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CURRENT ISSUES IN ECONOMIC CO-OPERATION AND INTEGRATION IN WESTERN ASIA

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PREFACE

This report has been prepared in accordance with the Programme of Work and Priorities as adopted by the Commission at its Tenth Session for the biennium 1984-1985. It constitutes the first of two annual reports envisaged during the biennium under Programme Element 1.2 of the International Trade and Development Finance Programme 1/.

1/ This report also appears as a chapter in the 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. (E/ECWA/XI/6/Add.1).

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Introduction

The International Development Strategy[1/] (IDS) for the Third United Nations Development Decade stresses the importance of economic and technical cooperation among developing countries for the effective restructuring and attainment of equitable and balanced international economic relations and for reducing developing countries' external dependence and vulnerability, promoting self-reliant development and strengthening their role in the world economy.

The launching of the Third United Nations Development Decade coincided with a number of encouraging developments bearing on Arab regional economic cooperation. The Eleventh Arab Summit Meeting (Amman, November 1980) accorded unprecedented attention to economic issues by endorsing a Strategy for Joint Arab Economic Action[2/] to the year 2000, and approving The Unified Agreement for the Investment of Arab Capital in the Arab Countries to encourage intraregional private capital flows. Almost simultaneously, the Arab Economic and Social Council approved a new Convention for Facilitating and Developing Trade between Arab States to replace the 1953 Convention. These and other initiatives - conceived within the broader context of inter-Arab cooperation - have, however, been frustrated by the worsening of political relations among member states.

At a different plane, a number of features with significant implications for the longer-term prospects for regional cooperation have been asserting themselves during the period reviewed. The most far-reaching of these has, perhaps, been the growing support for sub-regional cooperation which culminated in the formation of the Gulf Cooperation Council (GCC) in 1981. A second important development concerns the growing consensus that joint ventures constitute one of the more promising vehicles for promoting regional cooperation in the present circumstances. There has also been a growing

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1/ General Assembly Resolution 35/56, para. 40.

recognition of the need to involve the private sector more actively in the cooperative process, and the adoption of some important initiatives in that direction. In addition, the period reviewed witnessed the continued conclusion of trade and economic cooperation agreements among the countries of Western Asia, as well as a number of other developments of an institutional nature.

A. Sub-regional Cooperation

The most significant development in this respect has been the establishment, on 25 May 1981, of the Gulf Cooperation Council (GCC) by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.1/

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

The GCC continued the momentum with which it set out about three years earlier as reflected in the progress realized since. Early in its existence (November 1981) the Council approved the Unified Economic Agreement2/ which set out to coordinate and unify economic, fiscal, monetary and industrial policies of member countries in the long-term with the ultimate aim of

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1/ The Council, which is based in Riyadh, created an elaborate organizational structure, involving the Heads of State who meet, as the Supreme Council, twice a year, and the Foreign Affairs Ministers who meet, as the Ministerial Council, six times a year. The Council also set up substantive committees in various fields of economic and social activity.

2/ The Agreement provides or calls for, inter alia: (a) elimination of customs duties between GCC states, and the establishment of a common minimum external tariff; (b) coordination of export and import policies and strengthening bargaining power vis-a-vis foreign suppliers; (c) free movement of labour and capital; (d) coordination of oil policies and industrial activities and standardization of industrial laws; (e) coordination of technology, training and labour policies; (f) cooperative approach to transport policies; and (g) steps to set up a common investment strategy and to coordinate financial, monetary and banking policies.

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integrating the six member countries' economies into a common market. The first stage of the Unified Economic Agreement came into effect on 1 March 1983 and provided for:

a) Abolition of customs duties on intra-trade in agriculture, manufactured and animal products made from materials obtained in a member state; manufactured goods made from imported raw materials if domestic value added constitutes at least 40 per cent of the cost of the finished product and nationals own at least 51 per cent of the equity of the firm producing it;

b) Exemption of products of member states passing in transit from fees and taxes; and free access for national ships to ports in any of the six GCC states and exemption of passengers and goods aboard these ships from taxes and fees;

c) Freedom of movement of citizens of GCC states and of professional practice in the fields of medicine, law, engineering, accounting and consulting services provided local standards can be met.

d) Right to establish commercial, industrial and agro-business ventures provided that nationals of the host government own at least 25 per cent of equity.

Subsequently, the GCC finance ministers approved the establishment, by 1 September 1983, of a common external tariff[1/] of 4 per cent and rising to 20 per cent for competing imports. They also approved the establishment of joint customs centres on the borders to facilitate movements of GCC citizens.

At the sectoral level, the GCC countries agreed to coordinate their efforts in the petroleum industry with emphasis on downstream operations, and to coordinate policies on product markets and prices with a view to balancing supply and demand for refined products within the areas, as well as narrowing differences in local prices. The GCC oil ministers agreed (August 1983) to commission feasibility studies on a Gulf gas distribution network to supply fuel for electric power, desalination plants and basic industries. They also agreed to undertake further studies on a proposed 90-day oil products strategic reserve.

1/ By November 1983, the common external tariff was in effect in five of the six GCC states; Oman was allowed, upon its request, a one-year exemption from adherence.

In the monetary and financial field, the Governors of the central banks have discussed procedures for coordinating monetary policies, including the structure of domestic interest rates, the impact of international interest rates movements on domestic liquidity, and methods of setting exchange rates.

In the industrial field, a meeting was held grouping representatives from all the cement plants in the Gulf and government representatives to consider plans for the harmonization of standards and the future planning of production; a similar exercise has been considered for aluminimum.

Another development, which could have significant trade policy implications in the future, was the reported collective negotiation by four GCC countries (Bahrain, Kuwait, Oman and Saudi Arabia) of a deal involving the bulk purchase of 150,000 tons of rice worth $90 million 1/. Given the huge and expanding volume of imports into the Gulf area, the return from cooperation in import procurement should be high.

The GCC also agreed to set up the Gulf Investment Corporation (see Annex I) with an authorized capital of $2.1 billion to invest in commercial, agricultural and industrial projects inside and outside the region.

In assessing the prospects of the GCC, a number of considerations appear relevant. First, it is pertinent to emphasize that the states members of the Council share a number of characteristics and concerns favouring closer cooperation including socio-cultural homogeneity, similarity in political and economic systems and geographical proximity. They also maintain strong links with, and are excessively dependent on, the international economy arising from the overwhelming importance of oil in their economies; their reliance on imports for a disproportionately large part of their needs of goods, labour and technology; and, on external capital markets for placing their savings.

Second, the establishment of the Council followed more than three decades of efforts to forge closer economic relations among the Arab countries. There has also been a number of earlier moves at the level of the Gulf sub-region itself which have contributed to pave the way for setting up the Council, such as the establishment of the Gulf Organization for Industrial Consulting (GOIC), and various coordination and consultative conferences dealing with trade, agriculture, industry, planning, currency and banking. The experience acquired in the working of several joint ventures set up by the Gulf countries should also prove useful.

Third, the GCC appears to have opted for a gradualist approach in which the key elements are coordination and harmonization, as against the traditionally ambitious and comprehensive approaches proposed in the broader context of

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1/ The GCC has been studying the feasibility of setting up a central spare parts organization which would be responsible for procurement and distribution of spare parts for basic industries in member states.

Arab integration efforts. At the same time, the organizational structure of the GCC comprises features, such as the Supreme Council at the level of Heads of State meeting twice a year, which should be helpful in ironing out differences of views and in effectively implementing decisions.

Fourth, the members of the Council seem to be aware of the adverse effects of a polarization of benefits in favour of the economically stronger partners. This is reflected in the Council's decision to accord preference to Bahrain and Oman 1/ when locating intergovernmental joint ventures in the field of oil and its derivatives, and ferrous metals.

Last, but not least, the overall availability of financial resources should make it easier for the GCC to overcome possible friction and divergence of interests among its members and/or losses resulting from the integration process.

B. Joint Ventures

In the prevailing circumstances of the region, great hopes have come to be put on Joint Ventures (JVs) to play a leading role in establishing the complementary productive structures, which are viewed as a prerequisite for expanding intraregional trade and for absorbing accumulated financial surpluses.

The setting up of JVs began to gather momentum around the mid-1970s, subsequent to the upward adjustment in oil prices after 1973 and the emergence of large financial surpluses in the oil-producing countries of the region. A wide spectrum of JVs having a regional/Arab scope were established. However, this pace seems to have slowed down somewhat during the late seventies and early eighties, though JVs having a narrower geographical and functional scope and increasingly involving private sector participation continued to multiply 2/.

1/ The GCC decided (August 1983) to commission a feasibility study to establish a joint export refinery in Oman which will be linked to Saudi oil fields by a pipeline to be constructed for that purpose.

2/ JVs have emerged in virtually all sectors of economic activity. These JVs, however, differ considerably among themselves with respect to the size of their capital and ownership, participation (public, private or mixed), geographical scope (bilateral, sub-regional, regional or Arab), nature of activities and mandate (holding companies type or specific ones), motivation, and sponsorship.

The period reviewed witnessed the setting up of a relatively large number of JVs, as well as progress in executing earlier projects and the establishment of "second generation" projects by "parent" holding companies. An examination of the main features - as outlined in Annex I - of recently formed JVs in the ECWA region reveals that:

- The bulk (18 out of 21) of JVs were established in the Gulf area and centered in Bahrain (12); the formation of the Gulf Cooperation Council and its decision to accord Bahrain (and Oman) preferential treatment when setting up projects in certain sectors can be expected to deepen this trend.

- In terms of capital, the largest outlays (about $4.1 billion) appear to have been in the services sector (mostly in banking and insurance), followed by JVs having a general investment nature ($3.3 billion), manufacturing ($0.9 billion), agriculture ($1 billion) and transport ($70 million). In numerical terms, manufacturing is first with 8 projects, followed by services (6), general investment (4), one project in agriculture and (2) in transport.

- While government sponsorship and participation continued to be dominant, a widening participation by the private sector can also be observed.

- The field of oeprations of some of the large JVs (e.g. the Arab Insurance Group and the Arab Banking Corporation) remains essentially international in character.

In reviewing the operations of inter-Arab JVs from a longer-term perspective, a number of issues relating to their formation and operations, and bearing ultimately on their effectiveness, emerge. Some of these issues are briefly considered below.

1. Objectives

While economic viability is the long-term objective of all JVs, for some of the major intergovernmental JVs profitability has not constituted an overriding consideration in the short - or medium - term. Entering certain fields considered "strategic", such as oil exploration and transportation, or ship repair and maintenance, with attendant benefits in terms of acquisition of know-how and manpower training, have been viewed as adequate compensation.

While such benefits could be, and are being in some cases, "externalized", they are increasingly proving inadequate to justify the substantial resources tied down in the project and incurring initial losses, thus creating pressure to give up or reduce the scope of activities 1/. In this connexion, it is worth noting that such "strategic" pursuits were made possible by the fact that while incurring losses on the operational side, the enterprise was able to realize a profit as a result of substantial returns accruing on the unused portion of capital.

2. Financial and human resources

The financial resources put at the disposal of major governmental JVs - such as those set up by the Council of Arab Economic Unity - do not appear generally to have been a constraining factor. While it is arguable that these resources may be inadequate in terms of the broad mandates assigned to these JVs, the rate of their utilization has been slow such that the return on the unused portion of equity capital has come to constitute a disproportionately large share of total assets, and has been used in certain cases to finance operational losses. Thus, these JVs have not so far reported a need to raise their capital. Given the slow pace of resource utilization, such an eventuality for most of them, appears to be still remote. More so, if the JVs are able to generate profits and plough them back into new investments, or sell, in part or whole - once the mechanism to render such operations possible come into existence - the projects they help to set up and use the proceeds to finance other activities.

The issues of resource utilization and management are intimately related. The ownership of capital appears to have influenced - directly and indirectly - the selection of higher management cadres, the quality of which in turn is a major determinant of the success of a venture. As ownership of capital and managerial skills do not necessarily go together, a number of proposals have been put forward to dissociate them. But given the prevailing economic, political and psychological environment in the region, such a process is likely to be very slow and its chances of success to be greater with the widening of private sector involvement in the setting up of JVs.

The management and staffing of JVs have generally suffered from the prevailing overall scarcity of managerial talent and technical expertise in the region. This has been reflected in several ways including (a) difficulties of recruitment and high staff turn-over

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1/ The Arab Maritime Petroleum Transport Company (AMPC) is reported, in a move to cut expenses and rationalize operations, to have sold the first tanker in a planned disposal of five vessels, cut down by almost one-half the number of staff of its headquarters and laid off some 70 trainees (see: Arab Report and Memo, October 24, 1983).

resulting from the availability of more competitive offers 1/ elsewhere, particularly private firms; (b) an employment set up heavily biased in favour of nationals of the host country; (c) excessive dependence, at least in the initial years, on expatriate experts and labour; and, (d) need to undertake extensive and costly training programmes.

Among the more discussed issues related to the management of JVs - whether in relation to the selection of higher echelons or in the discharge of their functions - is the possibility of government interference and its effects on the operations of JVs. While some advantage can be seen in this 2/, government interference could result in restricting the freedom of decision-making.

3. Sponsorship and participation

At the level of joint Pan Arab economic action, the promotion and establishment of JVs has mainly been the work of the Council of Arab Economic Unity (CAEU), the Organization of Arab Petroleum Exporting Countries (OAPEC) and the League of Arab States, as evidenced by the formation of several large, in terms of capital, enterprises by these organizations around the mid-1970s. Since then, the momentum appears to have slowed down considerably 3/. This could be interpreted in terms of number of factors including: (a) the need to allow sufficient time for existing JVs to prove their viability before considering new ones; (b) weakening of enthusiasm for JVs with large membership (and therefore more diffused decision-making power) and broad mandates; and,

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1/ Intergovernmental JVs are, moreover, constrained by the need to observe that their salary scales are not excessive relative to those paid by the government for similar work.

2/ Provided proper selection is made, the presence of government designated policy/decision makers could make a positive contribution to the operations of the enterprise by keeping governments well informed, thus retaining their interest in its activities and helping to reach better decisions and faster implementation.

3/ For example, the CAEU which succeeded in establishing four major JVs in a relatively short period to time (namely, the Arab Mining Company, the Arab Livestock Development Company, the Arab Company for Drug Industries and Medical Appliances, and the Arab Industrial Investment Company) has since managed to propose the formation of only two additional ventures namely, the Arab Printing Press for Printing Postal Stamps and the Arab International Company for Land Transport. Both proposals, however, were still at the study and preparatory phase; the first reportedly delayed by inability to agree on its location and the second by failure so far to meet the minimum capital requirements stipulated for commencing operations.

(c) the emergence of apparently more attractive combinations characterized by having both fewer members and private sector participation, 1/ and more specific mandates.

Outside the frame of intergovernmental bodies, the Arab countries have also come together in different combinations to establish multilateral 2/ and bilateral JVs involving public or private sector participations and mixed undertakings. At the subregional level, the Gulf Organization for Industrial Consulting (GOIC) has been active in trying to identify joint investment possibilities. The formation of the Gulf Cooperation Council is expected to further this process.

Intergovernmental initiatives to form JVs have also materialized following political rapprochement as in the case of the Federation of Arab Republics (1971) between Egypt, Libya and the Syrian Arab Republic; or the JVs set up in the context of the Jordanian - Syrian Agreement of 1975, and between Iraq and Jordan more recently. Additional interesting examples are the Syrian - Saudi Corporation for Industrial and Agricultural Investment and the Syrian - Libyan Corporation for Agricultural Investment.3/

At the non-governmental level, the sustained efforts of the Union of Arab Chambers of Commerce, Industry and Agriculture have been instrumental in setting up the Arab General Investment Comapny and in convening the First Conference of Arab Businessmen and Investors which decided to establish the Arab Company for Agricultural Investment (see Annex I).

1/ Generally, the larger the number of participants, the more difficult it has proven to set up and operate JVs. The reverse could be illustrated by the case of the Jordan Potash Company the success of which after 1974 should partly be attributed to the fact that one country (Jordan) became the major shareholder.

2/ Examples of JVs with wide Arab participation include the Arab Investment Company and the Arab Authority for Agricultural Investment and Development. The Gulf International Bank and the Gulf Petrochemical Industries Company are among the major JVs set up at the sub-regional level.

3/ Both JVs are located in the Syrian Arab Republic and are established along similar lines with equal equity participation but with the Syrian contribution being in local currency while that of the partner being in United States dollars.

The numerous investment companies and consortia which have sprung up in the Gulf area 1/ have succeeded in mobilizing substantial savings. Available information, however, indicates that the bulk of investments made by these companies has been outside the Arab region, and that such direct investment and equity participation have concentrated on few countries including Bahrain, Egypt and Tunisia, and on real estate, property development and banking. 2/ This situation, it is believed, arises from differences in assessment of country risks involved, lack of well-studied projects, limited experience inhibiting the companies from getting involved in the more complex types of investments and by the character of their liabilities, being dominated by short-term obligations.

As to the distinction between private and public JVs, available information 3/ relating to 244 joint industrial ventures (Arab and Arab-international) shows that private projects numbered 164, mixed projects 52 and governmental projects 28, with investments amounting, respectively, to $3.38 billion, $3.73 billion and $2.73 billion. Of the 93 Arab industrial projects, 59.1 per cent are bilateral 4/ projects accounting for 44.4 per cent of an estimated total capital outlay of $4.81 billion; the corresponding ratios for joint Arab-international projects being 71.5 per cent and 66.4 per cent.

1/ Such as the Kuwait Foreign Trading Contracting and Investment Company (KFT CIC), Kuwait Real Estate Investment Consortium, Kuwait Real Estate Investment Company, Kuwait International Investment Company, and Gulf Investment Company.

2/ Among the more important exceptions are direct investments made by KFTCIC in the Arab Iron and Steel Company (1980) and the Arab Petroleum Pipelines Company, SUMED (1974).

3/ See: S. Massoud, "Joint Arab Industrial Projects: an Assessment", OAPEC, Oil and Arab Cooperation Vol. 9, No. 1, 1983, pp. 155-196 (in Arabic).

4/ JVs established outside the scope of Arab intergovernmental institutions could largely be attributed to private sector efforts. Moreover, such projects are overwhelmingly bilateral (see: Kuwait Chamber of Commerce and Industry, the Role of the Private Sector in Joint Arab Industrial Projects, paper submitted to the Seminar on Joint Arab Industrial Projects, organized by GOIC and OAPEC, Doha, Qatar, 28-30 November 1982, (in Arabic).

4. Location

Available information 1/ on the geographical distribution of ARAB JVs shows a marked concentration in favour of countries in the Gulf area and in certain non-oil deficit countries (e.g. Egypt and Tunisia). It can also be observed that in general the larger projects in terms of capital size are based in the Gulf; the opposite being true of projects in the non-oil countries.

Without underestimating the importance of economic considerations, concern with ensuring an equitable distribution of benefits has been a determining factor in locating JVs mooted through the intergovernmental machinery responsible for promoting Arab economic cooperation, such as the four major JVs sponsored by the Council of Arab Economic Unity. Similar factors appear to explain the location of the JVs (6) which were set up by the Federation of Arab Republics (with two in each of Egypt, Libya and the Syrian Arab Republic), and those formed within the context of the Jordanian/Syrian agreement of 1975. Special bilateral relations also explain the location of some JVs as the Syrian - Saudi Corporation for Industrial and Agricultural Investment and the Syrian - Libyan Corporation for Agricultural Investment, both being in the Syrian Arab Republic.

The desire to assist the least developed member countries has also influenced the location of projects (e.g. in Sudan and Yemen). Similarly, the GCC has also adopted a policy favouring the location of certain types of projects in the relatively less-endowed member States (Bahrain and Oman).

On the economic side, the main factors which have exerted influence on the location of JVs relate to the assessment by the potential investor(s) of the overall "investment climate"; knowledge of and access to market; availability of supporting facilities and incentives; and inputs (trained and/or cheaper labour and raw materials).

Notwithstanding the provisions of investment laws and legislation and other incentives intended to encourage the flow of capital, potential investors have come to attach different degrees of risks to different countries in the region favouring in the process only a small number. In some countries, notably Bahrain, investors have been attracted also by the existence of a well-developed infrastructure and communications

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1/ See: Ibid; and, S. Massoud, "Joint Arab Projects: Present and Future", OAPEC, Oil and Arab Cooperation, Vol. VII, No. 2, 1981, pp. 101-134 (in Arabic).

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network, as well as special incentives. The availability of trained (Bahrain) or cheap (Egypt) labour have served to reinforce these tendencies.

The size of the domestic market has tended to favour investment in countries like Egypt. Proximity (coupled with good neighbourly relations) to potentially large markets, such as that of Saudi Arabia, and familiarity with the country (e.g. by Kuwait and Saudi investors) has also worked in favour of Bahrain. 1/

5. Competition and support measures

Inter-Arab JVs have encountered varying types and degrees of competition. Experience has shown that competition from similar national enterprises 2/, whether in the form of more favourable treatment of products/services offered by national enterprises or denial of access to the domestic market could pose a serious threat to the success of JVs, especially where large capital outlays and world-wide competition are involved, or where the project is regionally export-oriented. The Arab Maritime Petroleum Transport Company (AMPTC) has faced such competition. Similarly, the Arab Ship Repair Yard (ASRY) could encounter a similar situation as a result of competition from the operations of the recently completed dry dock in Dubai.

In contrast, building on the experience of national enterprises has proven to be advantageous, as illustrated by the example of the United Arab Shipping Company 3/ (UASC) which was established through a merger with the Kuwait Shipping Company. Similar results - i.e. doing away with the need to set up competing national enterprises and ensuring market access - could be achieved by sharing in existing enterprises as was done by Saudi Arabia in Aluminium Bahrain (ALBA) and in MIDAL, a manufacturer of aluminium conductors in Bahrain. To forestall competition,

1/ It has been suggested that enterprises registered in Bahrain are likely to enjoy a relative advantage in dealing with other Gulf States because of the latter's trust in the Bahraini system of investigation preceding the granting of a license.

2/ Such competition is not necessarily limited to the oeprational phase but is likely also to be encountered at the inception stages in that good projects tend to be retained for implementation as national projects and not as JVs. This situation could, however, change if the JV status could bring with it more than a financial contribution, i.e., expertise and technology.

3/ The status of the Company is further strengthened by provisions whereby member countries (Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates) are to refrain from setting up national companies subsequent to its establishment.

the Arab Industrial Investment Company has been examining possibilities of going into partnership with product users. Another approach to achieve the same end is to ensure complementarity between JVs (e.g. the pelletizing plant of the Arab Iron and Steel Company) and planned national projects.

The JV status has carried with it a number of advantages which have varied considerably from one JV to another depending on several factors including the provision of their by-laws, location and membership. These have included tax holidays and exemptions, land at nominal prices, exemption from foreign exchange control, protection against confiscation and expropriation, duty-free importation of equipment and spare parts and other inputs, preferential treatment in public sector procurement, market access and ability to operate (in socialist economies) as private sector undertakings thus by-passing routine.

It is possible to observe a general tendency among JVs to claim preferential treatment - over and above that stipulated in the establishing agreements and statutes invoking the "infant" industry argument. The merits of such claims, however, should be considered only on a case-by-case basis and great care should be exercised so that such protection does not become a permanent feature. A more convincing argument can, however, be made in favour of extending government support commensurate with benefits accruing to the economy from the oeprations of JVs and which cannot be reflected in their profit and loss accounts (e.g. training).

Concern has also been expressed regarding the fulfilment of commitments undertaken by host governments at the formative stage of a JV. Such commitments - which extend beyond equity participation and representation on the board of directors - cover such aspects as the provision of infrastructural and related facilities, power and water, access to markets and purchase of products/services. For example, one of the factors behind the disappointing performance of AMPTC may be traced to the wide discrepancy between the actual share of OAPEC's oil transported on the company's carriers and that underlying the feasibility study 1/ on which the company was based.

6. "Second-Generation" projects

A main objective behind the establishment of holding-type JVs, - whether in specific sectors such as the ones set up by the Council of

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1/ While there is no explicit commitment in this respect, the approval of setting up the company - where transporting an increasing share of OPEC's oil was essential for its successful performance - implies such a commitment on the part of member states.

Arab Economic Unity, or of the general type as the Arab Investment Company - was to create a mechanism for the further generation of projects and the equitable distribution of benefits arising therefrom. Experience in this respect reveals marked variations in achievements and approach.

Based on the number and geographical spread of "second-generation" projects set up directly or in partnership, and the extent of use made of resources put at their disposal, the Arab Company for Livestock Development (ACOLID), the Arab Mining Company (ARMICO) and the Arab Investment Company appear to have been among the more active of the major intergovernmental ventures. Thus, ARMICO has, since its establishment in 1976 and up to the end of 1982, shared in 11 mining or industrial projects related to the exploitation of mineral resources in 7 Arab countries. Similarly, ACOLID has set up projects in a number of Arab countries and has several others under active implementation. In contrast, only few of the projects contemplated by the Arab Company for Drug Industries and Medical Appliances (ACDIMA) and the Arab Industrial Investment Company appear to have reached the implementation stage.

Differences in performance could be adduced to a wide range of factors including the date of start of operations, location and the quality of management and staff. However, the relative advantages associated with resource-oriented activities, involving generally simpler technologies and less keen external competition from imports, must have also played their part.

The second-generation projects have, by and large, been national in scope and intended basically to cater to domestic needs (mining projects being a main exception). The mode of involvement of the "parent" company, however, has varied considerably.

Thus, the record of ACOLID reflects preference for wholly-owned projects or majority-share holding. Exceptions are generally explained by a desire to bring in expertise and technology. ARMICO's involvement, in contrast, has taken the form of minority share-holding 1/, ranging

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1/ A similar approach is followed by ACDIMA and the Arab Industrial Investment Company. The intended policy of the former is to acquire 25 per cent of the equity, leaving the balance for subscription by the host country and Arab enterprises active in the same field. The anticipated range of participation by the Arab Industrial Investment Company is between 12-35 per cent. Such participation, whenever possible, is to be sought with the users of the products to ensure markets and avoid duplication.

from about 8 to 40 per cent and averaging 15.5 per cent in all projects.

The Arab Investment Company's approach has been to combine minority equity participation with the extension of loans. Other things being the same, full ownership or majority equity participation implies a more active role in the development of projects from conception to operation, and should help in promoting the process of learning by doing. This is in line with the intended aim to have the holding-type JVs act as project generators. Such an aim could also be served if the minority participation and associated expertise are essential for getting the project off the ground. In the event, the sharing could ultimately be withdrawn to free resources for other uses.

The field of operations of some major intergovernmental JVs has remain broad in terms of the projects entered into, thus foregoing benefits of learning by doing. The repetition of projects is more in evidence in the case of ACOLID, reflecting perhaps its preference for full or majority ownership of projects. This seems to be in marked contrast with the actual or envisaged activities of other JVs which encompass a wide array of projects and a broad sectoral scope of operations. The experience so far and the slow pace of progress argue in favour of defining more narrowly the fields of concern. In several instances, this could be done, without necessarily having to commit new resources, by allocating portions of the unused funds.

7. Economic vs. political considerations

The recent experience - involving JVs set up within the context of the 1975 economic and trade cooperation agreement between Jordan and the Syrian Arab Republic - lends support to the argument that once sufficient economic interest and momentum are generated, the chances of revoking agreements and commitments will be reduced. Thus, strained political relations between the two countries beginning in 1980 have not prevented some of the more important projects conceived earlier (the Syrian - Jordanian Industrial Company 1/ and the Jordanian - Syrian Land Transport Company) from being realized. Apparently, this was helped by the fact that equity was already paid (unlike the case of the Jordanian - Syrian Free Zone project which had not started by the

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1/ This company, in turn, has established a joint plant for the production of white cement and was expected to award by end 1983 contracts for a pesticides formulation plant and a carpet factory in the Syrian Arab Republic.

time political relations deteriorated and the implementation of which has fallen much beyond schedule), and by stability in the composition of company board members (personal relations).

That economic considerations have been gaining ground in regional economic cooperation efforts relative to political ones is also borne out by the survival of JVs involving Egypt in the aftermath of the Camp David Agreements.

C. Trade Promotion and Economic Cooperation Agreements

At the multilateral level, two major agreements were concluded among the Arab countries namely: the Convention for Facilitating and Developing Trade between Arab States, and the Unified Agreement for the Investment of Arab Capital in the Arab Countries 1/.

The new Convention 2/ replaces the 1953 Convention for Facilitating Trade and Regulating Transit Trade between the states of the Arab League. It is more elaborate and comprehensive than its predecessor. Among the provisions of the new Convention, the following are worth noting:

- Exemption from customs duties, taxes with similar effect, and waiving of non-tariff restrictions on animal and agricultural products, mineral and non-mineral raw materials, semi-manufactures, and commodities produced by Arab Joint Ventures, established within the frame of the Arab league and affiliated organizations.

- Gradual tariff exemption for manufactured goods.

- Graduated protection of Arab commodities and products against competition of similar and substitute non-Arab goods.

- Right of each state party to the Convention to grant preferential treatment to any other Arab country, whether through bilateral or multilateral arrangements.

1/ The first agreement was approved by the Arab Economic and Social Council of the Arab League in 1981 (Resolution 848/D.30/c.3-27/2/1981) and the second agreement was approved by the Eeleventh Arab Summit Meeting (Amman, November 1980).

2/ The Convention came into force on 26 November 1982 following its ratification by five Arab states (Tunis, United Arab Emirates, Iraq, the Libyan Arab Jamahiriya and Yemen). Subsequently, the Convention was ratified by Jordan, Kuwait, Saudi Arabia and the Palestine Liberation Organization.

- In addition to trade liberalization, the aims of the Convention include coordinated linkage between production and exchange, particularly through the provision of financing necessary for production; equitable distribution of benefits and costs arising from the application of the Convention; and, taking into consideration the developmental circumstances of member countries, especially the least developed among them (as specified by the Council) the products of which to be accorded preferential treatment.

The following observations apear relevant in connexion with the above. First, the aims of the Convention include a number of issues - such as the establishment of a common external tariff and the equitable distribution of costs and benefits - which have been at the centre of the preoccupations of regional groupings and concerned organizations, and for which workable solutions still need to be found.

Second, the call of the Convention to take into consideration the circumstances of the various parties adhering to it could, in practice, set serious limtiations on the ultimate scope of agreed commitments. Flexibility in this respect could perhaps have been introduced through provisions enabling the contracting parties to adhere to certain parts of the Convention, rather than be faced with the choice, as it is, of full adherence or rejection.

The Unified Agreement for the Investment of Arab Capital 1/ contains, in addition to the provisions relating to the treatment to be accorded to Arab Investments, clauses on the guarantee of investments and the settlement of disputes 2/. The agreement was prompted by the ineffectiveness of earlier arrangements 3/.

1/ The Agreement came into force on 9 September 1981 following its ratification by five member states (Bahrain, Jordan, Saudi Arabia, Tunis and Yemen). They were followed by Iraq, United Arab Emirates, Kuwait, Libyan Arab jamahiriya, Qatar, Sudan and the Palestine Liberation Organization.

2/ For details, see: League of Arab States, General Secretariat, Department of Economic Affairs, the Unified Agreement for the Investment of Arab Capital in the Arab Countries (in Arabic).

3/ These are, in order of their effective dates: the Agreement on Investment and Transfer of Arab Capital (1971); Agreement on Avoidance of Double Taxation and Tax Evasion (1975); and, Agreement on the Settlement of Disputes between Host Countries and Arab Investors (1976).

In assessing the possible impact of the Agreement on inter-Arab capital flows, the following points should be borne in mind:

- The Agreement states (Article 22) that the Inter-Arab Investment Guarantee Corporation shall insure the funds invested in accordance with its provisions. Given the fact that virtually all the resources at the disposal of the Corporation have been committed, the augmentation of these resources will be an important indication of the seriousness with which the implementation of the Agreement will be pursued.

- The escape clause provisions (Article 19) enable a country party to the Agreement, in a situation of extreme necessity, to suspend on an urgent basis the application of some clauses of the Agreement. However, the conditions under which such an action may be justified are not spelled out.

- It appears (Article 5) that the definition of investment coverage is limited to the shares held by non-nationals as stipulated by the laws of the countries concerned. While this may be largely inevitable it, nevertheless, can act to deter would-be investors.

- While the Agreement guarantees ownership rights, it allows (Article 9) expropriation for considerations related to public interest without, however, specifying what these situations could be.

- While the Agreement represents an effort to provide a legal legislative framework for the investment of Arab capital, the fact remains that the flaw does not lie essentially in deficient legislature as much as in actual practices and procedures resulting in a poor investment environment and lack of confidence.

It is interesting to note the endorsement of both agreements by the Gulf countries reflecting, *inter alia*, their concern with ensuring outlets for their emerging exports, petrochemicals notably, and promoting a healthy investment climate.

The period reviewed saw also the conclusion of a number of *bilateral* trade and economic cooperation agreements (Annex II) between countries of Western Asia. These agreements have generally involved

Iraq and Jordan, or one of them and a partner from the Gulf area. This is explainable in terms of the close political 1/ and economic relations which have evolved in the past few years between the two countries; and the importance of the Gulf sub-region for Jordan as a major export outlet and employer of Jordanian labour, and for Iraq as a direct and indirect (through transit) source of imports.

D. An Expanding Role for the Private Sector

Arguments advocating a more active role for the private sector in regional economic cooperation have steadily gained grounds in recent years prompted by a number of considerations including: (a) the growing potential of the private sector to play an effective role in regional cooperation, stemming from its ability to mobilize and invest substantial savings as illustrated by the establishment and operations of several investment companies and consortia in the Gulf area, notably in Kuwait and Bahrain; (b) the concentration of investible funds in predominantly market-oriented economies and the generally more attractive "investment climate" prevailing in similarly-oriented deficit economies; (c) the weakening of the notion that Arab economic cooperation is basically an intergovernmental domain, reflecting the limited progress achieved by following that path; and, (d) the continuing arguments expounding the merits of greater private sector involvement by Arab economists and private sector organizations, with the Union of Arab Chambers of Commerce, Industry and Agriculture palying a leading and pioneering role.

The "formal" recognition of the importance of a larger private sector participation 2/ is reflected in the approval by the Eleventh Arab Summit Meeting of the Unified Agreement for the Investment of Arab Capital in the Arab Countries (see Section C), and the joint organization

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1/ Improved political relations between each of Iraq and Jordan, on the one hand, and Egypt, on the other hand, have been mirrored in a resumption of trade relations. Thus, Jordan and Egypt are reported to have resurrected the bilateral 1978 Protocol (December 1983) officially endorsing inter-state trade for the first time since the Camp David Accords. Also, Iraq and Egypt signed a protocol in August 1983 providing for a $35 million of trade involving exchange of Egyptian textiles for sulphur and phosphates from Iraq.

2/ An earlier important step in the same direction was the setting up in 1975 of the Inter-Arab Investment Guarantee Corporation. The operations of the Corporation, however, have been constrained by its relatively small, and virtually committed capital. Its impact on promoting private investment is also constrained by the fact that its insurance coverage does not extend to the domestic partner.

by the Arab League, the Union of Arab Chambers of Commerce, Industry and Agriculture and the Inter-Arab Investment Guarantee Corporation, of the First Conference of Arab Businessmen and Investors (Taif, Saudi Arabia, 30 March - 1 April 1982) and the decision to convene the Conference periodically 1/. More recently, this trend was reaffirmed by the Task Force established to promote agricultural development and food security through the establishment of joint ventures in its first meeting held in November 1983 2/.

Moreover, the issue has come to occupy an increasingly important place on the agenda of seminars, workshops and other meetings concerned with promoting inter-Arab economic cooperation.

The economic factors holding the flow of private capital for productive investment purposes have been amply documented. But inadequate attention seems to have been accorded to the perhaps equally-important associated psychological barriers. Many of the potential investors are inward-looking - reflecting lack of knowledge and experience, with external markets - and show preference for financial investments and for real estate and related activities, as against commodity - producing (agriculture and industry) activities. The latter preference can be explained not only in terms of the relative complexity of the activities in question, but also by the background of the would-be investors, being mostly traders rather than industrialists or entrepreneurs.

E. Institutional Developments

At the institutional level, a number of significant developments can be noted. First, the Economic and Social Council of the League of Arab States continued to reassert its role - relative to the Council of Arab Economic Unity (CAEU) as the focal point for inter-Arab cooperation. In part, this must be viewed against the fact that in contrast to the CAEU, its wider membership includes all the Gulf oil-exporting countries which have come to wield substantial financial and economic power since the 1973 adjustment of oil prices.

1/ The Conference called for the establishment of an Arab Company for Agricultural Investment; and three years earlier, the Union of Arab Chambers of Commerce, Industry and Agriculture sponsored the establishment of the Arab General Investment Company (see Annex I).

2/ The Task Force is chaired by the Arab Economic and Social Council with the Arab Fund for Economic and Social Development as its Secretariat and the membership fo the Council of Arab Economic Unity, the Arab Industrial Development Organization, the Union of Arab Chambers of Commerce, Industry and Agriculture, the Arab Organization for Industrial Development, the Arab Development Funds, the Inter-Arab Investment Guarantee Corporation and concerned Joint Ventures.

Second, there has been increasing cooperation and coordination in the activities and operations of the major Arab development funds, particularly in the area of co-financing 1/. This has also been reflected in technical assistance activities, loan management, exchange of information, undertaking of studies, project evaluation and the standardization of work procedures and documentation. Such cooperation has enabled the funds to make a more effective use of their "scarce" resource, namely, managerial and technical expertise.

Third, in an effort to accelerate the utilization of resources and enhance the efficiency of operations, the Arab Investment Company (Riyadh) opened in 1983 representative offices in each of Jordan and Tunisia. The intention is to help in identifying new investment opportunities and follow up on existing projects, as well as establishing close working relations with participants in these projects, government agencies and local regional financial institutions and with businessmen with whom cooperation could be envisaged for setting up joint projects. The Government of Bahrain has also agreed to permit the Company to open a branch in addition to its granitng of permission to operate an "offshore" banking unit. Similarly the Arab Company for Livestock Development (Damascus) opened in 1982 a regional office in Riyadh to supervise its projects in each of Sudan, Saudi Arabia, the United Arab Emirates and Yemen, in addition to the preparation of project studies and engineering design. The Inter-Arab Investment Guarantee Corporation also has plans to open offices in Saudi Arabia and the United Arab Emirates to be closer to potential investors.

Fourth, the Industrial Development Centre for Arab States (IDCAS) was transformed into the Arab Organization for Industrial Development (AIDO). Also, the OPEC Special Fund was converted into a permanent international agency for technical cooperation and development under the name of the OPEC Fund.

The authorized capital of the Arab Fund for Economic and Social Development was doubled to KD 800 million as of 1 March 1983. Similarly the capital of the Arab Monetary Fund was (April 1983) more than doubled to 600 million Arab accounting dinars (about $2 billion) from 288 million dinars (about $950 million).

The region appears - in terms of numbers and envisaged activities - to be well-endowed with institutions geared to promote cooperation among

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1/ The volume of joint financing covering some 90 projects amounted to KD 186 million at the end of 1982.

its members. However, the overall impact in this respect has remained rather limited and much below expectations. While not arguing against the setting up of new institutions, efforts could more usefully concentrate on building up the effectiveness of existing institutions, devoting particular attention to the manpower aspect.

F. Resource Transfers

The rapid accumulation of financial resources since 1973 has stimulated new interest in the potential of Arab economic cooperation by focusing on these countries' interdependence and the complementarities linking their economies, and by opening up a wide spectrum of cooperation possibilities.

However, the flow of funds within the region for productive investment remained modest, both relative to the overall magnitude of available resources and to investment opportunities, reflecting the hesitation of the private sector to invest within the region, and the nature of official flows. These have been largely shaped by governmental decisions and attitudes, and used basically as instruments of national policy, or in response to regional security considerations and other political developments emanating from joint Arab decisions.

The dominance of non-economic influences in the disbursement of Arab financial assistance is reflected in the allocation of aid flows. These have largely benefited countries with which the donors have special ties and relations rooted in common security preoccupations and/or religious, ethnic and cultural ties (mainly Arab and Islamic countries in Asia and Africa and a limited number of other developing countries). Political considerations are also evident in the preference for channelling aid bilaterally, predominantly in the form of non-project assistance, and in the concentration of individual donor's aid on particular countries. These features, in turn, partly explain the observed irregularity of some flows and the large variations in their size and overtime and their interruption or discontinuation at times.

Moreover, the disbursement of official aid has not generally been undertaken within a long-term developmental or regional perspective. Rather, it has been strongly influenced by the level of earnings 1/ from

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1/ This is not necessarily the case with assistance disbursed by national and multilateral aid institutions set up by the Arab donors. The resources available to these institutions, being determined by previously made capital commitments and accumulated reserves, are, in the short and medium-term at least, insulated from the effects of fluctuations in export earnings.

exporting oil - sometimes with a lag - as evidenced by the upsurge in aid flows in the period immediately following the adjustment of oil prices in 1973 and 1980, their levelling off in 1979 and sharp decline in the 1981-1982 period.

In view of the paucity of documented information on private capital movements inside the region, the discussion which follows deals mainly with bilateral official assistance for which relatively systematic information is available 1/; statistical information on assistance handled through multilateral channels being readily available only for the component disbursed through Arab aid institutions.

Concessional assistance flows from the region's five members of the Organization of Petroleum Exporting Countries (OPEC), namely, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates peaked in 1980, reaching $ 9,137 million, but declined sharply in the subsequent two years to $ 6,537 million in 1982 (Table 1). The setback reflected the impact of unfavourable developments affecting the oil sector, and the virtual cessation of Iraqi aid following the outbreak of war with Iran in September 1980. Only Kuwait managed to raise the level of its aid in 1982 by about $ 140 million from the previous year.

The proportion of GNP of the ECWA donors devoted to concessional assistance has been falling over the past 3-4 years and seems unlikely to revert in the near future to the high levels attained earlier (Table 1). Nevertheless, their performance compares very favourably with that of the members of the Development Assistance Committee (DAC) of OECD where net official development assistance (ODA) flows represented 0.38 per cent of their combined GNP in 1982. Aid flows from the ECWA countries,

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1/ This information, published regularly by the secretariat of the Organization for Economic Cooperation and Development (OECD), has itself been subject to substantial revisions (see, for example, OECD, Development Cooperation, 1982 and 1983 reviews).

Table -1. Concessional Assistance by ECWA Countries Members of OPEC, 1975-1982

(Net disbursements)

	1975	1976	1977	1978	1979	1980	1981	1982 a/
				$ million				
Iraq	215	231	62	172	847	876	148	-
Kuwait	946	531	1292	978	971	1140	1154	1295
Qatar	338	195	189	98	287	269	248	251
Saudi Arabia	2756	3028	3086	5464	4238	5943	5664	4428
United Arab Emirates	1046	1021	1052	885	970	909	811	563
Total	5301	5006	5681	7597	7313	9137	8025	6537
				As percent of CNP				
Iraq	1.62	1.44	0.33	0.76	2.53	2.39	(0.40)	-
Kuwait	7.40	3.63	8.10	5.46	3.50	3.40	3.55	4.86
Qatar	15.58	7.95	7.56	3.38	6.18	4.03	3.75	(3.80)
Saudi Arabia	7.76	6.46	5.24	8.39	5.55	5.09	3.58	2.82
United Arab Emirates	11.68	8.88	7.23	6.35	5.09	3.30	2.88	2.06

Source: Organization for Economic Cooperation and Development (OECD), Statistical Annex (Development Cooperation, 1983 Review).

a) Provisional.

- = Nil or negligible.

( ) = OECD Secretariat estimates.

moreover, have almost invariably and largely surpassed the 0.7 per cent target of the International Development Strategy 1/ (IDS) for ODA from developed to developing countries.

Financial assistance extended by the ECWA countries has been dominated by Saudi Arabia whose share in total concessionary aid supplied by the five ECWA/OPEC members between 1975-1982 amounted to 63.4 per cent. Since 1974, this country has ranked as the second largest aid donor.

Concessional aid extended by the ECWA countries members of OPEC has been overwhelmingly bilateral (Table 2), reflecting the importance of the grant component in overall aid flows. For instance, the share of bilateral flows in total concessionary assistance from the ECWA/OPEC members amounted to 93.2 per cent in 1981. This share declined to 84.9 per cent in 1982 while that of multilateral flows increased both in relative and absolute terms. It would appear that the brunt of a decline in aid is borne by bilateral flows because of the relative ease with which they can be manipulated by the donor and the relative rigidity of the much smaller multilateral commitments.

More than 38 per cent of OPEC 2/ bilateral aid from 1979 to 1982 is unallocated geographically. Of the allocated portion (Table 3), the ECWA region, excluding Egypt 3/, has had the largest share with the Syrian Arab Republic leading, followed by Jordan and to a lesser extent Yemen. During the same period, the share going to other Arab countries fluctuated between 9.1 per cent and 15.9 per cent. Both shares have, however, been following a declining trend in recent years in favour of other developing countries notably in Africa and Asia.

1/ The IDs, in its paragraph 24, calls for "a rapid and substantial increase ... in official development asisstance by all developed countries, with a view to reaching and where possible surpassing the agreed international target of 0.7 per cent of the gross national product of developed countries." The Strategy urges developed countries which have not yet attained the target to do so by 1985, but not later than the second half of the decade, and to reach the target of 1 per cent as soon as possible thereafter. The Strategy also calls upon developing countries "in a position to do so to continue to provide assistance to other developing countries." It stresses on the need to direct assistance to the least developed countries and other special categories where needs and problems are greatest.

2/ OPEC aid is dominated by the Arab donors whose share in the total averaged close to 95 per cent during 1979-1982.

3/ Egypt received virtually no aid after 1979.

Table -2. Concessional **Assistance** by **ECWA** Countries Members of OPEC

Channelled Bilaterally and Multilaterally, 1981-1982

(Net disbursements; millions of dollars)

Donor Country	1981 Total	1981 Bilateral	1981 Multilateral	1982 Total	1982 Bilateral	1982 Multilateral	Percentage Share of bilateral flows 1981	Percentage Share of bilateral flows 1982
Iraq	147.5	121.7	25.8	-	-25.0	25.0	82.5	-
Kuwait	1154.1	1009.4	144.7	1294.6	989.5	305.1	87.5	76.4
Qatar	248.4	229.9	18.5	250.5	212.1	38.4	92.6	84.7
Saudi Arabia	5664.2	5359.4	304.8	4428.1	3907.0	521.1	94.6	88.2
United Arab Emirates	810.6	760.7	49.7	562.9	466.5	96.4	93.8	82.7
Total	8024.8	7481.1	543.7	6536.1	5550.1	986.0	93.2	84.9

Source: Organization for Economic Cooperation and Development (OECD), Statistical Annex (Development Cooperation: 1983 Review).

Table 3. Geographical Distribution of Concessional Aid Flows from OPEC Donors, 1979-1982

(Net disbursements)

	$ million				Percentages			
	1979	1980	1981	1982 a/	1979	1980	1981	1982 a/
ECWA countries	3423.4	3634.9	2772.8	2361.5	49.2	41.6	36.4	42.9
Egypt	166.4	4.8	-18.3	-17.2	2.4	-	-0.2	-0.3
Bahrain	97.1	147.4	138.9	79.7	1.4	1.7	1.8	1.4
Jordan	1123.0	1127.8	911.1	709.1	16.3	12.9	12.0	12.9
Lebanon	57.2	193.2	374.4	112.1	0.8	2.2	4.9	2.0
Oman	168.2	164.7	230.3	120.3	2.4	1.9	3.0	2.2
Syrian Arab Republic	1632.7	1654.8	874.9	1057.5	23.4	19.0	11.5	19.2
Democratic Yemen	24.6	49.9	45.6	66.4	0.3	0.6	0.6	1.2
Yemen	156.2	294.4	215.8	235.2	2.2	3.4	2.8	4.3
Other Arab Countries	1000.5	1079.0	692.6	875.1	14.4	12.3	9.1	15.9
Unallocated	2330.7	3074.0	3644.5	2054.3	33.5	35.2	47.9	37.3
Total	6962.3	8732.4	7612.2	5507.0				

Source: Organization for Economic Cooperation and Development, Statistical Annex (Development Cooperation, 1983 Review).

a/ Provisional

The bulk of bilateral assistance continues to be channelled through intergovernmental agreements, though an increasing portion is being channelled through national aid agencies. The role of these agencies has, nevertheless, remained relatively modest reflecting the fact that a high share of aid takes the form of cash grants over which they have no control, and the concentration of their operations on project assistance which is a time-consuming process.

Non-project assistance, consisting overwhelmingly of budget and balance of payments support, has in recent years accounted for about four-fifths of total OPEC bilateral concessional commitments (Table 4), the balance going to infrastructure projects. The predominance of budget and balance of payments support, relative to other forms of aid, implies minimal preparations and follow-up once the aid decision is made. However, the developmental impact of such aid is difficult to assess unlike the more specific project-oriented assistance.

Table 4. Sectoral Distribution of Bilateral Concessional Commitments by OPEC Donors, 1978-1981
(In per cent of total)

	1978	1979	1980	1981
Non-project assistance	79.8	76.4	84.9	79.8
of which:				
General Support	76.9	65.4	78.5	75.2
Project assistance	20.2	23.6	15.1	20.2

Source: Organization for Economic Cooperation and Development, Aid from OPEC Countries (Paris, 1983)

Project assistance has remained the domain of Arab aid agencies, whether national or multilateral. These agencies have in recent years stepped up their operations enabled by the sizable increases in their resources, enactment of legislation expanding the geographic scope of their activities and co-financing arrangements among themselves and with other leading international aid institutions. The cumulative commitments made by eight institutions (Table 5) up to the end of 1982 amounted to $ 16.5 billion. The sectoral distribution of these commitments leans heavily towards transport and communications as well as power and electricity. Their geographical distribution, while continuing to show strong preference in favour of Arab countries, has been showing a discernible shift in favour of African and Asian developing countries whose share in total cumulative commitments increased from an average of 38.9 per cent in 1977-1979 to 58.1 per cent in 1980-1982. In part, this is a reflection of the setting up of institutions the scope of activities of which is not primarily directed towards the Arab countries (e.g., the Islamic Development Bank).

There is no doubt that the absorption of funds within the region could be raised through a more effective exploitation of the potential of regional cooperation. The process could be enhanced by bearing inter alia, the following considerations in mind. First, to the extent that existing constraints are a reflection of inter-country differences in socio-political philosophies and systems and, consequently, are not likely to be amenable to a rapid change, then attempts to promote intra-regional investment flows that ignore this fact could prove counter-productive and frustrating. Second, there is a tendency to gloss over the distinction between private and public flows. A better understanding of the issues involved and remedies needed could be gained from such a distinction because of differences in the premises governing the use of each type of funds and in the conditions that induce its flow. Third, the obstacles to intra-regional capital movements usually cited conveys the impression that the responsibility lies solely with the would-be recipient countries. While this may be largely correct there is, however, a need also to consider possible obstacles that emanate from policies or attitudes prevailing in the potential source of finance.

At the same time, equal attention at least should be focused on extra-regional investments, with special consideration related to their safety and remuneration. In this respect, the surplus countries in the region have a great stake in promoting international economic and political stability. Accordingly, the effective presence of member countries in relevant international negotiating fora is essential. Their efforts in this respect would be greatly helped if supported by other developing countries. This, in turn, would largely depend on the active support the ECWA countries for the major preoccupations of other third world countries, including the extension of financial assistance.

Table -5. Arab Aid Institutions: Cumulative Distribution of Development Financing Operations (Commitments) until 31/12/1982

	$ million	Percent
A. Sectoral distribution		
Transport and telecommunications	3983	24.1
Power and electricity	4461	27.0
Water and sewerage	800	4.8
Agriculture and Livestock	2472	15.0
Industry and mining	2817	17.1
Other	1975	12.0
Total	16509	100.0
B. Geographical Distribution a/		
ECWA countries	3534	21.4
Other Arab countries	4931	29.9
Developing countries in:		
Africa	3330	20.2
Asia	4329	26.2
Latin America	315	1.9
Other	70	0.4
Total	16509	100.4

	$ million	Percent
C. By institution		
Islamic Development Bank	2451	14.8
Abu Dhabi Fund for Arab Economic Development	1004	6.1
OPEC Fund for International Development	1629	9.9
Saudi Fund for Development	3786	22.9
Iraqi Fund for External Development	1733	10.5
Arab Fund for Economic and Social Development	1566	9.5
Kuwait Fund for Arab Economic Development	3866	23.4
Arab Bank for Economic Development in Africa	474	2.9
Total	16509	100.0

Source: The Unified Arab Economic Report, 1983.

a/ Among the Arab countries the leading beneficiaries were Jordan (6.2 percent) followed by Morocco (6.0 percent), Yemen (5.6 percent), Tunisia (5.2 percent), Egypt (4.6 percent), Sudan (4.5 percent) and Mauritania (3.8 percent).

G. Labour Movements

Less conspicuous, but perhaps equally or more significant than financial flows, has been the large movement of manpower from the labour surplus countries in the direction of the Gulf sub-region mainly. The importance of intraregional labour flows derives not only from the contribution they make to the process of development in the receiving countries and to the balance of payments and savings of the countries of origin, but also from the fact that workers' remittances represent an income earned from rendering services to the host country. Hence, they are likely to be less affected by non-economic considerations in contrast to the more volatile and unstable financial flows.

While the intraregional flow of labour has served the interests of both the supplying and the receiving countries, the massive labour flows witnessed in recent years have not been free of drawbacks. The labour-importing countries have had to deal with mounting economic and socio-political costs as a consequence of accommodating large numbers of expatriates, while the demand pressure on the suppliers of labour has turned them into importers of certain types of labour, and caused the emergence of undesirable consequences, e.g., declining agricultural output and high inflationary pressures. Moreover, the shift in the skill requirements of some labour-importing countries carry possibilities of displacement as cheaper non-Arab labour compete with labour from the region. Despite these undesirable consequences, the extensive movement of labour within the region has created a situation of mutually beneficial interdependence for all the countries concerned.

The new labour demand-supply relationship emerging in the region, the declining trend in the region's share in the supply of labour, and the imbalances in the region's requirements of skills and their supply call for concerted effort by both the labour-importing and labour-exporting countries to develop a long-term perspective of the region's manpower needs and the best way of meeting them. The effort could usefully begin with manpower planning at the national level, delineating priority areas along with clear-cut employment policies. The countries involved could then enter into bilateral agreements embodying legislative provisions aimed at governing the flow of labour across national boundaries. Such an arrangement could also enable them to exploit their comparative advantage to promote cooperation among themselves and protect the rights of Arab labour vis-à-vis non-Arab labour. Furthermore, the situation calls for concerted efforts to increase co-operation in educational, scientific and technical areas. Progress in all these fronts will undoubtedly provide the basis for initiating collective action within the framework of multilateral agreements at the regional level.

Bilateral or multilateral agreements designed to regulate intra-regional labour movements, resulting in better planned and orderly policies, should help in evening out fluctuations, render remittances more predictable and "return" migration less painful. It should also help to reduce the social costs associated with massive labour flows.

The urgency of action in this respect has been rendered more pressing by the recent slowdown in economic activity in the labour-importing countries the impact of which is already felt in lower workers' remittances.

Conclusions

The experience with Arab regional economic cooperation, until the early nineteen seventies, was dominated by efforts to liberalize and facilitate the flow of trade. The overall approach was often too ambitious and comprehensive with respect to both objectives and geographic scope. The proposals generally lacked the necessary flexibility to allow for the wide differences in the situations of various countries. These proposals were offered on a full adherence or rejection basis and the would-be contracting parties did not have the choice to adhere to parts thereof for which they were ready. Witness, in this respect, the example of the Arab Common Market agreement the membership and effectiveness of which have reamined very limited despite efforts by the Council of Arab Economic Unity (CAEU) extending over a period of two decades. Another drawback of these earlier efforts resided in the fact that the decisions adopted by the institutional machinery (e.g., the CAEU) were not binding on member countries. In other words, political rather than technical considerations were the decisive factor.

The earlier experience also leaned very heavily on intergovernmental action reflecting perhaps the dominant economic and social philosophies prevailing at the time in the regionally more active countries, namely, Egypt, Iraq and the Syrian Arab Republic. Regional economic cooperation was basically viewed, and pursued, as a matter between governments with a limited role for the private sector to play. Moreover, these efforts suffered from absence of support by "interest" groups, such as producers' associations which emerged subsequently.

While the approaches discussed above reflected the prevailing thinking and trends in regional cooperation at the time, which assigned a leading role to trade liberalization and government action, options must have been limited by the lack of financial resources.

The adjustment in oil prices in 1973 and 1974 and the subsequent accumulation of substantial financial resources have altered the old equations and opened a wide spectrum of cooperation possibilities. It should be noted, however, that this has not led to abandoning entirely the pursuit of earlier lines of action - notably trade liberalization and freedom of capital movement. This is evidenced by the recent introduction of a new Convention for Facilitating and Developing Trade between Arab States - in place of the 1953 Convention - and the Unified Agreement for the Investment of Arab Capital - to supersede the various agreements concluded thereto. Again, many countries have yet to ratify the two agreements - not to mention their implementation ultimately. But it is interesting to note the support by the Gulf countries for the two agreements reflecting, inter alia, their growing concern with ensuring outlets for their emerging exports, petrochemicals notably, and promoting a healthy investment climate.

The current phase in Arab economic cooperation 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 the following may be mentioned: the growing support for sub-regional cooperation; increased involvement of the private sector in the cooperative process; emergence of a consensus 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.

Several of these features, it is worth noting, can be related in one way or the other to the emergence of the Gulf oil-producing countries as a major economic and financial influence in the region.

Sub-regional Cooperation

The most significant development in this respect 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 implications for economic cooperations in Western Asia, and in the wider Arab context, cannot be over-emphasized. The GCC member states 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 since its inception about three years earlier 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.

Private Sector Involvement

Arguments advocating a more active role for the private sector in regional economic cooperation have steadily gained grounds in recent years to the extent of receiving explicit expression of support from the Arab Economic and Social Council. While the weakening of the notion that Arab Economic Cooperation is basically an intergovernmental domain - reflecting the limited progress achieved by following that path - must have contributed to this, the explanation should be thought in changed economic realities including: the growing potential and ability of the private sector to mobilize and invest substantial savings; the concentration of investible funds (both public and private) in predominantly market-oriented economies; and, the generally more attractive "investment climate" prevailing in similarly disposed economies. The issue is how to make best use of this potential. In this, great hopes have come to be pinned on joint ventures.

Joint Ventures

In reviewing the operations of inter-Arab joint ventures (JVs) a number of issues relating to their formation and operation, and ultimately on their effectiveness, emerge.

The objectives of some major intergovernmental JVs place considerable emphasis on "strategic" considerations such as man-power training and acquisition of know-how. Their sponsors, however, seem to have failed to indicate the importance of this dimension relative to financial profitability. This has led to difficulties in assessing the effectiveness of operations and should, therefore, be avoided whenever possible.

Some of the major intergovernmental JVs seem also to be over-endowed with financial resources relative to their ability to spend as judged by the experience so far. In part, this could be related to the very broad nature of their mandates. A faster and more effective utilization of resources could result from defining more narrowly the scope of their operations.

The link between the ownership of capital, selection of higher management cadres, and the possibility of governments interfering in the operations of JVs has been a crucial concern. This stems, on the one hand, from the observation that ownership of capital and managerial skills do not necessarily go together and, on the other hand, because government interference could result in restricting the freedom of decision-making.

The momentum of establishing large intergovernmental JVs with broad mandates - which reached its peak around the mid-1970s - appears to have slowed down. This could be interpreted largely in terms of the weakening enthusiasm for JVs with a large membership and, therefore, more diffused decision-making power, and broad functions, and the emergence of apparently more attractive combinations characterized by having both fewer members and private sector participation, and more specific mandates. The move towards more "compact" types of JVs reflects the difficulties experienced with setting up and operating JVs with a large number of participants and broadly defined scope of activities.

That competition from similar national enterprises could pose a serious threat to the success of JVs, especially where large investments and world-wide competition are involved, or where the project is regionally export-oriented, are supported by the experience of the Arab Maritime Petroleum Transport Company (AMPTC). In contrast, building on the experience of national enterprises has proven to be advantageous as illustrated by the case of the United Arab Shipping Company. Avoiding harmful competition and ensuring market access could be achieved by sharing in existing enterprises as, for example, has been done by Saudi Arabia with respect to Aluminum Bahrain (ALBA).

Claims by JVs for preferential treatment invoking the "infant" industry argument are not infrequent. These, however, ought to be considered on a case-by-case basis and care should be exercised unless they become permanent features. The argument for governmental support is stronger in the case of JVs whose operations result in benefits to the economy which would not normally appear in their profit or loss accounts (e.g., training).

The experience of the holding-type JVs in setting up "second-generation" projects reveals marked variations in achievements and approach. The "second-generation" projects have generally been national in scope and intended basically to cater to domestic needs. In some cases, as the Arab Company for Livestock Development, definite preference has been shown for wholly-owned projects or majority sharing. In others, minority share-holding, as in the Arab Mining Company, or a combination of minority sharing with lending, as with Arab Investment Company, was preferred.

Other things being the same, full ownership or majority equity participation implies a more active role in the development of a project from conception to operation which should promote learning by doing. This is in line with the intended aim of the holding-type JVs to act as project generators. Such an aim could also be served if minority participation and associated expertise are essential for getting a project off the ground; in the event, the sharing could ultimately be withdrawn to free resources for other uses.

The field of operations of some major intergovernmental JVs has remained broad in terms of projects entered into, thus foregoing the benefits of learning by doing. The experience so far and the slow pace of progress argue in favour of defining more narrowly the fields of concern. In several instances, this could be done without necessarily having to commit new resources by redeploying unused funds.

Resource Transfers

Financial flows have perhaps been the most conspicuous feature of economic relations between countries of Western Asia in recent years. These flows have constituted a major influence in the balance of payments of the deficit member countries and in their capacity to import. However, the flow of funds for investment purposes remained modest, reflecting the hesitation of the private sector to venture beyond national bounds and the dominance of non-economic considerations and, hence, non-project assistance, notably budget and balance of payments support, in the disbursement of official aid. Moreover, official aid was not generally undertaken within a long-term and regional development perspective. Rather, it was strongly influenced by the level of current export earnings; hence, the observed irregularity and at times interruption of some flows, and large variations in their size and over time.

The prospects that a larger share of official aid be devoted to investment projects will largely depend - given present policies - on the ability of Arab national and multilateral aid agencies to expedite the disbursement of their loan and technical assistance aid. This, in turn, is a function of the availability of suitable projects and expert manpower needed to process aid disbursements. While some notable progress has been made in this respect, the process can be expected to pick up momentum only gradually.

Governments have channelled the bulk of their investment aid through their national/multilateral aid institutions and participation in joint ventures. Many of these joint ventures, it should be noted, were the outcome of political rapprochement to start with. Given the likely continuation of present policies, efforts should be directed towards inducing the private sector to invest increasingly in productive ventures inside the region.

The flow of private capital faces constraints varying from one country to another. These impediments have their origin either in the lack of investment opportunities or knowledge about them, and in the existence of what has come to be known as unfavourable "investment climate" - itself a convenient label for a constellation of economic and political factors. In this connexion, therefore, it is not sufficient to suggest the setting up of institutions in the surplus countries to collect and channel private savings. The experience in this area indicates that the savings thus mobilized have been largely invested outside the Arab region, and that such direct investment and equity participation as there has been in the region have concentrated on few countries and have gone to real estate, property development and banking. Similarly, the solution is unlikely to come through the enactment of new legislation or the setting up of institutions to guarantee the safety of investments, though such steps will no doubt help. The crucial issue is how to overcome the "psychological" barrier inhibiting the flow of private capital. To a considerable extent, this will depend on having governments of the potential recipients enunciate clear, well-defined and enduring policies regarding the role of the private sector as confidence can only be built up slowly.

Labour Movements

Less conspicuous, but perhaps equally or more significant than financial flows, has been the large movement of manpower from the labour surplus countries in the direction of the Gulf sub-region mainly. The importance of intraregional labour flows derives not only from the contribution they make to the process of development in the receiving countries and to the balance of payments and savings of the countries of origin, but also from the fact that workers' remittances represent an income earned from rendering services to the host country. Hence, they are likely to be less affected by non-economic considerations, in contrast to the more volatile and unstable financial aid flows.

While the intraregional flow of labour has served the interests of both the supplying and the receiving countries, the massive labour flows witnessed in recent years have not been free of drawbacks. The labour-importing countries have had to deal with mounting economic and socio-political costs as a consequence of accommodating large numbers of expatriates, while the demand pressure on the suppliers of labour has turned them into importers of certain types of labour, and caused the emergence of undesirable consequences, e.g., declining agricultural output and high inflationary pressures.

The new labour demand-supply relationship emerging in the region, the declining trend in the region's share in the supply of labour, and the imbalances in the region's requirements of skills and their supply call for concerted effort by both the labour-importing and labour-exporting countries to develop a long-term perspective of the region's manpower needs and the best way of meeting them. The urgency of action in this respect has been rendered more pressing by the recent slowdown in economic activity in the labour-importing countries the impact of which is already felt in lower workers' remittances.

Institution Building and Change

The region appears - in terms of numbers and envisaged activities - to be relatively well-endowed with institutions, both of the coordinating and development financing types. While not arguing against the setting up of new institutions, efforts could more beneficially concentrate on building up the effectiveness of existing ones, devoting particular attention to manpower development which appears to be the most important single constraint. Efforts could also be directed at avoiding duplication and pooling up of expertise through closer coordination as has been taking place among the development funds.

At the level of inter-governmental machinery concerned with regional cooperation, attention is drawn to the re-asserted position of the Arab Economic and Social Council as the focal point for inter-Arab economic cooperation. In part, this must be viewed against the fact that in contrast to the Council of Arab Economic Unity, its wider membership includes the Gulf oil-exporting states.

Political Factors

Political considerations have worked both in favour and against inter-Arab economic cooperation. However, their overall impact has adversely affected the process and frustrated many initiatives. This negative impact has arisen mainly from a generally weak political commitment which have obstructed implementation, and uncertainty regarding the continuity of integration measures created by unstable and shifting political relations.

The crucial issue is how to isolate economic cooperation efforts at various levels from the vicissitudes of political relations. One way is to avoid hasty commitments motivated by momentary considerations. Revoking such engagements could have a cumulative negative effect on further efforts to promote cooperation. Another is to ensure that sufficient economic interest and momentum are generated so as to reduce the chances of revoking agreements and commitments. This is illustrated by the fact that strained political relations between Jordan and the Syrian Arab Republic have not prevented some of the more important joint ventures (e.g., the Syrian-Jordanian Industrial Company) conceived within the frame of their 1975 economic and trade cooperation agreement from coming into being and even expanding their activities.

ANNEX I

Some Major Joint Ventures (JVs) among Arab Countries of Western Asia, 1979-1982

(by sector)

Sector	Name	Sponsor	Participation	Authorized Capital	Nature of activities	Location/ Year of Establishment	Other
General							
	Arab General Investment Company	Union of Arab Chambers of Commerce, Industry and Agriculture	Chairman and Board members of Arab Chambers of Commerce, Industry and Agriculture as founders; Arab nationals, Governments and Companies	Dh 700 mn.	Mobilization of Arab savings and their invesment in subsidiary firms and/ or equity participation in industrial, agricultural, financial and commercial projects	Dubai 1979	Holding company with a Pan-Arab scope
	Gulf Investment Company	Private investors and firms from Bahrain and Kuwait	Large numbers(1743) of private investors and firms mainly from Kuwait and Bahrain, and some from other Gulf states	$ 500 mn.	Wide range of investment activities including finance, real estate, industry, commodities, agriculture, mining and tourism and related activities	Bahrain 1979	Authorized capital: $ 125 mn.at time of establishment
	Gulf Investment Corporation	Gulf Cooperation Council (GCC)	E qual shares by GCC member states	$ 2100 mn. to be paid over 5 years with first instalment by mid-November 1983	Investment in commercial, agricultural and industrial projects inside and outside the Gulf area	Kuwait 1982	Member states can sell up to 49% of their shares to their respective nationals
	Gulf Company for Arab Investment		Businessmen, firms and institutions from GCC states, plus Arab businessmen residing in the Gulf area	$ 500 mn. (paid: $ 50 mn.)	Investment in real estate,agriculture and industry, concentrating on setting up touristic complexes	Bahrain 1982	Geographical scope: Egypt, North Africa and South-east Asia

Sector	Name	Sponsor	Participation	Authorized Capital	Nature of activities	Location/ Year of Establishment	Other
Agriculture							
	Arab Company for Agricultural Investment	First Conference of Arab Businessmen and Investors	Mainly Arab private investors;Governments may participate in a minority capacity	$ 1000 mn.	Direct investment in agricultural projects; processing of agricultural products; trade in agricultural products and in machinery, equipment and fertilizers	Bahrain 1982	Pan Arab scope; bank to be set up to finance projects
Manufacturing							
	Gulf Petrochemicals Industries Company	Bahrain National Oil Company, Kuwait Petrochemical Industries Company and Saudi Basic Industries Corporation	Bahrain, Kuwait and as of June 1980, Saudi Arabia	BD 60 mn.	Production of methanol and ammonia	Bahrain 1979	Production planned for 1985 at rate of 1000 tons/day of each of methanol and ammonia
	Arab Iron and Steel Company	Arab Governments, Arab organizations and private and public investment firms from Bahrain, Iraq, Kuwait and UAE	Founders include: Arab Mining Co.; Kuwait Foreign Trading, Contracting and Investment Co.; Kuwait Metal Pipe Industries Co.; Al-Jazira Contracting and Investment Co.; General organization for Social Insurance (Bahrain); Al-Sharjah Group; Gulf Finance Centre; National Industries Co. (Kuwait); National Bank of Bahrain; Bank of Bahrain and Kuwait; and, Al-Ahli Commercial Bank	$ 160 mn. (paid: $ 105 mn.)	Transformation of iron ore into various products, starting with a pelletizing plant	Bahrain 1980	Start of operations planned for 1984

Sector	Name	Sponsor	Participation	Authorized Capital	Nature of activities	Location/ Year of Establishment	Other
	Gulf Pharmaceutical Industries Company	Government of Ras al-Khaima, Arab Company for Pharmaceutical Industries in Iraq, and private investors from the Gulf region		Dh 100 mn.	Manufacture of pharmaceutical products	Ras al-Khaima 1980	
	Gulf Aluminium Rolling Company	Gulf Organization for Industrial Consulting (GOIC)	20% each of Bahrain, Iraq, Kuwait and Saudi Arabia; 10% each of Oman and UAE	BD 24 mn.	Production of Aluminum Sheets and Strip	Bahrain 1981	Production planned for 1985 at 40000 tons/ year
	Ras al-Khaima Company for White Cement and Construction Materials		Gulf financial groups and nationals (Kuwait and UAE)	Dh 600 mn.	Production of white cement and building materials	Ras al-Khaima 1981	Capital fully paid
	Arab Company for White Cement	Syrian-Jordan Industrial Company	25% by public sector institutions/ organizations in each of Jordan and Syria, and 50% by the Syrian-Jordanian Industrial Company	JD 10 mn.	White cement	Jordan 1981	Production expected to start in 1984 at rate of 100,000 tons/ year
	Saudi-Kuwaiti Cement Manufacturing Company		45% of shares owned by Kuwaitis	$ 281 mn. (paid $ 188 mn.)		Saudi Arabia 1981	Authorized capital to be raised to SR 967.5 mn ($ 281.3 mn.) and paid-up capital to SR 645 mn. ($ 188 mn.).

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Sector	Name	Sponsor	Participation	Authorized Capital	Nature of activities	Location/ Year of Establishment	Other
	Fuel oil processing plant	Governments of Bahrain, Kuwait and Saudi Arabia	Government of Bahrain (40%), Kuwait Petroleum Authority (30%) and Petromin (30%)	$ 600 mn.	Processing of heavy fuel oil into lighter fuels and naphtha for export	Bahrain 1981	Expected to become operational in 1986 with a capacity of 80,000 barrels/ day
Services							
	Arab Insurance Group	Governments of Kuwait, Libya and UAE	Governments of Bahrain, Kuwait, Libya and UAE as equal partners	$ 3 bn. (paid: $ 150 mn.)	All types of insurance and related operations, concentrating initially on reinsurance	Bahrain 1980	International scope of operations
	Arab Banking Corporation	Governments of Kuwait, Libya and UAE	Ministry of Finance Kuwait ($ 250 mn.), Libyan Secretariat of Treasury ($ 250 mn.), and Abu Dhabi Investment Authority ($250 mn.).	$ 1000 mn.	Banking operations	Bahrain 1980	International scope of operations
	Consolidated Gulf Services and Industry Company		Public and private firms of Gulf states	$ 100 mn.	Contracting and engineering works and administration of ports and hospitals	Bahrain 1980	

Sector	Name	Sponsor	Participation	Authorized Capital	Nature of activities	Location/ Year of Establishment	Other
	Gulf Medical Projects Company		Private investors (chiefly from Sharjah and Kuwait) and London-based Hospital Affiliates	$ 19.5 mn.	Building hospitals and manufacturing and trading in pharmaceutical products	Bahrain 1980	
	Arab Engineering and Consulting Company	OAPEC	National oil companies of OAPEC states and Arab Petroleum Investments Corporation (APICORP)	$ 20 mn.	Provision of design, consultancy and training services in the engineering field	Abu Dhabi 1980	
	Arab International Insurance Company		Insurance Companies from Bahrain, Iraq, Oman, Qatar, Saudi Arabia and UAE	$ 10 mn.	Insurance	Bharain 1980	
Transport							
	Iraqi-Jordanian Land Transport Company	Governments of Iraq and Jordan	Shared equally by Governments of Iraq and Jordan	$ 50 mn.	Transport of merchandise from Aqaba port to Iraq	Jordan 1980	
	Arab Air Cargo	Governments of Iraq and Jordan	Shared equally by Governments of Iraq and Jordan	JD 20 mn.	Air freight	Jordan 1981	

Source: Compiled by the secretariat of the Economic Commission for Western Asia.

ANNEX II

Bilateral Agreements: 1979-1982

1. Technical cooperation agreement (January 1979) between the Syrian Arab Republic and the United Arab Emirates.

2. Technical cooperation agreement (February 1979) between Iraq and Saudi Arabia.

3. Telecommunications agreement (February 1979) between Bahrain and Qatar.

4. Agreement between Jordan and Yemen (May 1979) providing for cooperation in the field of information.

5. Agreements between Iraq (Iraq Inland Transport Company) and each of Jordan, Kuwait, and the United Arab Emirates for the use of their ports and territories for transiting goods into Iraq.

6. Trade and cooperation agreement between Iraq and Qatar (October 1979) providing for the establishment of joint projects and the facilitation of movement of their nationals and capital.

7. Cooperation agreement between Qatar and Saudi Arabia on production of petrochemicals and iron and steel.

8. Economic cooperation agreement (December 1980) between Oman and the United Arab Emirates providing for increasing trade and standardizing import specifications.

9. Economic and Trade cooperation agreement (January 1981) between Jordan and Qatar.

10. Trade Protocol (April 1981) between Iraq and Jordan calling for an increase in the quota of the Jordanian Trade Centre in Baghdad (from JD 4 million to JD 11 million); a loan to Jordan of JD 30 million for road construction; and, Iraqi investment of JD 11 million in Jordanian industries and joint ventures (to make durable goods such as refrigerators, aid-conditioners and agricultural equipment, as well as food packaging and wood processing).

11. Trade agreement (September 1982) between Bahrain and Iraq aiming at increasing the exchange of goods between the two countries and the elimination of customs duties in certain sectors. The two countries also approved other measures to encourage air transport and communication links and to provide for the exchange of technical expertise and training.

12. Agreement (September 1982) between Iraq and Jordan to form a JD 20 million industrial company. The company is to conduct feasibility studies for joint projects, deal in company shares in the two countries and promote trade. The company will be based in Amman but may have branches in both countries.

13. Labour agreement (October 1982) between Yemen and the United Arab Emirates according to which Yemeni workers in the United Arab Emirates will receive full legal rights afforded to nationals. The agreement, which is for a period of 5 years and automatically renewable, also stipulates strengthening cooperation in the areas of labour supply and exchange of information, as well as easing labour movement and work permit procedures.

14. Joint statement on trade cooperation (February 1983) between Iraq and Jordan signed at the end of the third session of the joint Iraqi-Jordanian Committee for economic and technical cooperation, covering terms relating to cooperation in the fields of trade, agriculture, irrigation, transport and industry. Accordingly, each of the Iraqi Trade Centre in Amman and that of Jordan in Baghdad will have a quota of JD 15 million for 1983.

15. Trade Protocol (August 1983) between Egypt and Iraq providing for $35 million worth of trade exchange involving Egyptian textiles and Iraqi sulphur and phosphates.

16. Trade Protocol (December 1983) between Egypt and Jordan reactivating the 1978 Protocol which was suspended following the Camp David Accords.