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MID-TERM REVIEW AND APPRAISAL OF PROGRESS IN THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE IN THE ECWA REGION

SUMMARY

Note by the Executive Secretary

84-0260

SUMMARY

The International Development Strategy (IDS) for the Third United Nations Development Decade, adopted by the General Assembly in December 1980, considers the accelerated development of developing countries in the context of an equitable and efficient world economic order as its central objective. However, achievements in all developing countries since the adoption of the strategy were far less than was targetted.

The recent world-wide recession carried with it many factors which severely hindered world economic development in general, and that of the developing countries in particular. These factors included rapidly accumulated foreign debts by developing countries, extremely high levels of interest rates with their adverse effects on investment and employment, deterioration in the terms of trade of the developing countries, increased protectionism in developed countries, stagnation in world trade, severe balance of trade deficits, and a further widening of the gap between developing and developed countries.

The ECWA region, comprising some of the most open economies among the developing countries, was vulnerable to adverse external factors which prevented them from achieving many of the IDS targets. The table below briefly depicts the performance, in terms of selected quantitative aggregates, of the ECWA region during 1980-1983, as against the IDS targets.

Growth Performance

While the IDS calls for an average annual GDP growth rate of 7 percent for the developing countries during the Third United Nations Development Decade, the ECWA region averaged a negative growth rate of 6.4 percent (at constant 1980 prices) during the 1980-1983 period. Such a poor performance is in great contrast to the remarkable growth rates achieved during the Second United Nations Development Decade, particularly by the Gulf Cooperation Council (GCC) 1/ members. However, the GDP growth rate varied considerably among various subgroups 2/ and

1/ Established on 25 May 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

2/ GCC members; Diversified Economies (Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic); and, the Least Developed countries (Democratic Yemen and Yemen).

Selected Quantitative Aggregates: IDS Targets and the Performance of ECWA region, 1980-1983
(at constant 1980 prices)

IDS Target (minimum)	Average annual Growth rate (in percent)	Performance in the ECWA Region	Average annual growth rate (in percent)
GDP	7	GDP	-6.4 a/
Agriculture	4	Agriculture	5.0 b/
Manufacture	9	Manufacture	6.7 c/
Exports of goods and services	7.5	Exports of goods + Services	-16.9 d/
Imports of goods and services	8	Imports of goods + services	10.5
Gross Investment reaching 28 percent of GDP by 1990		Average Annual share of gross Investment in GDP at 25.7 percent e/	
Gross Domestic Savings reaching 24 percent of GDP by 1990.		Average Annual share of Gross Savings at 50.8 percent f/	

Source: ECWA, based on national and international sources.

a/ Including Egypt, it drops to a negative rate of 5.4 percent.

b/ Including Egypt the rate stands at 2.8 percent.

c/ Including Egypt the rate stands at 6.1 percent.

d/ 1980-1982 period and excluding Iraq for lack of comparable data.

e/ End of 1980-1982 period. Including Egypt, the rate stands at 25.9 percent.

f/ End of 1980-1982 period. Including Egypt, the rate stands at 47.3 percent.

from one country to another in the region. The average annual GDP growth rate for the GCC members at constant 1980 prices was negative (4.6 percent), with Kuwait experiencing the worst performance record of minus 13.1 percent and Oman the best, with 8.9 percent average growth during the period under review.

Given that oil and gas comprise the dominant portion of GCC members' GDP and that oil production and prices declined in response to unfavourable international market conditions, a more realistic indication of developments in these countries could be obtained by measuring GDP with the exclusion of mining. 1/ During the 1980-1983 period, the average annual growth rate of GDP (excluding mining) for the group was 8.7 percent, with Bahrain averaging 16.5 percent and Kuwait 2.9 percent, as the best and worst performance respectively.

The average annual growth rate of GDP in the diversified economies of the region (excluding Egypt) amounted to as low as minus 12.3 percent (at constant 1980 prices) during 1980-1983. This extremely poor performance of the group as a whole could, in large measure, be attributed to unfavourable developments in both Iraq and Lebanon, the former being engaged in a war with Iran since September 1980 and the latter in civil strife since 1975.

The Least Developed Countries' annual average GDP growth rate was 4.8 percent, with Democratic Yemen achieving 11.5 percent and Yemen 3 percent. Both countries would have achieved significantly higher growth were it not for the natural disasters that struck them in 1982. Democratic Yemen's growth performance not only exceeded the IDS 7 percent target but also its own Five-Year Plan's goal of 10.3 percent annually.

The poor performance during the first three years of the decade casts doubts at the ability of the region to attain the IDS growth target for the Decade as a whole.

Income disparities between and within the countries of the region remain very high, in contrast with the call of the IDS for a more equitable income distribution. The ECWA region includes countries which enjoy a level of per capita income among the highest in the world, while other members belong to the group of least-developed countries. In addition, sharply skewed income distribution at the country level still prevail.

1/ The bulk of which is oil and gas in the GCC member countries.

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The IDS targets pertaining to industry are expressed mainly in terms of manufacturing. In line with the Lima Declaration, the IDS calls for an expansion of manufacturing output at an average annual rate of 9 percent so as to lay the basis for developing countries to produce 25 percent of world output of manufactures by the Year 2000.

Real growth in the manufacturing sector of the region averaged 6.7 percent 1/ during 1980-1983. The GCC members, as a group, averaged 11.1 percent, with the United Arab Emirates recording an impressive 32.6 percent, followed by Qatar (16.9 percent) and Oman (14.3 percent). In contrast, manufacturing output stagnated in Bahrain and declined, by 2.4 percent, in Kuwait. Due to heavy investment in the manufacturing sector since 1973, over 70 percent of manufacturing output in Western Asia (excluding Egypt) has come to be concentrated in the GCC member countries. Even when Egypt is included with its relatively large manufacturing base, the GCC member countries' share in the region's manufacturing total output remains over 60 percent.

The manufacturing sector in the region's diversified economies (excluding Egypt) showed an average rate of decline of 2.3 percent during 1980-1983 again due to unfavourable developments affecting the sector in each of Iraq and Lebanon. The best record achieved among the subgroup was the 4.4 percent rate of the Syrian Arab Republic.

In the least developed member countries, average annual growth in the manufacturing sector was just slightly higher than the IDS target at 9.1 percent, due to Yemen's 12.3 percent growth rate. However, given the small size of the manufacturing sector in the two Yemens, their relatively good performance had only a slight impact on the region's overall picture.

Agriculture has grown significantly in Western Asia during the 1980-1983 period. The annual average growth rate (at constant 1980 prices) achieved was 5.0 percent, higher than the IDS 4.0 percent target rate. When Egypt is included, however, the average rate falls to 2.8 percent, due to stagnation of agricultural output in Egypt during the period under review and the significant weight of Egypt in the region's agrigulture.

1/ Including Egypt, the rate stands at 6.1 percent.

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The GCC member countries' average annual agricultural growth rate was 5.6 percent during 1980-1983. All members of this group, except Kuwait with its 2.3 percent growth rate, exceeded the IDS target of 4 percent rate. Qatar, the United Arab Emirates and Bahrain were the most successful members with average growth rates of 13 percent, 11.6 percent and 8.6 percent, respectively.

The countries with diversified economies, excluding Egypt, realized an average annual agricultural growth rate of 6.1 percent in the 1980-1983 period. The major factor responsible for this was the remarkable increase in agricultural output of Iraq where implementation of important irrigation and reclamation projects during the past few years, coupled with a recent pricing policy giving incentives to agricultural production, enabled the country to achieve an impressive expansion, estimated at 13.6 percent annually.

Agricultural output declined by an average of 4.5 percent in the least developed countries of the region, during 1980-1983. The major factors for this poor performance were the substantial outflow of Yemeni labour seeking employment in the Gulf, as well as the natural disasters that struck Democratic Yemen and Yemen in 1982.

Declining Oil Revenues of the ECWA Region

The ECWA region's production and export of oil have been particularly hurt by developments in the world economy during the early years of this decade. The 1979-1983 world recession, energy conservation measures in the industrialized countries in particular, and the substantial increase in other sources of energy, reduced the world's demand for oil. The oil consumption of the developed countries fell from 40.8 million barrels per day (b/d) in 1979 to only 33.8 million b/d in 1982. Simultaneously, the oil production by non-OPEC members such as Mexico, Britain and Norway increased considerably. Faced by the 'oil glut', the ECWA countries cut their total oil production from approximately 19 million b/d per day in 1979 to about 9.7 million b/d in 1983.

The share of the ECWA region in the world output of oil declined from 30 percent in 1979 to only 17.9 percent in 1983. The combined oil exports of Saudi Arabia, Iraq, Kuwait, and the United Arab Emirates fell from 16.8 million b/d in 1979 to 7.2 million b/d in 1983.

Confronted by a rapidly deteriorating international oil market, OPEC oil ministers agreed in March 1983 to cut the bench price of a

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barrel of oil from $ 34 to $ 29. Also, while the overall ceiling of 17.5 million b/d for OPEC was left unchanged, the Saudi Arabian quota was reduced to accommodate increases in the quotas of Iran, Libya and Venezuela. Thus, the oil exports of Saudi Arabia which had fallen from 9.8 million b/d in 1981 to 6.3 million b/d in 1982 fell further to only 4.4 million b/d in 1983.

The downward pressure on oil prices resulted in a noticeable decline in oil exploration activity and search for new energy sources worldwide. Even some of the existing oil production facilities may become unprofitable if prices are pushed down further.

The ECWA region, facing lower prices and sharply reduced exports, experienced the disturbing effects of declining revenues and the consequent curtailment in expenditures. The oil revenues of the ECWA region, which reached a peak of $ 176 billion in 1980 fell to $ 168.6, $ 119.4 and $ 86 billion, respectively in the following three years. Thus, the ECWA region's oil revenues in 1983 were only 49 per-cent of what was received in 1980. With small, though growing, non-oil sectors in most of the oil economies of ECWA, oil revenues have provided the major source of funds for development. The oil revenues accrue directly to the governments of the oil countries, making the rate of government expenditures the major determinant of economic activity. Thus, the deterioration in the balance of payments and the sharp decline in oil revenues, notably in 1982 and 1983, have forced ECWA countries to alter the level and composition of government expenditures.

The effects of the decline in oil revenues and the associated slowdown in developmental efforts is not confined to the oil-exporting countries of the region, but would also encompass the non-oil and least developed countries. Most of the latter economies depend, in large measure, on economic assistance from the oil member countries for financing their development endeavours. The non-oil economies also have strong linkages with the oil economies and a decline in the level of activity in the latter transmits itself to the former through a decline in their exports and remittances of their workers.

Concessional assistance by the ECWA countries members of OPEC during 1980-1982 totalled $ 23.7 billion, of which Saudi Arabia contributed over $ 16 billion and Kuwait about $ 3.6 billion. However, due to the world recession and the adverse impact of oil glut on the ECWA region's oil revenues, the flow of concessional assistance from the oil exporting countries of ECWA has declined significantly during the early

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1980s. Thus, total concessional assistance provided by these countries, which had exceeded $ 9 billion in 1980, fell to $ 8 billion dollars in 1981 and to $ 6.5 billion in 1982. Furthermore, while the ECWA aid donors have for several years by far exceeded the declared IDS concessional aid ultimate target of 1 percent of GNP, their bright record became less impressive. Saudi Arabia, for example, which had donated 8.39 percent of its GNP in concessional assistance in 1978 and slightly over 5 percent in 1980, donated only 2.82 percent of its GNP in 1982 1/. Nevertheless, and despite all the adverse effects of the recession, the performance of these countries remains well above the IDS target and by far more than the actual ODA performance of the developed countries.

If oil revenues do not pick up and development expenditures continue to be constrained, an important source of foreign exchange earnings of many countries, particularly Egypt, Jordan, Lebanon, Democratic Yemen and Yemen will be seriously affected. In addition, the difficulties of return migration and settlement will aggravate domestic employment problems in numerous countries.

The ECWA region's oil revenues during the rest of Third United Nations Development Decade will depend on the world economic recovery in general and in the developed countries in particular; the extent of the development and use of other sources of energy; on the oil output of non-ECWA oil-producing countries; and on individual ECWA country production policies and capacities.

Agriculture

The role of agriculture in the economy varies from one group of ECWA countries to another. In the oil-exporting countries, which have a limited agricultural base, agricultural development aims at promoting economic diversification, the development of national resources, and augmenting the production of food. In the non-oil economies, agricultural development is the prime source for export earnings, food, and employment, and is geared to the development of Agro-based food-processing and textile industries.

The total area under cultivation in the region is about 20 million hectares of which about 14 million hectares are rain-fed.

1/ OECD, Development Cooperation, 1983 Review.

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The potential productivity of rain-fed agriculture has been seriously underestimated. In Bahrain, Egypt, Kuwait, Oman, Qatar and the United Arab Emirates, virtually all crops are produced under irrigation. In all countries of the region, irrigation provides significant opportunity for increasing the area under cultivation.

Incentives to agricultural producers in the region are generally inadequate. Constraints on production arising from weak systems of price incentives have been compounded by inadequate infrastructures. Marketing, farm credit, and research and extension have been major weak points.

Crop production in the region increased marginally by 0.1 percent during 1981-1983. Cereal production declined by 3 percent annually. However, the setback in the output of cereals was almost offset by greater production of fruits and vegetables as well as sugar crops. Output of non-food crops declined by 2 percent annually, mainly due to 3.1 percent decline in seed cotton production.

The region's output of coarse grains also declined by 6.3 percent during the review period. Output of barley fell by 8.9 percent, maize by 4.1 percent, millet and sorghum by 4 and 8 percent respectively. Except for wheat and maize where some productivity gains were made, all other cereals suffered from lower yields.

Countries in the reigon are generally not very cost-efficient producers of food. Countries with large financial resources but poorly endowed with non-oil natural resources are developing agricultural projects for producing more food when there are other countries with the potential to produce food much more economically. In this situation, a degree of regional self-sufficiency is a better and more feasible economic goal than the pursuit of a higher degree of self-sufficiency at the national level.

Several countries in the region, notably Egypt, continued to depend on concessional food. Between 1979 and 1981, the self sufficiency ratio in the ECWA region fell from 51 percent to 46 percent for cereals, from 32 percent to 24 percent for sugar, from 8 percent to 7 percent for vegetable oil, from 44 percent to 36 percent for poultry meat and from 82 percent to 74 percent for eggs. The gap

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was filled by imports. The regions imports of cereals rose from 13.6 million tons in 1979 to 17.6 million tons in 1981, greatly adding to the balance of payments difficulties of the poorer member countries.

Major food producing developed countries have often restricted food production and in some cases discarded excess food supplies- in an attempt to maintain certain price levels. It is desirable for the IDS to suggest measures aimed at encouraging such countries to donate such excess food to least developed countries that have starving people and could not at any rate affect significantly the price of such products.

ECWA countries, in cooperation with international agencies, are currently tackling the food security issue by focusing on three pivotal elements: food production, supply stability and access by the needy. Buffer stock reserves for wheat in many ECWA countries now account for more than 25 percent of annual consumption which is a positive achievement.

The livestock subsector performed very well in the early 1980s, registering an annual average growth rate of 5 percent. Much of this growth can be attributed to governmental financial support for new poultry and dairy enterprises. Despite this impressive performance, livestock production still falls short of meeting local demand.

Livestock husbandry was not mentioned in the IDS, except when dealing with the least developed countries (para 144), whereas it is of great importance to all developing countries. It is recommended to include an additional paragraph to section (C) of the IDS that specifies measures for livestock husbandry.

Many countries in the region, due to migration of labour to urban and oil-exporting countries, are facing labour shortages in peak seasons resulting in sharp increases in production costs. The acute shortage and high cost of agricultural labour is further aggravated by the utilization of more labour intensive methods of production. This trend is tending to alter the relative factor prices in agriculture; the opportunity cost of labour can no longer be regarded as low in these economies. This situation is leading to a faster pace of mechanization. However, the effect of mechanization on breaking the bottlenecks in production needs to be carefully weighted against its employment effects.

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Rural Development

Resource flows for rural development during 1978-1982, ranged from less than $ 20, in constant prices per capita of agricultural population in Egypt, which has the largest population, to more than $ 51 in Jordan and the Syrian Arab Republic. The average for the Near East countries as a whole is $77.9 while for the rest of developing countries is $ 43.3.

Although some ECWA countries have set time-bound targets in the social service sectors, such as enrolment in primary schools, population to be served with medical facilities, provisions of potable water supply and villages to be electrified, little has been done to set time-based quantitative targets in rual areas, particularly in terms of illiteracy, infant mortality, nutrition and minimum income.

In general, there has been little progress since 1980 in policies for improving access of the rural poor to land in the ECWA region. Inspite of the large-scale movement of population from agriculture to urban sectors and to other countries, particularly the oil exporters in the region, agricultural land is becoming scarce and land/man ratios are deteriorating in most of the ECWA countries. Arable land (including permanent crops) per capita of agricultural population in the ECWA region has declined from 0.53 hectare in 1970 to 0.46 hectare in 1980 or by 12 percent. Declines in arable land per capita of agricultural population have occurred in all countries of the ECWA region except Democratic Yemen, Lebanon, and Saudi Arabia.

Despite the reforms undertaken, landlessness and tenancy still constitute a serious preoccupation of policy-makers. One of the reasons is that agrarian reforms offered only a partial solution by concentrating on the tenants to the general exclusion of landless workers. It is in the context of increasing land scarcity and landlessness that effective implemenation of agrarian reform measures, coupled with measures to increase land productivity of small holders, and commitment of resources for meeting the employment needs of the landless and marginal farmers assume added importance in the 1980s.

The important concept of integrated rural development has not been dealt with in the IDS. The inclusion of this concept in section (c) and (o) on social development along with policy measures would contribute to efforts in this area.

Manufacturing

The development of the manufacturing sector has widely varied among the countries of the ECWA region. When ECWA countries are grouped into oil and non-oil countries, greater imbalances in the structure of the manufacturing sector emerge, particularly in the former. In the

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oil countries of the Gulf, the share of chemicals, petroleum, rubber and plastic products alone comprise approximately two thirds of value added in manufacturing . Such a structure of manufacturing is in contrast with the IDS objective which envisages a balanced industrial development in developing countries.

Changes in favour of intermediate and heavy industry are taking place. Faster growth and a larger share in gross output are two main objectives of current development plans. On a regional level, duplication of projects and competition for skilled labour seem to adversely affect the competitiveness of industrial projects. The manufacturing sector will continue, for some time, to suffer from shortages of skilled labour, distorted wage-price relations and maldistribution of industries within individual countries.

In view of the growing importance of the construction industry in the development process of the developing countries, the IDS could call for measures aimed at strengthening the indogenous construction capacity through deeper involvement of developing countries contractors. Collective self-reliance in the construction industry at regional and inter-regional levels could also be envisaged by the IDS.

Mining and Quarrying

During 1980-1983, most ECWA member countries have been involved efforts aimed at making efficient exploitation of their available mineral resources (excluding oil and gas) and large scale exploration for new mineral deposits. This position has, in practice, been basically translated into more allocations for the mining sector in the national development plans and closer co-operation with other countries. Although the contribution of the mining and quarrying sector (excluding oil and gas) to GDP in most member states is still very limited, significant progress has been achieved in various fields of mineral resources development in several countries of the ECWA region.

Considerable increases in phosphate production in the region during the past several years have placed some member countries among the main phosphate producers in the world. Progress has also been achieved in potash and sulphur production. Some new mining activities have been recently undertaken including gold mining and copper production. On the other hand, the increasing demand for construction materials has resulted in large scale exploitation of sand, gravel, building stones and raw materials for the cement and brick-making industries.

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Trade and Payments

The IDS calls for "an annual rate of expansion in exports and imports of goods and services of not less than 7.5 percent and 8 percent, respectively". Indications are that, for the region as a whole, the targets for imports were exceeded by significant margins in the period reviewed. 1/ Regarding exports, however, the picture looks exceedingly dismal, with the growth rate for the region not only falling short of the IDS target but declining moderately in 1981 and then dramatically in 1982 and the first half of 1983. In 1980, the region's exports grew to a peak level and expanded by over 50 percent, to reach $ 193 billion a result of both the sharp rise in crude oil prices in 1979 and 1980 and increased volume of oil exported. Exports then fell by less than 3 percent in 1981 afterwhich they collapsed by over 28 percent to $ 135 billion in 1982, largely due to the sharply reduced world demand for crude oil.

However, excluding fuels, exports followed a different path as of 1981 when a growth of 15.4 percent was registered, compared to about 23 percent in 1980. Excluding Iraq, for which comparable data were not available for the period 1980-1982, non-fuel exports from the region showed a rise of 25.3 percent and 17.4 percent in 1980 and 1981, respectively, before losing momentum in 1982 and growing by only 6.7 percent.

The region's aggregate imports, on the other hand, having risen by 25 percent to over $ 73 billion in 1980, decelerated to 12.3 percent in 1981. Excluding Iraq, for which comparable data were not available for the period 1980-1982, the region's imports grew by 24.7 percent in 1980 and by 13 percent in 1981 before slowing down to about 8 percent to reach over $ 80 billion in 1982.

Preliminary statistics, comparing the first half of 1983 to the corresponding period in 1982, depict a continued decline in the region's 1/ exports by 18 percent; while, total imports grew by over 9 percent.

1/ Import volume for West Asia increased by 19.3 percent in 1981 and 14.5 percent in 1982. It is projected to rise by 6.8 percent in 1983 and to decline by 0.5 percent in 1984.(See UNCTAD, Trade and Development Report, 1983 (Part I) : where West Asia is defined to include in addition to the ECWA countries, Iran, Cyprus and Turkey).

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The above developments have been reflected in the share of the ECWA region in World trade. Thus, while in 1973 the ECWA region accounted for 3.7 percent of world exports, its share in 1980 grew to 9.7 percent afterwhich it fell to 7.3 percent in 1982. During the first half of 1983, the region accounted for 6.8 percent of world exports. Its imports, on the other hand, grew steadily from 1.5 percent of the World total in 1973 to 5.2 percent in 1982 and 6.4 percent during the first half of 1983.

After multiplying by more than six-fold between 1973 and 1979 expanding by about 72 percent to reach a peak level close to $ 120 billion in 1980, the region's trade surplus dminished by about 12 percent in 1981. Excluding Iraq, for which comparable data were not available for the period 1980-1982, the region's trade surplus continued expanding in 1981, though by less than 2 percent to reach over $ 102 billion, before collapsing by more than half to an estimated $ 44 billion in 1982.

The oil-economies in the region, notably the countries of the Gulf Co-operation Council, have been largely responsible for the region's trade surplus. The trade surplus of Saudi Arabia alone, which represents over 80 percent of the region's aggregate surplus, was more than halved in 1982. Preliminary figures for the first half of 1983 reveal a deficit for the first time in years, The overall trade deficit in the non-oil economies, which in 1979 had widened by seven-fold relative to its 1973 size, deteriorated considerably in 1980 and 1981, reaching $ 10.4 billion in the latter year. However, in 1982, this deficit narrowed down to $ 9.4 billion reflecting a somewhat curtailed level of imports. The trade deficit has been covered by transfers (private and pulbic transfers and workers' remittances) and capital inflows, resulting generally in an overall balance of payments surplus.

Some significant shifts in the distribution of the region's exports among the developed market-economies themselves have occured in recent years. Japan's share in the region's exports increased at the expense of progressively declining shares of the EEC and the United States. On the imports side, no significant shifts were observed in the overall distribution of imports by origin. During the last ten years, the EEC continued to be the main supplier of merchandise to the region, followed by Japan and the United States.

In relative terms, the share of the socialist countries of Eastern Europe in total trade of the ECWA region, remained unimpressive.

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The region's efforts to expand trade with other developing countries were successful through 1981. However, in 1982, affected by the economic recession and the universal slump, the region's trade with developing countries experienced a setback.

Notwithstanding more than three decades of efforts to promote intraregional trade, its share in the total has remained meager and way below expectations.

The combined international reserves of the ECWA member countries reached $ 47.9 billion in 1981, rising by $ 10.7 billion, or 28.6 percent, from their level a year earlier. The overall reserve position of the region-which deteriorated slightly in 1982 - has largely been a function of changes in the reserves holdings of the oil economies, notably Saudi Arabia, though significant inter-country differences can be observed.

Import restriction practices and barriers to trade are dealt with, inter alia, in paragraphs 53 and 71 of the IDS. Whenever, these and similar issues are dealt with, the appeal goes in the direction of the developed countries. It is appropriate to recommend that developing countries make additional efforts to study the specifications required by consumers in the developed countries and to adjust their products accordingly. Marketing studies and personnel training are needed.

Fiscal and Monetary Developments

The sharp decline in oil revenues during the early 1980s left its impact on the economies of Western Asia. In necessitated urgent adjustment measures in the fiscal policies of the oil economies and budgetary restraint became the dominant theme. Growth of expenditures decelerated until 1983 when they actually fell. Budgetary deficit however, emerged in most of these countries. Development expenditures took the major brunt of the slash in outlays while current expenditures composed mainly of defense and public services outlays proved to be more difficult to curtail. The sharp decline in oil revenues have highlighted the need for a reappraisal of fiscal policies in these countries, aimed at achieving better resource mobilization and allocation. Although most of the non-oil exporting countries pursued more or less, restrictive fiscal policies, they had rising budgetory deficits and growing public debt.

The ratio of tax revenues to GDP remained very low in the region. There is a striking contrast in domestic saving/GDP ratios between oil

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and non-oil exporting countries in Western Asia. While the ratio is very high in the former group of countries, it was persistently negative in the latter group, with the exception of the Syrian Arab Republic. More emphasis should be put on better mobilization of domestic resources and increasing the level of saving, commensurate with the objectives of the IDS.

Both oil and non-oil countries of Western Asia continue to maintain budgetary systems that do not adequately meet the requirements of efficient and effective economic management by the government. The use of modern budgetary techniques, along with their corresponding accounting and auditing systems, has not yet made a head way in most cases.

Monetary developments in the oil economies have generally followed a pattern similar to developments in the fiscal sector, reflecting the predominance of government expenditures in determining the level of domestic liquidity. Thus, the rate of growth in money supply accelerated in all the oil-exporting countries in 1980 and 1981, but diminished in 1982. Inspite of the relatively sharp increases in money supply in 1980 and 1981, the oil-countries made considerable progress in curbing the rate of inflation.

In the non-oil economies, domestic liquidity was partly affected by budgetary outlays and partly by other factors such as public debt. Money supply grew rapidly in 1980, whereas, in 1981, its growth decreased only to pick up again in 1982. Most of these countries are still suffering from high rates of inflation especially Lebanon and the Syrian Arab Republic.

Science and Technology

There are ample evidence that the countries of the ECWA region maintained, and in some cases increased, their emphasis on strengthening their scientific and technological capabilities. The development of scientific and technological infrastructure continued unabated during the early 1980s. This trend is well in line with the IDS objectives for the Third United Nations Development Decade, which emphasized the need for greater access and mastery of modern scientific and technological knowledge in the economic and social progress of developing countries.

It is proposed that the developed countries should be called upon to develop a kind of technology intended for export to developing countries, which is tailored to their needs and conditions, i.e. economizing in the use of scarce resources and intensifying the use of the ones available.

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The countries could, through a dvision of labour in research, agree among themselves on individual and collective targets in specialization and technology development, aiming at excelling in a particular field during a relatively short period of time.

Energy

Recognizing that oil and gas are depletable sources of energy and in agreement with the IDS call for the development and expansion of all energy resources, member countries of ECWA have undertaken efforts to develop and utilize other sources of energy particularly nuclear and solar energy. Nevertheless, in the early 1980s, oil continues to be by far the largest source of energy in the ECWA region.

Furthermore, despite setbacks during 1981-1983, the ECWA region's role in the world oil market is bound to remain dominant in the long run, due to the magnitude of its hydrocarbon resources. Of the non-socialist world's proven oil reserves of 585 billion barrels, the ECWA countries account for approximately 56 percent. Out of OPEC's proven oil reserves of 462.9 billion barrels, ECWA members' share is 327.1 billion barrels, or over 70 percent. Among the four countries with the largest proven oil reserves in OPEC, three are from the ECWA region namely Saudi Arabia, Kuwait and Iraq. Unlike some other oil-producing countries such as the United Kingdom the absolute demand for oil consumption domestically in these countries will continue to be relatively small. This phenomenon coupled with the proven oil reserves is expected to strengthen the position of the ECWA region in the world oil market in the years to come.

Transport, Communications and Tourism

The most remarkable development in the field of transport has been the expansion and improvement of port infrastructure, particularly in the Gulf area. Due consideration has also been given to the expansion and improvement of road and railway networks. Connections with neighbouring countries have been improved and progress on the impressive causeway connecting Bahrain to Saudi Arabia has been steady.

Another development in late 1970s and early 1980s was the expansion of national shipping fleets, especially in Kuwait, Iraq and Saudi Arabia.

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Despite some significant developments in the field of telecommunications, particularly in Bahrain and Kuwait, telephone communications within the region and with the outside world, remain unsatisfactory. Current development plans - of which the most ambitious is that of Saudi Arabia - aim at the expansion and modernization of the telecommunication systems.

During the 1980-1983 period, the share of ECWA countries in world tourism did not increase, with only about 2 percent of the international tourism movement and about 3 percent of receipts.

Water Resources

Many ECWA countries, aware of the importance of assessing their water resources have been making efforts to expand their networks and are showing interest in the use of advanced technology for assessment purposes.

The International Drinking Water Supply and Sanitation Decade (IDWSSD) coincides with the Third United Nations Development Decade. With the passage of a quarter of the Water Decade, most ECWA member States have made considerable progress in improving both their water supply and sanitary systems.

In view of general aridity, ground water takes a special significance in the region; but it is often saline or brackish which require costly desalination processes. Nevertheless, desalination projects are increasingly being developed, specially in some of the Gulf countries, namely Saudi Arabia and Bahrain.

Attention has also been given recently to increase the effective use of water by industry by recycling with due safeguards for the prevention of pollution as well as waste-water treatment and quality control. In various countries treated municipal sewage effluent is being used for irrigation of public parks and gardens.

Population and Social Development

The population of the ECWA region was recorded at about 99 millions in mid-1983. The region is characterized by a very young age structure, rapid population growth, large migration, and relatively low population

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density. However, since much of the land is desert and hardly habitable, population density tends to be very high in the inhabited areas.

Fertility is relatively high in all the countries of the ECWA region, with the overall fertility rate being around 7 percent in the majority of the countries. However, it has declined to 5.2 percent in Bahrain and Egypt and to 4.6 percent in Lebanon. With the exception of Egypt, all countries do not consider their high fertility as a constraint which may hamper their socio-economic development.

The level of mortality in the ECWA region varies considerably from one country to another. Life expectancy ranges between a low level of 44 years in Yemen, to a relatively high level of 71 years in Kuwait. According to estimates of life expectancy in 1983, the ECWA countries can be classified into two wide groups: the very low mortality group which comprises Bahrain, Jordan, Kuwait, Lebanon, Qatar, the Syrian Arab Republic, and the United Arab Emirates, where life expectancy is higher than 60 years, as envisaged in the IDS, and the relatively high mortality group including the remaining countries of the region. Life expectancy in the two Yemens, the least developed countries of the ECWA region, is estimated to be about 44 years for both sexes which is clearly one of the lowest levels in the world. Furthermore, despite significant progress, the IDS infant mortality target rate of less than 120 per thousand live births has not yet been achieved by Democratic Yemen, Oman and Yemen.

Both internal and inter-country migration in the ECWA region continues to be a major factor in determining the national and regional population distribution pattern. During the past decade and the early part of the 1980s, the ECWA region has witnessed a phenomenal mass migration from non-oil to oil exporting countries. Furthermore, displaced Palestinians and Lebanese as a result of wars and civil disorder accentuated mass migration.

Internal migration has substantially affected the growth rates of cities in the ECWA region. Thus, while the IDS calls for a better interregional balance between rural and urban development, this unbalanced pattern of migration has generally placed heavy burden on both the sending and the receiving areas. Thus while the rural areas are suffering from

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the lack of labour, the urban areas are confronting the problems of accommodating large number of migrants.

The first half of the **Third United Nations** Development Decade has witnessed a continuation of the expansion in various level of primary, intermediate, secondary and higher education. The average rate of growth has varied from one level to another among different countries of the region. However, in all cases there was relative decline in the average growth rate in comparison to the rapid expansion in education during the 1970s, particualrly in most of the Gulf Countries.

In pursuing the IDS objective of improving housing conditions for the most disadvantaged communities, the well endowed oil countries of the Gulf, as well as some of the region's less endowed countries, have carried out some projects designed specifically to meet the needs of the low-income groups of their population. However, despite the expansion of the construction sector and substantial investment in dwellings, housing output has not yet caught up with the needs of population growth and urbanization.

Efforts have continued in all countries of the region, during the period under review, to provide basic preventive and curative services for their populations. Priority is given to curative services, building of hospitals and health centres followed by preventive services especially with respect to its technical cadres, organizational and educational requirements. However, efforts aimed at diversifying health services are mainly concentrated in urban areas.

Attention is increasingly being devoted to the integration of women in development as both participants and beneficiaries. The past several years have witnessed support for national committees and organizations of women, as well as the establishment of vocational societies for women, at national and regional levels. In secondary and higher education, the rate of female to male students is improving continuously; it is almost equal in a few universities in some Gulf countries. However, women enrolment in technical education is still limited, or non-existent in some countries, due to traditional values that regard technical education a suitable area for men only.

The size of migrant labour in countries of the Gulf Co-operation Council which was 1.086 million in 1975, reached a total of 2.935 million

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in 1980, reflecting an average annual growth rate of 20 percent during the period. The proportion of migrant labour to total labour force in the main Arab labour exporting countries reached 5 percent in 1979, varying from 2 percent in Tunisia to 40 percent in Jordan. According to the World Bank estimates, these proportions will reach 8 percent in 1985 and will vary from 38 percent in Jordan to 5 percent in Egypt. On the other hand, national labour force in the countries of the Gulf Co-operation Council formed on the average less than half (i.e. 42 percent) of total labour force in 1980, with the lowest level recorded in the United Arab Emirates (10 percent) and the highest level in Oman (61 percent).

In general, labour force in the countries of ECWA is characterized by a relatively low and crude participation rate, varying between a maximum of 26 percent in Egypt, Iraq and Lebanon and a minimum of 19 percent of nationals in almost all Gulf countries. This low participation rate is due to the region's young population structure combined with a very low female participation rate, which varies between a maximum of approximately 10 percent in Bahrain, Iraq, Lebanon and the Syrian Arab Republic, and a minimum of less than 4 percent in most Gulf countries.

The rate of growth of the expatriate labour force in the main ECWA oil producing countries has decreased considerably during the 1980-1983 period, and is expected to continue to decline through 1985.

Only a few ECWA member countries have adopted a policy regarding human resources development in general and labour force in particular. The interrelation between education and manpower planning is very weak due mainly to a surplus of the educated in the field of arts and behavioural sciences reflecting clear shortages in professional, technical and skilled individuals.

In paragraph 44 of the IDS, it is indicated that the labour force is expected to increase by 2.5 percent per annum. This is the same as the expected rate of growth for the population (pagragraph 21) However, the IDS calls also for greater women participation in the labour force and development (para. 8, 51, 77, 95, 122, 163, and 168). Thus, it would be appropriate to set the desired rate of growth of the labour force slightly higher than that of population, implying that the increase in female participation in the labour force would be greater than the decrease due to increasing school enrolement.

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Regional Co-operation and Integration

The current phase in Arab economic cooperation in the ECWA region is characterized by a number of features which have been making themselves increasingly felt since the mid-1970s and which will certainly have far-reaching implications in the long-term. Among the more significant of these features are the growing support for subregional cooperation; increased involvement of the private sector in the cooperative process; emergence of a concensus considering joint ventures among the more, if not the most, promising vehicle for promoting regional cooperation; large influx of capital from the surplus to the deficit member countries and a substantial flow of labour in the opposite direction; institution building and change; and, strong impact of political factors on cooperation efforts.

The most significant development with respect to sub-regional co-operation has been the establishment of the Gulf Cooperation Council (GCC), on 25 May 1981, by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Although the formation of the GCC appears to have been primarily in response to preoccupations peculiar to the Gulf sub-region, its impliciations for economic cooperations in Western Asia, and in the wider Arab context, cannot be over-emphasized. The GCC member state wield substantial economic and financial power as aid donors and markets for goods, services and labour. To that extent their economic policies can have considerable impact on other countries in the region.

The achievements of the Council have been quite impressive including the abolition of customs duties on intra-trade, freedom of movement of citizens and of professional practice, right to establish business ventures, establishment of a common external tariff, policy coordination in a number of sectors and the establishment of the Gulf Investment Corporation with an authorized capital of $ 2.1 billion.

The Least Developed Countries

The development prospects of the two least developed countries of the ECWA region, namely Democratic Yemen and Yemen, have remained bleak over the years as a result of extremely low level of agricultural productivity, small industrial sector, high rate of population growth, poor resources endowment, lack of physical and institutional infrastructure, high level of illiteracy, lack of skilled manpower, endemic diseases, isolated settlements and strong rural-urban and outward migration.

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In an effort to resolve these multi-dimensional problems, development programmes were formulated which called for bold measures at the national level and sought international assistance in various fields. Both countries made satisfactory progress in these directions. They took part in the elaboration of the substantial New Programme of Action (SNPA) and incorporated most of its provisions in their current development plans. However, both countries suffered severe set-backs in their development processes, caused by natural disasters in 1982, i.e., extensive floods in Democratic Yemen and devastating earthquakes in Yemen.

As part of the relief and reconstruction programme, domestic budgetary resources had to be redeployed for immediate disaster relief and continuing repair works. The adverse effects of these disasters will continue to draw on development efforts in both countries for years to come.

The most important issues the two countries have to address themselves to as soon as possible are: (1) finding a solution to the problem concerning labour migration and remittances; (2) improving the domestic financial potential and the foreign-exchange situation, (3) reducing the trade deficits; and, (4) reversing the declining trend in food production. Measures in this direction have had slow progress. In order to enhance development efforts, external assistance needs to be stepped up considerably.

In view of the needs of the least developed countries and the growing burden of debt servicing. it is necessary, for aid donors to closely adhere to the provisions of the SNPA and increase contributions while softening the terms of their assistance. At the same time, possibilities for technical co-operation, also with developing countries (TCDC), should be further investigated.

Transnational Corporations in Western Asia

Transnational corporations have been active in various fields and in varying degrees in the countries of Western Asia. Their involvement in the oil sector has shifted in nature as a result of the emergence of OPEC and OAPEC. However, transnational corporations are associated with the efforts of oil-producers in the region to develop petroleum-based downstream processing facilities, starting with basic petrochemicals. In the services sector, transnational corporations are involved, inter-alia in banking, shipping and hotel industry.

The difference in the nature of factors motivating the operations of transnational corporation in developing countries and those governing national development objectives in these countries, including those

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of the ECWA region, led to a growing interest in regulating the activities of transnational corporations. The international community, convinced that a country, taken in isolation, could not negociate on equal footing with transnational corporations had initiated, since 1975, work on a Code of conduct on Transnational Corporations. The draft Code, in its present version includes 71 provisions, out of which about two-thirds have already been fully agreed upong. The resumption of the negociations for the completion of the formulation of the Code in a special session of the Commission on Transnational Corporations, open to all member states,is scheduled to be held in New York from 1I to 29 June 1984.

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