



ECONOMIC AND SOCIAL COUNCIL

FIFTY-THIRD SESSION

OFFICIAL RECORDS

Monday, 10 July 1972
at 10.20 a.m.

PALAIS DES NATIONS, GENEVA

President: Mr. SZARKA (Hungary)

AGENDA ITEM 7

Regional co-operation

- (a) Reports of the regional economic commissions and the United Nations Economic and Social Office in Beirut (E/5117, E/5134, E/5135, E/5136, E/5137, E/L.1499)
- (b) Report on the meetings of the Executive Secretaries of the regional economic commissions (E/5168)

1. Mr. STANOVNIK (Executive Secretary, Economic Commission for Europe) said that the past year, which had been the twenty-fifth anniversary of the Commission, had been marked by a number of extremely important events, particularly in Europe: EEC had been enlarged, the socialist countries had launched an ambitious programme of economic integration and agreement had been reached on the idea of convening a European security conference.

2. In order to define the role which ECE should play in Europe, it was necessary to make a brief analysis of the development of the economic situation. First of all, the international economic order established after the Second World War had been on the whole beneficial for the European countries belonging to ECE. Whether in energy consumption, steel production or the output of private cars, expansion had been remarkable. Exports had also grown, Europe's share in world exports increasing from 46 per cent at the beginning of the 1950s to 53 per cent by the end of the 1960s. For the first time in history, trade had increased more rapidly than production over a twenty-five year period. That phenomenon was not attributable to technical progress only; it was also partly due to the economic and commercial order established in the post-war period and in particular to the liberal trade policies applied.

3. However, it had to be admitted that the monetary system had broken down for a number of reasons. It had understandably become impossible to maintain an inflexible international monetary system without co-ordinating international monetary policies. Moreover, under the old monetary system, the countries in deficit were alone responsible for taking the necessary measures of adjustment, but as most of the developing countries were now suffering from a structural deficit, the burden of those measures of adjustment had become very heavy for them.

4. Past experience had shown that there were fundamental links between trade and the monetary system. An analysis of the development of trade in the ECE countries indicated that the main impulse behind the notable increase

in trade came from the manufacturing sector. In the countries of Western Europe alone, the proportion of imports in total consumption of manufactures had increased from 15 per cent in 1955 to 27.5 per cent in 1969. During the same period, the proportion of manufactures imported from other Western European countries had risen from 10.5 per cent to 21.5 per cent. Imports from Eastern European countries, on the other hand, had seen little improvement in their share of consumption in Western Europe, while the proportion of imports from the developing countries had remained practically stationary. It was interesting to note that imports of Western European manufactured goods into Eastern Europe had increased from 1 to 2 per cent while imports of manufactures from the developing countries had increased sixfold.

5. It would be recalled that ECE had prepared a report on the trade requirements of the developing countries¹ for the first session of UNCTAD, in which it had stressed the cardinal importance of market access for those countries. That had been confirmed by subsequent experience. The lessons of the last few years had also shown that even more than the rate of growth of trade, it was the structure of such growth which mattered.

6. He was glad to see that the Governments of the countries in the region were becoming increasingly aware of the need for integrated economic and social development. In that respect he had noted with satisfaction that, at a recent meeting of the Preparatory Group for the eleventh session of the senior economic advisers to ECE Governments, it had been decided to make that topic the main theme of ECE's work in 1973.

7. There was also increasing awareness of the fact that development entailed a rational policy of distribution at both the international and national levels. The three events he had mentioned at the beginning of his statement were of capital importance for ECE. A basic harmony had to be established between the pursuit of co-operation and integration among certain economic groupings and policies of co-operation for the region as a whole and for the world. If co-operation developed between certain groups of countries to the exclusion of countries with different economic and social systems, economic conflicts would sooner or later ensue. ECE would have an extremely important role to play in that connexion. As political conditions improved, economic co-operation in Europe should continue along the lines of the four priorities chosen by the Commission a few years ago (trade promotion, scientific and technological

¹ See *Proceedings of the United Nations Conference on Trade and Development*, vol. VI, Part 1, *Trade Expansion and Regional Groupings* (United Nations publication, Sales No. 64.II.B.16), pp. 170 *et seq.*

co-operation, long-term economic projections and planning, problems of environment), the main stress being placed on problems of the socio-economic infrastructure, to which special attention should be given (transport, energy, water, etc.). He did not feel that co-operation between countries having different economic and social systems could be pursued simply by harmonizing policies and adapting institutions, as was possible among more homogeneous countries. ECE's experience in that respect should be taken into account when a new political will made it possible to enlarge and strengthen the present areas of co-operation in Europe.

8. He hoped that once it had been decided to hold a Conference on European Security and Co-operation, ECE would be able to make a contribution to it not only during the preparatory stage but after the Conference as well.

9. Lastly, he regretted that the German Democratic Republic was not yet able to participate in the work of the Commission, and quoting his words at the opening of the twenty-seventh session of the Commission, he expressed the hope that the necessary conditions would be established for full universality of membership of ECE in the not too distant future.

10. U NYUN (Executive Secretary, Economic Commission for Asia and the Far East) said that the last session of the Commission had been particularly important since it had coincided with the twenty-fifth anniversary of the establishment of ECAFE. In those 25 years, the Commission had made a decisive contribution to creating a sense of Asian consciousness and identity in that heterogeneous region. Despite its lack of resources, it had undertaken a large number of regional co-operation projects in extremely varied sectors – including communications, natural resources, trade, planning, development financing – without ever putting pressure on countries to participate in them.

11. It should not, however, be forgotten that 25 years was but a short span in the history of a continent like Asia. If, for example, the political will to co-operate for development was still in process of evolution, that was because Asia had had to adopt new philosophies in order to integrate countries separated by wide geographical, cultural and other differences.

12. In a constantly evolving situation ECAFE had always provided an element of stability offering an opportunity for dialogue and co-operation even among countries divided by tensions and disputes. It had harmonized in the regional context certain initiatives taken at the sub-regional level. It had created efficient machinery for regional action and the fact that it had been possible for co-operation to develop was largely due to the utilization by member States of the regional institutions thus made available to them.

13. To commemorate its anniversary the Commission had adopted, in its resolution 120 (XXVIII) [E/5134, part III], a declaration in which it recalled ECAFE's steady progress, marked by such milestones as the Lahore Convention (1951) and the resolutions of the Ministerial Conferences on Asian Economic Co-operation, including the Kabul Declaration (1970). In that resolution, the Commission

recognized the importance of making maximum use of the regional market and expressed the hope that greater aid and trade co-operation would be forthcoming, having regard to the principles of international co-operation concerning aid and trade and to the goals of integrated economic and social development. After stressing that the developing countries of the region were determined to attain economic self-reliance, the Commission requested all developed countries to provide sustained assistance in the achievement of the targets of the International Development Strategy. It also called for measures of decentralization in accordance with all the General Assembly, Economic and Social Council and ECAFE resolutions on the subject, and finally it expressed the hope that the declaration contained in resolution 120 (XXVIII) would become a foundation for development, prosperity and peace.

14. Turning to the achievements of the past year, he noted that Bhutan had become a Member of the United Nations and had participated in the twenty-eighth session of the Commission, which had also recommended that the Council should admit the Cook Islands as an associate member of the Commission. By virtue of their special needs, ECAFE's South Pacific member countries required special attention from the Commission and other United Nations bodies and it was a matter for satisfaction that that area had benefited from the services of the first United Nations Development Advisory Team. The format of the annual Economic Survey of Asia and the Far East in 1971 had been changed so as to prevent an over-all regional appraisal every two years. The Survey showed uneven growth of the GNP in the 23 developing countries of the region: in ten countries it had exceeded the 6 per cent target fixed for the Second Development Decade; in five others it had been between 4 and 6 per cent; the unsatisfactory performance of the remaining eight countries was attributable to political disturbances or to bad weather conditions. In nearly half of the countries studied, agricultural production had increased more rapidly than during the 1960s, while the level of manufacturing output had been approximately maintained in 80 per cent of the countries. In regard to the economic and social situation, the most serious problems were mass poverty, unemployment and under-employment, agricultural backwardness and the need for social and institutional modernization. In respect of exports, most of the countries had succeeded in improving their position in absolute terms from one year to the next. Data concerning capital flows to developing countries, which showed some pronounced sub-regional differences, confirmed the general tendency for the net transfer of resources to decline; the composition of those flows had also changed in that the share of official grants had declined. In view of the importance of the international monetary system for the expansion of world trade, it was essential that the realignment of currency values and the introduction of more flexible exchange rates should be accompanied by additional measures to increase international liquidity. Any reform of the system, moreover, should take account of the interests of the developing countries, and the ECAFE countries were willing to co-operate in seeking a solution.

15. Progress had also been made in economic co-operation at the regional and sub-regional levels, particularly in respect of commodities: examples were the stabilization measures adopted by the Asian Coconut Community and the Pepper Community, the preparatory work on rubber and rice, and the projections and studies on 35 commodities of regional interest.

16. The entry into ECAFE of the People's Republic of China had added a new dimension to the possibilities for regional trade expansion and economic co-operation and could help to overcome the economic and social problems of the region.

17. In the field of trade proper, ECAFE's activities had been extremely varied: they had concerned the expansion of trade, the establishment of an Asian reserve bank and training in trade promotion. ECAFE needed additional resources for its future activities in export promotion, which might be provided through the establishment of a United Nations export development fund.

18. Mention should also be made of the Third Asian Trade Fair (to be held in New Delhi in November 1972), of the organization of an inter-disciplinary group mission to study the problems of the land-locked countries, of the intensification of shipping activities, the steady expansion of the Asian Institute for Economic Development and Planning and the establishment, in the near future, of an Asian Centre for Development Administration. In the transport and communications sector, reference should be made to the Asian Highway network; which not only formed part of the transport infrastructure, but would also help to bring peoples and their economies closer together.

19. The Commission had also numerous achievements to its credit in the field of industry and natural resources: in industrialization, housing and physical planning, the development of science and technology, the environment, and in mineral and water resources development. Despite existing difficulties in the area, the implementation of the Mekong Project — an achievement unprecedented in developing countries — was progressing satisfactorily.

20. In the social development field, emphasis had been laid on balanced and unified development planning, which might help to alleviate such problems as mass poverty. The Asian Population Programme was continuing, and an important Asian population conference was being prepared which would study the close and complex interrelationships between population growth and economic and social development.

21. He stressed the importance of ECAFE's technical assistance programmes and welcomed the fact that its programmes for the least-developed countries, which included the land-locked countries and those in the South Pacific area, would benefit from the special new component in the regular technical assistance budget for assisting the least-developed countries. The Commission had recommended that the indicative planning figures for the region, which were comparatively low, should be raised, and it hoped that the Council would support that request.

22. Turning to the question of the re-organization of the Economic and Social Council and its functions, he said that

the Council should not be discouraged by certain references to its inertia. The Council had proved long ago that it was an active body by creating the regional economic commissions, which were in fact its instruments for action at the regional level. All the regional economic co-operation projects which had been implemented in Asia during the First Development Decade were the achievements of the Council, since the regional economic commissions were simply organs of it. The simplest way of giving new impetus to the Council's activities would be to bring the regional economic commissions and the Council still closer together.

23. The efforts of ECAFE member countries to achieve self-sustained growth and economic self-reliance would be successful if they received the assistance they deserved from the United Nations family and from the developed countries; if such aid was not forthcoming, the consequences would be disastrous. In the general interest, the developed countries should provide the developing countries with the moral and material assistance they needed. It was no exaggeration to say that the future of the world would be decided during the Second Development Decade.

24. Mr. IGLESIAS (Executive Secretary, Economic Commission for Latin America) said that in 1971, the slackening of growth in the developed countries and the restrictive policies applied by those countries to their foreign trade had had unfavourable repercussions on the economic situation in Latin America: a reduction of exports, an increased balance-of-payments deficit, and an inflow of short- and medium-term capital. At first sight, the over-all growth rate in the region was satisfactory, since it exceeded the minimum target fixed by the International Development Strategy, but allowance should be made for the exceptional rate recorded in Brazil, which distorted the over-all figures. Moreover, the main areas of growth were industry and services; agriculture had stagnated and new building was falling off, which had sharply affected the development of the Latin American economy.

25. Moreover, inflation showed little signs of weakening and the rapid upward trend of the value of exports had levelled off, which must essentially be attributed to lower world market prices for commodities and to insufficient growth in the volume of exports. Since the value of imports had continued to rise, the regional balance-of-payments deficit was now of the order of \$4,200 million, although there had been an extraordinary inflow of private capital, particularly into Brazil and Mexico. To sum up, the course of economic development in Latin America in 1971 was to be explained both by the unfavourable international world situation and the rigidity and heterogeneity of national economic structures.

26. It should not be forgotten that, for a number of years past, the region had been the scene of far-reaching changes and new experiments at all levels — economic, social and political — and an analysis of those trends called for considerable caution and the adoption of new criteria: in some countries, a rapid reorganization of production was taking place on the model of the market economies of the industrialized countries; in others, the emphasis was on transforming the structure of property ownership and

political power or on independence from foreign influence. One common element could, however, be seen: in all countries there was a mobilization of domestic resources which, throughout Latin America, seemed to derive from a desire to widen the national development basis. That ambition, moreover, was not confined to individual countries; regional integration was also making headway, as could be seen by the expansion taking place in the Andean Group countries.

27. However, certain fundamental contradictions which conditioned and hampered the development process continued to exist in Latin America. The first, and perhaps the most important, of those contradictions was the disparity between the unprecedented world economic growth and certain particularly acute difficulties encountered by the third world countries. There were crises, of course, in the developed countries too, which led to questioning of the very objectives of society, but at least the problems of those countries did not arise out of poverty.

28. Other contradictions were connected with inequalities in the distribution of income (which were masked by the over-all figures); with the situation concerning employment, under-employment and unemployment; with the concentration of technical progress and the increasing "marginalization" of the economies of the developing countries; and with the ever-increasing indebtedness of those countries. World trade continued to be governed essentially by the international division of labour which obstructed the diversification of exports from the region and was largely responsible for the existing state of affairs. Moreover, the activities of multinational or supranational corporations had done nothing to improve the situation.

29. The Latin American countries had therefore had good reason to voice their anxieties at the third session of UNCTAD at Santiago: as victims of an international monetary crisis for which they were in no way responsible, they demanded the right to participate in future decision-making at the international level in all matters relating to trade, the monetary system and the financial system. They also legitimately demanded the establishment of a link between the special drawing rights and development financing.

30. During the Conference, Latin American countries had also demanded the right to participate fully in the multilateral negotiations scheduled for 1973 since they attached prime importance to the adoption of techniques, means and rules, designed to introduce greater equality into international economic relations.

31. At Santiago, various Latin American countries had also demanded the adoption at the international level of measures to control the activities of multinational corporations. The countries of the region also desired to see an increase in official assistance – both technical and financial – to the developing countries.

32. The Latin American countries had also urged the adoption of special measures in favour of the least developed among the developing countries. Only one Latin American country had been included in the list drawn up by the Committee for Development Planning, but there

were in fact 16 countries on the Latin American continent which were relatively less advanced than the other developing countries and whose representatives had rightly claimed additional aid from the international community.

33. Lastly, the President of Mexico had proposed at the Santiago Conference the adoption of a charter of the economic rights and duties of States,² which would be an extremely welcome measure.

34. The Latin American countries had made an important contribution to the United Nations Conference on the Human Environment held recently in Stockholm, both in the definition of basic principles and in the formulation of specific measures. The Conference had adopted the idea, on which the Latin American countries had laid great emphasis, that developmental and environmental problems should be dealt with together.

35. Some of the major questions raised before the Council called for consideration on the part of ECLA. The Secretary-General of the United Nations and a considerable number of delegations had expressed the desire to revitalize the Council; it seemed indeed that the time had come to give a new impetus to international co-operation within the United Nations in general and the Council in particular. The secretariat of ECLA – and doubtless those of the other regional economic commissions – would therefore seek to redefine its priorities, since the commissions would certainly have an important role in the proposed reorganization.

36. In reply to the numerous delegations which had stressed the need to revitalize the Council by giving it responsibility for promoting collective economic security, he said that ECLA was looking to the Council to give it the appropriate political directives. On that basis, ECLA would seek to clarify the economic and social problems of Latin America and would place all the experience and competence it had acquired at the Council's disposal.

37. Mr. GARDINER (Executive Secretary, Economic Commission for Africa) said that, as 16 of the 25 developing countries considered by UNCTAD and the United Nations to be the least developed were African countries, the secretariat of ECA had deemed it useful to undertake a study of the situation of those countries. It had established a correlation between *per capita* income and the share of agriculture in the total output of those countries. That *de facto* situation led to the conclusion that the transformation of the rural sector was a necessary condition for economic development in most African countries.

38. The ECA secretariat had also assessed development prospects on the basis of the proportion of children attending primary school, population growth, market size and export potential.

² For the summary of the address by the President of Mexico at the 92nd plenary meeting of the Conference, see *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. IA, *Plenary Meetings*, part one, "Statements by Heads of delegation".

39. Given the assumption that one of the conditions for development was that a minimum of 50 per cent of the children of school age should be receiving primary education, only one low-income country and nine high-income countries could be regarded as meeting that condition. However, those figures did not reflect the true situation, since there was also a need to improve the quality of education.

40. Market size depended on the widening of the money economy at the national level and on a less uneven distribution of income as well as on the composition of final demand. If account was taken of the fact that, in terms of market size, development prospects were very unfavourable for countries with a population of less than 2 million, unfavourable for those with between 2 and 10 million and favourable for those with 10 million or more, and that only 10 countries in Africa had a population in excess of 10 million, it would be understood why efforts were currently being made to expand economic co-operation and to establish sub-regional groupings.

41. In the agricultural sector, which was the most important in terms of its contribution to domestic product and the persons engaged in it, the increase in production had exceeded the population growth rate in 15 African countries between 1969 and 1970, but had fallen below that rate in 21 others. Food imports continued to rise, local food prices had increased and the African countries were depending more and more for their foodstuff purchases on developed countries, the inflationary trends in which had similar effects on the economy of the African countries and aggravated their balance-of-payments difficulties.

42. For the 10 countries for which data were available, the rate of expansion of the manufacturing industry in 1970 had been 9 per cent and accounted for 12 per cent of the GDP. However, most of those countries had to import machinery and various forms of equipment as well as the necessary skilled personnel, which increased their balance-of-payments difficulties.

43. 1971 had been an important year for oil. Production had increased in several African countries, which had aroused considerable interest in prospecting. UNDP and other specialized agencies were helping African countries to prepare several projects, including prospecting and the establishment of research institutes. The ECA member States were making increasing requests for assistance in such areas as training facilities, mineral exploration, engineering and marketing. With the exception of gold, the traditional minerals had not enjoyed the same success as petroleum, and Zaire - and especially Zambia - had had a bad year in 1971 as a result of fluctuations in the copper market.

44. In 1970, exports had accounted for 21 per cent and imports 27 per cent of available goods and services, but the value of the exports had increased by less than that of imports. Furthermore, export earnings were derived mainly from primary commodities, which suffered more than any others from fluctuations in the terms of trade. Consequently, African countries had lost, according to calculations, the equivalent of over \$6,000 million between 1960

and 1970, the loss of 1970 alone amounting to \$700 million.

45. Growth rates varied greatly from one country to another and from one sector to another, ranging from 1 to 4 per cent or more, when they were not negative. The need was being increasingly felt for goods and services not normally supplied through the market machinery such as educational and health facilities; furthermore, in the case of the land-locked countries, their basic need was access to neighbouring markets and ports. The required infrastructural services contributed to an increase in GDP only in the long run.

46. There were some encouraging facts to report, however, such as the economic recovery of Nigeria, the development of the oil industry in Algeria and that country's adoption of plans for the diversification of its economy, the development process in Zaire and Zambia, which was continuing in spite of the decline in export earnings from copper. Both Nigeria and Libya had demonstrated willingness to provide financial aid to other countries in the region, which augured well for the future of mutual co-operation among developing countries. The countries of the East African Community continued to develop in spite of periodic imbalances in trade flows.

47. In the case of food output, attention to crop protection, food storage and food processing were likely to provide the best short- and medium-term solutions. However, the lack or inadequacy of transportation facilities and foreign exchange difficulties continued to hamper inter-country trade in foodstuffs.

48. Several countries had undertaken to improve agriculture and living conditions in rural areas. An effort at decentralization was being made and modern agricultural communities were being established which were capable of pooling their resources and sharing common services such as medical and social facilities and marketing. Such a process of change in agriculture and in rural life would make it possible to stem the tide of emigration to large cities and to avoid its consequences: the growth of urban slums, the increase in the number of unskilled and unemployed young persons who formed a marginal group that belonged to neither the urban nor the rural system.

49. With regard to food production, the ECA/FAO Joint Agriculture Division had initiated four major projects concerning intraregional co-operation and trade in food and food-products, an increase in rice production in West Africa, a regional food reserve programme and livestock development.

50. In the field of industry, in co-operation with UNIDO, the Commission had intensified its efforts to prepare projects using local raw materials and to submit them for consideration by Governments and prospective foreign investors. In addition, it had helped to set up small-scale industries, investment promotion centres, industrial estates and business consultancy services. ECA had given much attention to industrial project preparation and promotion, both national and multinational.

51. Two of the most important factors identified as constraints on African economic progress were balance-of-

payments difficulties (resulting from the trade structure of those countries) and absorptive capacity, which was especially a question of efficient project preparation and execution. ECA had stimulated the establishment of three institutions which should make it possible to overcome those difficulties: the Association of African Central Banks, the Africa Trade Centre and the African Development Bank. One of the principal objectives of the Bank, which had lent \$25.5 million to African countries in 1970, was to foster economic co-operation by financing multilateral projects and by assisting in the co-ordination of national development policies. A recently concluded agreement with a number of industrial countries would enable the Bank to offer additional loans up to \$100 million on "soft" terms.

52. The lack of an integrated transport system adversely affected national cohesion and was an obstacle to the development of export trade. ECA had therefore taken a keen interest in transport system planning, construction and management. It promoted the construction of trans-African routes. In that context, two projects, both of which were still at an early stage of development, would link African railway systems and port installations. Member States had proposed the establishment of an African railway union to facilitate the examination of common problems. An effort was also being made to improve port management and inland waterways.

53. Satisfactory progress was being made on a survey started eight years previously at ECA headquarters on a regional telecommunications network; a detailed survey of East Africa had been completed and it was expected that the survey of networks for West and Central Africa would be completed by 1975.

54. ECA was continuing to explore opportunities for co-operation among African countries and had succeeded in promoting the creation of bodies such as the Niger River Basin Commission, the Organization for the Development of the Senegal River, the Chad Basin Commission. Ghana and the Upper Volta were seeking to co-ordinate the development of the land and water resources of the Volta Basin.

55. An encouraging factor in African economic development was the relative potential abundance of hydroelectric power. In several instances, the sources of such power were so placed that a number of neighbouring countries could be supplied simultaneously.

56. The Commission's programme was gradually enabling African Governments to satisfy the need for better data and for trained statisticians and economists who could help in the preparation of development plans. Three Special Fund projects were relevant in that regard: the first two concerned the Institutes of Statistics and Applied Economics at Rabat (from which some 200 students had graduated) and at Makerere, and the third, the Statistics Training Institute at Yaoundé, which had already awarded some 500 diplomas. Plans had been made for the launching of two demographic training centres in Africa, in addition to the one in Cairo.

57. In conclusion, he stressed that ECA placed special emphasis on the expansion of markets, the intensification

of external contacts, the spreading of knowledge and skills, the establishment of modern socio-economic institutions, and indeed on everything which was capable of promoting development. The only support which ECA could give to the activities of the Council was through its own work. In his opinion, however, the Council had reason to be proud of what had been planned and achieved under the auspices of the regional commissions.

58. Mr. EL-NAGGAR (Director, United Nations Economic and Social Office in Beirut) said that it would be misleading to speak of an average growth rate for the UNESOB region, since such an average would conceal the great disparity between the performance of the individual countries.

59. With regard to oil, the region maintained its position as the second largest producing area in the world. However, the high rate of economic growth of oil-exporting countries did not necessarily mean an equal rate of economic and social development. It would be necessary for those countries to reduce their excessive dependence on oil exports. If it was considered that according to calculations, oil deposits in Bahrain would become exhausted in 15 years, and in 50 to 75 years in Saudi Arabia and Kuwait, the need for those countries to adopt diversification programmes would become clear.

60. In the field of agriculture, the countries in the region remained, as the recent period had just shown, highly vulnerable to climatic changes, and drought conditions had led to a 3 per cent decline in *per capita* food production. The manufacturing industry, on the other hand, had registered a 9 per cent increase in output, but manufacturing accounted for a mere 10 per cent of total economic activity.

61. In recent months there had been a substantial expansion in investment, coupled with an increase in public consumption, particularly noticeable in the field of social services and defence; however, the rising public expenditures had resulted in public deficits in practically all the non-oil producing countries. The pressure on domestic resources had arisen not only as a result of efforts to promote economic and social development but also because of the unsettled conditions in the area — and that was particularly true in the case of Jordan and the People's Democratic Republic of Yemen, whose economy continued to suffer from the closure of the Suez Canal.

62. In those circumstances, economic co-operation was a cardinal factor in the development of the region and it should be promoted, not only by measures to liberalize intraregional trade and induce greater mobility of labour and capital, but also by efforts to modernize and extend transport and communications networks as well as by the implementation of joint ventures. The need for regional co-operation was better appreciated when the existing economic imbalances and the wide disparities in levels of living among the countries of the region were considered: the Yemen Arab Republic and the People's Democratic Republic of Yemen had a *per capita* income of less than \$150, while in Kuwait the figure was more than \$3,700. If

those economic disparities were allowed to persist, they would constitute a threat to stability in the region. However, it was the issue of security that would determine the success or failure of development efforts in the region: its situation at the crossroads of world trade, its tremendous tourist potential, its natural resources and its human capital were all factors from which it would be possible to derive great advantage if and when peace was established after 25 years of conflict.

63. One of the most important developments in the region during the past year had been the fact that four countries - Bahrain, Qatar, Oman and the United Arab Emirates - had gained their independence and become Members of the United Nations. In order to evaluate the needs of those countries, UNESOB had organized an inter-disciplinary reconnaissance mission in December 1971; Oman and most of the United Arab Emirates certainly qualified as least developed among the developing countries on the basis of the criteria worked out by the Committee for Development Planning. UNESOB had taken steps to assist those countries and was at present creating a development advisory team to prepare two training and advisory programmes, one concerning public finance and the other public administration. The second most important development was that UNESOB had intensified its co-operation with other United Nations bodies operating in the region, such as ILO and FAO.

64. UNESOB had also strengthened its co-operation with the League of Arab States and the specialized agencies which the League had set up during the past few years in various fields (industrial development, regional integration,

labour, education, etc.). A joint meeting between UNESOB, UNCTAD and the Council of Arab Economic Unity on the problems of trade expansion and economic integration was scheduled to take place in December 1972. UNESOB was also in touch with UNIDO and the Industrial Development Centre of the Arab States with a view to formulating projects for joint action. It was also seeking to establish informal ties with the new Arab Fund for Economic and Social Development and the Kuwait Fund for Arab Economic Development in order to make available to those bodies the experience it had acquired in problems of economic and social development.

65. UNESOB had also endeavoured to strengthen its relations with the 12 Arab countries of the region and had held, for that purpose, several seminars and training workshops which had brought together government experts.

66. Lastly, UNESOB had been active in promoting awareness in the region of the content and implications of the International Development Strategy for the Second Development Decade. Preparations were under way to assess the performance of the various countries of the region in relation to the objectives of the Decade. A meeting of government experts on the subject was scheduled to take place in the spring of 1973 and UNESOB would transmit the report of that meeting for the purpose of the review and appraisal of progress in the Second Development Decade.

The meeting rose at 1.10 p.m.