantial financial assistance from the Region.

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