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FOR WESTERN ASIA**
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Restructuring of ESCWA Programmes

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ECONOMIC AND SOCIAL COMMISSION
FOR WESTERN ASIA

BACKGROUND DOCUMENT

**CONTRIBUTIONS BY
SUBSTANTIVE DIVISIONS
ON
DEVELOPMENT ISSUES AND PRIORITIES
IN THE E S C W A REGION¹**

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CONTRIBUTIONS BY SUBSTANTIVE DIVISIONS ON DEVELOPMENT ISSUES AND PRIORITIES IN THE E S C W A REGION

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I. JOINT FAO/ESCWA AGRICULTURE DIVISION

A. The Regional Setting

The ESCWA Region faces severe limitations in its endowment for agricultural development. The effective utilization of agricultural resources is hampered by a number of natural, technical and institutional constraints. Water shortage and degradation of agricultural resources are among the major plagues. The region is predominantly arid and semi-arid. And owing to the rapid population growth and erratic rainfall patterns, the demand for water is seriously approaching the limits of available resources.

The serious and alarming level of degradation of agricultural resources is of great concern. Soil erosion, depletion of underground aquifers, increased salinity and desertification are signs of the mere lack of sound policies and strategies for the management and the safe use of land, water and forest resources.

In the absence of effective frame-work for regional cooperation, most countries of the region have opted for food self-reliance at the national level, disregarding region wide opportunities for agricultural development stemming from the complementarity and the specialization of production according to region-wide comparative advantage. This has given rise to stunning disparities in the cost of resource utilization.

Policy interventions constitute another important factor affecting agricultural performance. Policies in the Region have generally been characterized by a strong urban bias. Food price controls, direct or indirect subsidization of food import, and low-priced food distribution schemes were designed to maintain adequate food supply and stability in urban centers. Overvalued currencies and distortionary multiple exchange rate systems had a major influence on agricultural performance. While weakening the competitive position of the countries agricultural exports, these policies implicitly subsidized food imports, thus compounding the distorting effect of direct subsidies.

Another major bottleneck to increasing agricultural production in the region is the deficiency of trained manpower, particularly in the field of agricultural planning, policy analysis, project planning and analysis. No less important is the training of personnel entrusted with the execution of agricultural development projects. The capacity to absorb the flow of investment funds depends to a great extent on the above-mentioned types of training.

For the Region as a whole, the rate of growth in food production (estimated at 3 percent during the period 69/70 - 88/90) is lower than the rate of growth in food consumption which was about 5.6 percent during the same period. Food security is perilous and the gap between domestic production and overall consumption is widening. The value of the food gap was estimated at U.S. \$ 10.8 billion in 1990 and is increasing from year to year. The self-sufficiency rates in food as a whole decreased from 75 percent during the period 69/71 to 49 percent during the period 88/90.

The development of agriculture in the region is very important to most ESCWA countries, for export earning, poverty alleviation and employment. Over 42 million people, representing 33 percent of the regional population in the ESCWA region, subsist directly on agriculture while 32 percent of the regional labor force is employed in agriculture. The Agricultural Gross Domestic Product (GDP) is totalling more than \$35 billion representing 13.2 percent of the total GDP of the region (compared with 9.7 percent for the industrial sector).

The need for policy reforms and structural adjustment has been gaining momentum. There is acute awareness of food security problems and dependency on imports. Also, there is concern at the low rate of increase of rural incomes and the intensification of rural-urban migration.

More recently, there has been growing consciousness of the importance of free market operations to improve efficiency in the use of resources. Many governments are withdrawing from production activities to concentrate on policy formulation, servicing and monitoring functions. While these changes are expected to improve efficiency in resource use, the dilemma of efficiency versus equity has not yet been satisfactory resolved, slowing down the pace of privatization.

The issue of trade liberalization and the recent GATT agreement and their impact on agriculture requires careful consideration. It is anticipated that the world food prices will increase and that food surpluses in the developed countries may decline. It will also benefit the exporting countries as well, though it will lead to significant short term food security problems to the low income food importing countries.

The harmonization of agricultural development plans among countries and the enhancement of intra-regional trade in food and agricultural products remain key policy issues for member countries of the Region.

B. Long and medium term agricultural development issues and priorities for ESCWA

The main issues that will be facing agricultural development in the region during the coming decade that need to be given top priority by governments, regional and institutional organizations, and the role that ESCWA could play are summarized hereunder.

1. Check the degradation of land and water resources and ensure efficient and sustainable agricultural development.
2. Improvement of food security level.
3. Enhancement of Rural Development Programmes
4. Assessment, Transfer and Adaptation of Emerging New Technologies in Agriculture.
5. Institutional Capacity Building
6. Building of a dynamic information and Data Bases

1. Check the degradation of land and water resources and ensure efficient and sustainable agricultural development

Land and water is increasingly becoming a scarce resource in the region. Population growth and economic development are resulting in higher demand on the one side and quality deterioration on the other. Land fragmentation, soil erosion, increasing salinity, deteriorating water quality and lowering of water table due to excessive extraction are giving policy makers a second thought on the choices between growth and the cost it entails in terms of degradation, deterioration in land and water resources and reduction in bio-diversity.

Governments have been successful in the past to augment additional supplies through new water storage structures, water diversion and tapping costly deep aquifers. These expansions have almost reached limits. Alternative to costly investment is conservation and efficient use of existing supplies both of which are normally cost effective. Given the constraint on new supplies, the water policies in the region must give greater emphasis to **Demand Management**. Demand management focusses on the formulation and application of incentive to limit demand and increase efficiency.

ESCWA could focus on the following areas of priority:

- i) Assist member countries in the preparation of Resource Conservation Strategies focussing on sustainable development of the agricultural sector including land and water resources of the region. In the past,

ESCWA has actively developed similar programmes in collaboration with regional organizations such as ACSAD, AOAD and UNEP.

- ii) Promote the development of a Regional Network on Desertification: Based on past work by ESCWA on desertification. A regional network on desertification can be very beneficial to promote research, training and studies in the region and share some successful experiences.
- iii) Prepare studies and/or provide advisory services on Economics of Water Use: The concept that water, as an economic resource, has long been promoted in the region. In many countries water is still considered as free good that should be provided at low cost. Experience with respect to water charges policy in the region shows that both the institutional and policy framework to develop and implement water charges are missing.

2. Improvement of food security level

The state of food security in the ESCWA region has been steadily falling over the last 20 years. At the present time, the self-sufficiency ratio in the region stands at about 49 percent. Considerable amounts of food are being imported causing significant financial problems to a good number of low income countries in the region. A number of factors made it extremely difficult in the past to achieve a reasonable level of self-reliance in food production. Chief among them is the differential distribution of agricultural and financial resources among the countries of the region. Therefore, bringing about complementarities of those resources at a much greater scale than has hitherto been achieved, and within a framework of equal sharing of costs, benefits and risks is the main substance of any solution to this problem.

Achieving any significant improvement in the regional future food security would depend fundamentally on more effective cooperation among the countries of the region than has hitherto been possible to achieve.

The impact of trade liberalization and the GATT Agreement on food imports and the long run food security in the region need to be analyzed.

ESCWA can play a major role in enhancing cooperation and coordination. ESCWA could focus on tackling major agricultural issues, highlighting the importance of agricultural plans and policy coordination as a basis for complementarity of the unevenly distributed natural, financial and human resources, and outlining appropriate legal and institutional frame work for such cooperation.

Achievement of food security is one of the crucial priorities to be considered by ESCWA. In this field ESCWA should focus on:

- i) Enhance coordination and harmonization of agricultural development strategies, plans and policies at the regional or sub-regional level.
- ii) Regional or sub-regional agricultural integration.
- iii) Promotion of intra-regional trade in agricultural commodities and improving the prospects for agricultural trade liberalization.

The above can be achieved through in depth regional studies, expert group meetings and regional conferences.

3. Enhancement of Rural Development Programmes

Rural development and eradication of poverty are crucial development issues in most ESCWA countries. Despite the agrarian reform programmes undertaken in some of the ESCWA countries, agriculture is still dominated by small and fragmented holdings, and the problem of marginal and landless farmers are still serious in many of them. Moreover, there is a wide gap between urban and rural areas in the availability of basic services.

ESCWA could focus on the following areas of priority:

- i) Assist member countries in the evaluation of their rural development policies and programme.
 - ii) Assist member countries in the assessment and development of their rural and agricultural institutions specially extension, marketing and credit as well as non-governmental institutions.
 - iii) Assist the member countries to establish Monitoring and Evaluation Units to monitor and evaluate the rural programmes and projects.
 - iv) Help to integrate rural women in mainstream agricultural and rural development.
- ESCWA assistance in the above could be provided through conducting in depth studies, expert group meetings and training workshops.
- v) Strengthen the activities of the national as well as the regional institutions concerned with rural development in order to encourage exchange of experience and information and to coordinate joint regional and national activities among them. ESCWA could strengthen the role of the Regional Center for Agrarian Reform in Near East to act as catalyst in this regard in ESCWA region.

4. Assessment, Transfer and Adaptation of Emerging New Technologies in Agriculture

Assessment, transfer and adaptation of emerging technologies in the agricultural sector constitute an important tool for transforming this sector from a subsistence to a modern one. Although some ESCWA countries have made some efforts in this regard, there is still an urgent need to bridge the important "technology gap in agriculture".

In this regard ESCWA could focus on the following areas of priority:

- (i) Raise awareness of the new technologies in agriculture specially the new developments in the fields of Biotechnology and Genetic Engineering.
- (ii) Provide technical assistance to member countries in formulation of national strategies for science and technology.
- (iii) Strengthen the science and technology base of the agricultural research institutions in the region through providing technical assistance to these institutions.
- (iv) Promote intra-regional and international cooperation in agricultural research activities through conducting expert group meetings and exchange of expertise. Establishment of a network for this task could be encouraged and ESCWA could act as a focal point in the first stage of developing such a facility.

5. Institutional Capacity Building

Institutions and policies play a very instrumental role in the process of agricultural development. The region rather lacks viable and efficient institutions (research, extensions, marketing, rural, financial) to effectively confront the ever increasing and complex task of development. This situation is further aggravated by the inadequate indigenous capacity to formulate, implement, and monitor agricultural policies, plans and projects, as well as to assess the impact and consequences of the pursued policy reforms. In order to remedy the situation, ESCWA could assist countries of the region by:

- i) Providing direct technical assistance through regional advisory services for institutional reforms.
- ii) Conducting impact assessment studies of major policy reforms (structural adjustment, stabilization, liberalization, and privatization).
- iii) Conducting workshops for training of government officials in policy analysis, planning and project analysis, formulation and evaluation, as well as other related issues.

6. Building of a Dynamic Information and Data Bases

In most countries of the region the required data for policy analysis both at macro and micro levels are sparse. Inadequate data base constrains effective plan preparation, policy formulation and analysis for agricultural development. There is an urgent need to place more emphasis on data base improvement in the region.

The role of timely farm survey in the identification of constraints, provisions of bench mark indicators and information to policy makers for better policy analysis, formulation as well as preparation of viable investment projects is very instrumental. Enterprise budgets and gross margins are the corner stones of policy analysis and formulation in agriculture.

In the context of the above ESCWA could assist member states among other things, to:

- i) Prepare comprehensive national farm data handbooks.
- ii) Assist member countries in identifying and collecting data and information that are needed for policy formulation and analysis.
- iii) Carrying out an annual review and analysis of food and agriculture performance, policies and strategies in the region.
- iv) Conduct timely house hold surveys.
- v) Harmonize national accounts statistics.

II. JOINT UNIDO/ESCWA INDUSTRY DIVISION

A. Conceptual Framework

The global economy has undergone in recent years radical changes, with important implications on future industrialization of developing countries, including countries of the ESCWA region. These changes include the liberalization of most of centrally-planned economies, the constitution of large economic blocs and the globalization of trade and production. A major-driving force was rapid technological change in industrial processes and product development, leading among other things, to change of patterns of international trade and division of labour. Foreign investment is increasingly attracted to countries with technological support capabilities, while international competition is becoming less determined by cost/price level and more by product quality and production related services. These trends are emphasized with the introduction of the ISO 9000 standards, and the environmental regulations.

It is worth noting here that the international debate of the 1980s concerning an apparent conflict between agricultural and industrial development objectives in developing countries have given way to a recognition of the need for integrated economic development, and of industry as an indispensable growth engine. The issue in the 1990s is thus competition of companies and countries across traditional sector and subsector boundaries to capture market niches with clusters of industrial product groups - including agro-business - and combined services.

In response to these changes, most ESCWA countries have started to give more emphasis to economic diversification, industrial restructuring, deregulation, and promotion of the private industrial sector. Appropriate industrial strategies and policies need to be identified, developed and implemented in response to the challenges of the changing world conditions, the changes in regional environment and the impact of the peace process and of the reconstruction and rehabilitation efforts. New approaches are to be developed, that are more flexible and that give decision-makers wider vision and more appropriate alternatives.

In this context, and despite efforts countries of the region have been directing towards accelerating and diversifying their economic development, their economic and trade structure continues to be dependant, in varying degrees, mainly on oil, trade and services. This situation continues to render their activities vulnerable to fluctuations in demand in the international market.

It is worth mentioning here that diversification and modernization of productive activities have been stressed in several United Nations resolutions, and more particularly General Assembly Resolution 45/196 of 1990 on "Industrial development co-operation and the diversification and modernization of productive activities in developing countries" and Resolution 47/153 of 1992 on "Industrial development cooperation". Resolution 45/196 requests, *inter-alia*, the Secretary General "to give priority to the issue of industrial development co-operation and the diversification and modernization of productive activities in developing countries". While Resolution 47/153 urges the international community and the regional commissions to "support industrial development programmes and projects" and stresses "the importance of international cooperation in supporting efforts at the regional, subregional and national levels in industrial development, in particular in the fields of human resources development, investment and export promotion, technology transfer, industrial conversion and development of national capacities, in order to diversify and modernize productive activities".

In this respect, already huge investments have been undertaken in the region, in the last two decades, in building-up diversified large industrial capacities in basic industries, like iron and steel, aluminum, petrochemicals, etc., and in rehabilitation of existing traditional industries like agro-food, textiles, etc. Member states need to maximize their gains from these investments and from the development of their infrastructure.

These industries are facing considerable problems reflected in low productivity, use of obsolete technologies, under capacity utilization, weakness in product and process design, weakness in industrial management, marketing difficulties and inadequate infrastructure. Assistance to these industries, and modernization of their activities, are important priority issues. Diversification and modernization of the manufacturing sector entail, among other things, improving the performance of existing industry; developing more adequate industrial infrastructure and industry supporting services; promotion of export quality product and production processes; promotion of investment opportunities in technology-based industries with promising niche-markets; development of technological capabilities - particularly in design of new products and processes -; and adaptation of suitable new and advanced technologies to improve production efficiency and yield.

Until recent years, the diversification process in most countries of the region have been undertaken by the public sector with large-scale industries. However, the role of the private sector in diversification - and more particularly in small and medium sized industries - is being now increasingly emphasized. In this regard, human resources and entrepreneurship development, and institution-building are considered as essential in private sector promotion. Furthermore, the effective promotion of the private sector and of entrepreneurship, and the successful management of enterprises necessitate however, that special consideration be given to fast changing conditions

that characterize the ESCWA region, as well as to the expected emerging situations in the region. In this respect, there is a need to upgrade the managerial skills to cope with conditions of changes, with the aims of reducing waste and improving productivity.

Promotion of entrepreneurship has been continuously stressed in General Assembly resolutions, as recently as the 48th session (November 1993), when a resolution on "Entrepreneurship and privatization for economic growth and sustainable development" was considered. The resolution calls upon the relevant organs of the United Nations system to develop and increase technical assistance and to incorporate in their respective programmes specific objectives that facilitate the creation and growth of small and medium-sized enterprises and for the support of local entrepreneurs; and to assist relevant national institutions in developing the capacities to design appropriate policies and incentives to promote entrepreneurship.

The introduction and diffusion of advanced technologies - based industries - particularly in small and medium scale industries - micro-electronics, informatics, biotechnology, etc. - and industries related to them, constitute another priority issue, if countries of the region are to increase technological self-reliance and to gain competitiveness on niche-markets with selected quality products and to gain a share of the huge regional market of products related to these technologies, estimated at more than \$ 4 billion, almost all of it is being imported.

Many environmental problems are related to the production and consumption of manufactured goods. The United Nations Conference on Environment and Development (UNCED), held in 1992, adopted "the Rio Declaration on Environment and Development" - defining the rights and responsibilities of nations in their pursuance of development - and Agenda 21 - a blue print on how to make development socially, economically and environmentally sustainable-. Thus it is important to draw the attention of member-countries to the necessity of implementing relevant recommendations of UNCED and to integrate developmental and environmental issues in their economic plans, particularly those related to industrial development.

Industrial information constitutes another important issue for government and private institutions in the region, particularly that most existing information and statistics on the manufacturing sector are scattered, out-dated and unreliable. The establishment of an efficient and viable system of industrial information will help not only decision-makers and managers, but will also enable ESCWA to monitor structural changes, analyze developments taking place in the manufacturing sector and forecast expected events.

After a long period of regional wars and internal strives, the region seems to be coming into a new era of relative peace. At least a good part of the huge allocations

that were diverted to military mobilization is expected to be free for reconstruction and development, with many countries already starting their national plans for rehabilitation and reconstruction. ESCWA's sixteenth session adopted a special resolution calling for a decade of reconstruction and development. An important strategic objective of the reconstruction plans would have to be the reconstruction and rehabilitation of the industrial sector, in countries like: Kuwait, Lebanon, the Palestinian Occupied Territories, and Iraq. The Republic of Yemen would have to be given special attention, as the only least developed country in the region, undergoing special development effort after the emergence of the unified state.

ESCWA's role would be to bring the above stated objectives to the attention of the government and private institutions and to assist in the implementation of activities that enhance the achievement of these objectives, namely:

1. Industrial development planning, strategies and policies;
2. Improving the performance and efficiency of existing industries;
3. Promotion of the private sector and entrepreneurship in manufacturing activities;
4. Promotion of selected new and advanced industrial technologies;
5. Promotion of environmentally sound industrial development;
6. Industrial information: monitoring, analysis and forecasting;

B. Development Objectives

- OBJECTIVE 1.** To develop new and more suitable national and regional industrial strategies and policies to fit better the far reaching changes in world economy, as well as the new regional realities and realignments.

Justification

In response to the challenges of the emerging international and regional conditions most member states have started to accelerate their efforts in structural adjustment and industrial restructuring, and in the deregulation process, emphasizing the promotion of the private sector and the privatization of public enterprises. Member countries need to identify new industrial strategies and policies that take into consideration the emerging new structures of international industrial production and the new patterns of trade, as well as new regional realities and realignments. In this process, countries of the region need to develop new approaches more appropriate with the undergoing transformation. They also need to search for a new modality of regional and international cooperation in industrial activities concomitant with the fast changing regional and global conditions.

In their efforts to cope with these changes, countries of the region need the support of the international community, a major challenge to ESCWA is to develop new approaches in promoting regional and international cooperation in industrial development to be incorporated in development planning in the region.

OBJECTIVE 2. To improve capabilities, performance and efficiency of public and private existing industries, through the promotion of: modernization; optimum utilization of energy, raw materials and by-products; development of technical and managerial skills, improved maintenance systems; new marketing policies; etc., so as to insure the competitiveness of their manufactured products at the national and international markets, particularly with the emerging new strict standards, specifications and regulations.

Justification

The ESCWA countries have witnessed in the past decades the establishment of a large number of industrial plants, mostly based on turn-key projects, without the prerequisite natural industrial structure formation, the appropriate technology transfer measures and the development of the critical mass of qualified and experienced human resources. The performance of most of these plants dropped as a result of low level of capacity utilization, problems in operation, maintenance and marketing, and lack of adequate industrial infrastructure and supporting services, in term of managerial skills, design capability, technical and marketing consultancy, etc...

To reap suitable fruits of the large investment undertaken in these industries, serious efforts have to be undertaken to improve their performance to be able to compete with export quality products in local and international markets, particularly with the emerging local and international trends towards open markets, with stricter imposed standards, specifications and environmental regulations. In this regard, plans should be developed and implemented, covering: restructuring, modernization and rehabilitation. Efforts of rehabilitation take an even higher priority in countries of the region undergoing serious plans for reconstruction and development.

OBJECTIVE 3. To promote and enhance the participation of the private sector in manufacturing activities, through the creation of appropriate environment and adoption of suitable policies, the promotion of entrepreneurship, particularly in small- and medium-scale industries, and the development of entrepreneurial and managerial skills under conditions of change.

Justification

The previously prevailing structure of private business activities in the region shows a heavy bias towards the trade and service sectors, which yield quick returns and where starting a new business is relatively easier. The private sector has been always reluctant to invest in risky manufacturing activities, in view of the continuous drastic political and economic changes that have characterized the region.

New readjustment policies witnessed by most ESCWA countries in response to the new world environment and increased international competitiveness emphasize the importance of promoting the private sector and of privatization, especially in manufacturing activities. Promoting the private sector requires the formulation of sound government policies, the creation of support services and institutions and the promotion of entrepreneurship. On the other hand, upgrading managerial and entrepreneurial skills constitutes an essential condition for private sector development and success. Priority is given to small and medium-sized, particularly technology-based industries, in view of their contribution to development of downstream industrial diversification, and of inter-industrial linkages; and to increased participation of social groups in industrial development resulting in enhanced employment opportunities and thus helping in the eradication of poverty.

The severe and fast changing conditions prevailing in the region since the 1950s had seriously affected the operations of industrial enterprises. The latter has to face also to the changing world environment, as well as the expected emerging new conditions in the region. Therefore, promoting the private sector in manufacturing requires development of skills than can manage industrial enterprises in changing regional and world conditions.

OBJECTIVE 4. To promote selected new and advanced industrial technologies (electronics, microelectronics, informatics, biotechnology, etc.)

Justification

The importance of this strategic high priority objective is derived from the continuous stress on two pressing needs related to diversification and modernization of the manufacturing sector; and to gaining technological self-reliance at the national and regional levels.

The promotion of electronics industries and derivatives (micro-electronics, software, and communications industries) is the corner stone in all efforts for modernizing the services and manufacturing branches and reorienting these branches to export quality production, taking into consideration the growing pervasive diffusion of electronics in practically all products and processes and the fast changing nature

of microelectronics and related industrial technologies. The manufacturing sector in the region has to introduce suitable electronic applications in products and processes to be able to compete in the local and world markets. It is to be pointed out that electronics industry is rapidly growing into an integrated process, with the micro-electronics parts (the integrated circuits) and the informatics parts (the computer applications and the embedded software) becoming an ever larger portion of the totality of any electronic product.

On the other hand, electronics industry (and derivatives) are among the fastest growing industrial branch worldwide, in spite of the global economic slow down, absorbing an ever increasing number of skilled and unskilled labour. The consumption in the Arab countries of electronics and related products, in 1992, was estimated at \$ 4 bn. and is still growing. Arab electronics firms must exert all efforts to increase their share of this important market (now at less than 4 %), as well as to gain a share in the potential export markets, by addressing all aspects of industrial technology acquisition and capability build-up.

Other technology-based industries (biotechnology related, new industrial materials, etc.) are still in the development stage and growing in importance, with relatively low entry requisites, giving the manufacturing sector in the region promising opportunities for diversification and for developing niche-markets based on comparative advantages in the region (low cost of energy, cheap human resources, growing markets, etc.).

It is to be noted here that the very rapid changing nature of these technologies and related industries makes it necessary for the region to monitor closely these changes and to adapt them to local needs. ESCWA's Industry Division has special role in monitoring forecasting and diffusing up-to-date information about innovation in these technologies; assisting in building up national and regional industrial capabilities; and promoting investment opportunities.

OBJECTIVE 5. To promote environmentally sound and sustainable industrial development in the ESCWA region, through improving the efficiency of resource use, minimizing and recycling waste and protecting environment.

Justification

The vital importance of environmental protection during the process of economic development is recognized now at the regional and international level, as well as the fact that the priority to be given to anticipatory and preventive approach.

Industrial pollution problems within the ESCWA region have increased in the

past decades with growing industrial development. Studies and research have shown that lakes, rivers and sea shores in the region are polluted, water is becoming less suitable for human, animal and plant use, mainly due to discharge of industrial waste and pollutants. Air pollution in the region affects the health of people, alters the climate and has negative impact on the economy, due to emissions of flared gas, cement dust, and toxic and hazardous waste discharged from manufacturing industries.

Industrial enterprises need to develop techniques and technologies that reduce harmful environmental impacts, to acquire and use relevant scientific information and environmentally sound production technologies, including cleaner production methods and pollution control technologies, as well as waste recycling technologies. ESCWA must assist countries of the region to ensure environmentally sustainable industrial development according to resolutions of the world summit in Rio 1992.

OBJECTIVE 6. To establish an efficient and viable system for compilation, processing and dissemination of more reliable industrial information and statistics in the ESCWA region; and to analyze these information and forecast further development to the benefit of researchers and decision-makers.

Justification

The continuous and fast changing conditions taking place in the ESCWA region and at the global level requires systematic monitoring of structural changes and periodic analysis of current developments in the manufacturing sector. Most existing information and statistics on the manufacturing sector in the region are scattered and unreliable. It suffers from the lack of consistency, regional compatibility and periodicity. This limits the usefulness of published information to decision-makers, entrepreneurs and researchers. Current regional and international attempts in this respect include those of AIDMO, UNIDO and ESCWA. These attempted systems are either incomplete, as in the case of AIDMO, or not suitable, as in the case of UNIDO, since they adopt a global approach in standardization and comparability.

This situation renders the manufacturing sector in the region less transparent to decision makers and to entrepreneurs, particularly at a time where increased efforts are directed towards the promotion of private investments. It is also more difficult to researchers to assess the sector, its trends and the structural changes taking place. There is need to have a viable industrial information system for the ESCWA region, more efficient, reliable and capable of keeping up-to-date needed industrial information, benefiting from existing relevant regional and international industrial information systems and networks.

III. NATURAL RESOURCES DIVISION

Part One: Development Issues

A. Energy Resources

1. **Enhancing Regional and International Cooperation:** In determining the position of the ESCWA secretariat on regional long- and medium-term developmental issues and priorities, one should not lose sight of the fact that our region has witnessed serious events and crisis shattering what had remained of its political solidarity and weakening considerably the bonds of economic cooperation between most ESCWA member States.

Such is the case, it is believed that the most urgent task of the ESCWA secretariat is to play an active role, in close coordination with regional and international organizations, in laying down the foundations of a new regional economic order based on mutual interests of member States and fruitful cooperation with other countries. This could be achieved and maintained through fostering and propagation of joint strategic projects in several energy fields, such as development of projects on oil and natural gas resources.

It is to be noted that many studies and reports produced have been of use in gauging the content of economic development in the region. But they have been of little use in forecasting or predicting serious changes as the ESCWA secretariat has often had the misfortune of being overtaken by events. Few indications could predict that oil-rich countries would follow a restrained budgetary approach or that the political turmoil would shake so extensively the unity of common interests credentials and the difficulties faced by the regional organizations to rebuild the confidence of member States in each other and between some member States and the international community.

The policy of the ESCWA secretariat in formulating its work programmes and priorities should be anchored in matters that are of significance to the common interest of the region as a whole.

It is both inconceivable and undesirable for ESCWA member States to pursue nationalistic policies in the fields of oil and natural gas production and marketing. Among the basic requirements for stable oil prices and determination of oil prices that can achieve the objectives of economic and social development and at the same time ensure energy resources conservation is the adoption of energy policies based on a regional approach to be worked out and agreed upon by the member States.

However, in view of the conflicting stances of several countries which may persist for a long time and in the absence of serious efforts to bridge over such

difficulties, the ESCWA secretariat could serve as a forum to bring together its member countries for debating strategic energy issues. The role of the ESCWA secretariat is to make every effort possible to review and enhance cooperation between member States and contribute to the formulation of a regional energy strategy.

On the other hand, given the fact that the region possesses about 60 per cent of the world's oil reserves and probably 25 per cent of the world's natural gas, the ESCWA secretariat may have a crucial role to play in paving the way for better understanding among producers and consumers of energy. In this respect, the activities of the ESCWA secretariat may be oriented towards two parallel tracks: as the conditions of oil markets have changed due to the decline of the role of both OPEC and OAPEC and the ever increasing share of non-OPEC oil-producing countries, the ESCWA secretariat would be in a position to have a catalytic role aimed simultaneously at buttressing the aspirations of its constituents and securing as much stability as possible in oil prices in order to forestall, to the extent possible, other shocks in the oil markets.

2. Providing technical support in the exploration and assessment of resources activities and promotion of the utilization of advanced technologies in these fields.

3. Promoting projects for the inter-connection of electricity grids at the national, regional and interregional levels.

4. Developing rural energy through the diffusion of renewable energy technologies, particularly in rural and remote areas. In this connection emphasis is to be placed on the development of solar, wind and biomass energy sources.

5. Contributing to the improvement of energy efficiency in the various economic sectors with the objective of conserving the available energy resources in several ESCWA countries. This includes appropriate methodologies for the preparation of energy balances and integrated energy planning.

B. Water Resources

The ESCWA region covers around five million square kilometers of which 97% is desertic belonging to the arid and semi-arid zones.

Population growth rate (3% - 3.8%) in the Western Asia countries is considered one of the highest at the global level. ESCWA region population was estimated to be around 120 million in 1989 and is expected to reach 225 million in the year 2025. With such population growth rate coupled with relatively fast development, a substantial increase in water demand and waste water production is expected.

The water situation in the ESCWA region is crucial. Population and development have overwhelmed traditional water management practices. Problems of water scarcity and pollution are as severe as anywhere in the world. In several countries of the region renewable freshwater resources will barely cover basic human needs in the next century. Surface and ground water basins crossing national borders may lead to conflicts and complexities to effective resource management.

As water demands increase, as they have in the ESCWA region, cross-sectoral interactions and external effects mount. Management approaches that fail to account for these interactions can be very costly. Moreover, as the limits of economically available supplies are approached, difficult reallocation issues must be addressed if the impending crisis is to be effectively managed and costly alternative non-conventional sources are to be avoided.

The urgency of water issues is increasingly recognized worldwide and there is growing consensus on the principles that should guide action in this area. These main principles are: first, that water should be viewed as a limited resources to be managed in an integrated manner to meet national objectives (economic, social, security, environmental) rather than as an input into specific sectors; second, that institutional reform and capacity building are critical to sustaining policies, programmes and projects; and third, that international water issues should be given particular attention.

As the water resources in the ESCWA region are limited, the threat of water shortages is not something that merely loom into the future. In some ESCWA countries, water shortages are already a reality. Some others have almost fully developed their fresh (renewable) water resources. Depletion of non-renewable water resources due to overpumping from exploited aquifers is also a serious and common phenomenon. Consequently, degradation of water quality, due to increasing salinity is also common in a number of countries in the ESCWA region.

1. Major Water Issues: Given the above considerations, the following statements reflect the major water issues:

In the last two decades, ESCWA countries witnessed noticeable industrial development which requires increasingly large quantities of water and discharges increasing volume of waste water. Hence, for the purposes of water use efficiency, and conservation, standards for the quality of waste and method of disposal should be set for each industry.

The largest user of water in the ESCWA region is agriculture, and many of the Western Asia countries follow subsidy and incentive policies in this sector. It is now proven that such policies hamper agriculture development on the long run by encouraging increased water application rates and subsequently depleting aquifers, diminishing streams flows, and causing water logging and soil salinity. Additionally,

rapid urbanization, and improvement quality of life in terms of health, sanitation and social services have resulted in sharp increase in water demand for municipal purposes. Together with industrial and agricultural uses, high demand for water has caused imbalance between water availability and water requirements for socio-economic development.

One of the water related problems is concerned with health hazards which is related to the construction of sewerage networks in some ESCWA member countries without adequate treatment facilities. Such practices have resulted in groundwater and surface water contamination and pollution problems. Measures to overcome these hazards should be practiced to ensure adequate and safe water supply in both urban and rural areas.

Major surface and ground-water resources in the region are shared between countries lying both within and beyond the region. The most significant river basins are those of the Jordan, Nile and Euphrates/Tigris, all of which are subject to contentious riparian issues. A significant agreement exists only in respect of the Nile, and then only between two countries (Egypt and Sudan). Large aquifers are shared by countries in the Arabian Peninsula, Iraq, Syria and Jordan. Though costly to develop, agreement on abstractions are needed.

Lack of appropriate cooperation and coordination at regional and interregional levels in the field of shared water resources is a problem and a source of worry. This issue is highly affected by the prevailing political situation in the region as well as within adjacent regions. Mutual cooperation and coordination in managing the shared surface and groundwater basins would help achieve sustainable development within the region to ensure rational development, utilization and conservation of the water resources taking into consideration a variety of related aspects under the socio-economic factors prevailing in the concerned countries.

Water quantity and water quality are inseparable issues since all water uses require that water quality fall within a range specific to that use. Water management and planning must therefore deal appropriately with both aspects in an integrated fashion depending on prevailing circumstances. Management issues can conveniently be considered under two headings: supply management (activities required to locate, develop and manage new sources) and demand management (mechanisms to promote more desirable levels and patterns of water use). Planning integrates these along with environmental issues, and provides the analytical basis for comparing between alternatives.

Some member countries have typically emphasized Supply Management, but as new water sources become increasingly inaccessible, the costs of projects to augment supply escalate. The potential for new storage and diversion projects in the region is limited. Many countries are already dependant on groundwater and, despite potential

for further exploitation, e.g. from costly deep aquifers, most countries face severe problems of depletion. Non-conventional sources include wastewater treatment and reuse, and desalination. They are invariably more expensive than traditional sources though in the case of wastewater treatment costs can be offset against environmental concerns. Alternatives to new investment are conservation and improved management of existing supplies both of which are normally very cost effective. Increased efficiency should always be emphasized but few Governments are willing to commit themselves to a strategy of reducing irrigated areas- or even to the use of (costly) treated wastewater in irrigation- even if they recognize that this is inevitable in the longer term.

Given the constraints on new supplies, Governments must be persuaded to give far greater emphasis to Demand Management. Demand management includes both direct measures to control water use, and indirect measures that affect voluntary behavior (e.g. market mechanisms, financial incentives, public education). The mix of demand management measures will vary but in all cases they aim to conserve water through the increased efficiency - and perhaps equity - of water use. Modernization of both distribution and on-farm systems has particular potential. Indirect measures notably include water charges and other financial instruments. In principle, opportunity cost pricing would provide appropriate incentives for efficient use of water and Governments should be strongly encouraged to bring resources pricing progressively closer to real economic levels.

The institutional issues in their widest sense comprise organizations, laws, decrees, regulations, customs, markets and other related issues. They largely determine whether objectives can be achieved in practice. The transition from an emphasis on supply management to a balanced strategy for managing both water supply and demand must be complemented by institutional reform. Most institutional issues must be tackled at the national level. International treaties with respect to shared water resources will also be an essential precondition for optimizing their development and management.

Significant efforts have been made by some countries to inventory and administer their available and potential water resources. However, despite all the work thus far carried out, the countries are far from achieving integrated management of their total water resources. Some countries of the region have taken steps to unify and centralize their national water institutional arrangements, while in the other member States, various independent water-related institutions still exist.

Water legislation in the region is generally complex and outdated, vis-a-vis modern water-management practices and techniques, and has resulted in the fragmentation of administrative responsibilities. Provisions which regulate water-resources development and management are often contained in different laws and regulations, or have originated from traditional and customary uses which relate to the

prevailing social structure of some member countries. With growing scarcity, coherent legislation will become increasingly necessary if the high costs of ad hoc approaches to water allocation and control are to be avoided. Administrative weaknesses will inevitably constrain the effectiveness of legislation. Even so, enforcement of rights and standards will remain critical to resource management and the need to strengthen administrative efficiency cannot be avoided.

Training and human resources development in the water sector must be given adequate attention. Training should include conventional as well as the application of new technologies. The establishment of a Regional Training Network to harmonize curricula, fields of specialization, training and educational facilities within the region would facilitate the enhancement of skilled manpower capabilities in the region.

C. Mineral Resources

Development of mineral resources in the region is a priority area as diversification of economic activities and sources of income are now of major concern to many member countries. However, special emphasis should be placed on the contribution to the development of such non-metallic minerals as sulphur, phosphates and potash as the region possesses significant reserves of these minerals.

D. Social Development

As one of the highest priority areas of activities, social development covers a wide range of issues which differ from one region to another and from one country to another. However, most social issues in the ESCWA region are similar and can be well addressed through a regional approach. In this context, the following issues are of paramount importance:

1. **Situation of Women:** It hardly needs to stress that the present situation of women in our region continues to affect the over-all economic and social development, let alone the humans suffering and privations inflicted on women mostly as a result of inherited traditions. As the problems of women cannot be solved without them being part of the solution, the activities of the ESCWA secretariat should involve women in communities where traditions and social habits hinder most of their role.

Another aspect of involvement on the part of the ESCWA secretariat is to review the laws and recommend amendments at ensuring the civic rights of women. The legal status of women also needs to be reconsidered to make room for the introduction of new legislation intended to improve the economic and social conditions of women. This may appear a too ambitious objective, but at least, it could be a step towards the improvement of women situation through new legislation.

2. Labour: It is to be recognized that differences in labour productivity between countries are among the major factors affecting the industrial and agricultural development in the developing countries.

The very low labour productivity in our region has to be studied and ways and means to improve productivity should be seriously examined. Even by the developing countries standards labour productivity is low and if compared to labour productivity in South East Asia the difference is so great that low labour productivity constitutes a serious handicap to our member countries in the promotion of economic and social development. Why are productivity differences so large and how labour productivity can be improved? These are crucial issues that the ESCWA secretariat should address through in-depth studies and analyses.

E. Environment

Environmental issues have become of major concern to the United Nations and most of the countries of the world, especially after the Rio Conference and the adoption of Agenda 21. ESCWA is expected to act in line with this worldwide interest in the subject of environment.

It is envisaged that the role of ESCWA in the region will be complimentary to the work which is being undertaken by various organizations active in the region. These include: the United Nations Environment Programme/Regional Office for Western Asia (UNEP/ROWA), the Executive Bureau of the Council of Arab Ministers for Environment, Center for Environment and Development for the Arab Region and Europe (CEDARE), and others. In addition, ESCWA is expected to play a major role in implementing Agenda 21. ESCWA should play a part in coordinating the activities and programmes of these organizations while incorporating the findings and recommendations of these agencies and others in the work programme of ESCWA.

There are two approaches that the subject of environment can be dealt with within ESCWA. The first is to establish a large section with multi-disciplinary staff members to handle environmental issues for the various economic and social sectors. The second is to keep the current status quo of the Environmental Coordination Unit. Since ESCWA can not be the leading entity to address environmental issues due to the presence of UNEP/ROWA in the region, it is imperative to maintain the present status of the coordination unit as it is.

1. Coordination with other Agencies: The role of ESCWA in this respect was made clear in ESCWA resolution 180(XVI) which called for coordination among the various agencies dealing with environment in the region. ESCWA's coordination should emphasize on the following:

- (a) Formulate projects in the region in order to avoid overlapping and duplication and save resources;
- (b) Pool efforts to compile a comprehensive data base for environment;
- (c) Secure financing for the countries of the region for environment-related projects;
- (d) Participate and organize joint meetings focusing on the following subjects:
 - strengthening of the sustainability of projects by including in the original project design consideration of environmental impacts. Exchange of environmentally sound technology in the region;
 - improvement of capacity- and capability-building as an integral part of sustainable development strategies for environment and development programmes;
 - enhancing the expertise and collective contribution of the United Nations system for capacity- and capability-building initiatives;
 - strengthening environmental planning and management capabilities; Encouraging amalgamation of environment and economic development aspects in decision-making;
 - study of economic policies prevailing in the region and their effect on environment;
 - strengthening the role of NGO's and raising the public awareness in environmental-related subjects.

2. Coordination within the secretariat: The role of the Environment Coordination Unit will be as follows:

- (a) Assure inclusion of Agenda 21 in the work programme of ESCWA;
- (b) Disseminate all resolutions of UN agencies and others which have environmental impact on the various sectors;
- (c) Assist in incorporating the environmental aspects in the work programme of the divisions;

F. Economic Analysis and Monitoring of Development Trends

Activities under this heading should focus on sectorial studies and, analysis of development in the various economic sectors including transport and trade and assessment economic development plans and policies. Such activities should also cover contributions to the formulation of economic development strategies and plans, with special emphasis on the concept of sustainable development.

G. Science and Technology

1. The development challenges in the coming years and how ESCWA can respond

With the advent of peace in the region economic and social development will occupy greater importance in the coming years and more resources will be committed to development.

The upsurge in commitment to development will inevitably create new challenges and opportunities. It will not, however, by itself be a panacea for all the development problems that are being faced by the region.

Absence of peace and stability undoubtedly are the root cause of many of our development problems, and lack of sufficient resources of many others, but inaccurate diagnosis of causes and insufficient commitment to solving them are behind some of the serious drawbacks which characterize the development process in the region. Drawbacks which rendered the development process ineffective in some vital aspects.

The region has undoubtedly come a long way since ESCWA was first formed in 1970s. A great deal of development is visible everywhere in the region (albeit with evident disparity): in infrastructure building, in health, in education, in the utilization of natural resources, and in the expansion of production and service sectors. Development is also visible in various social spheres.

But how much of this development is due to the increase in the productive capacity of the individuals? How much of it is due to the regenerative capacity of the region's economies? And how, after four decades of high investment expenditure, do our economies fair in the international competition? To put it in more concrete terms, how much of our development was achieved through the productive edge of our national firms? How efficient has our production for the local market been at the international standard?

It is the verdict of our age that a country's (or a region's) achievement is weighed in comparison to the achievements of other countries. "Whether a nation be today mighty and rich or not depends not on the abundance or security of its power and its holdings, but principally on whether its neighbours possess more or less of it"². But how do countries attain and sustain high productivity? and what role can ESCWA play?

² Quotation from Von Hornigk in the Rise and Fall of the Great Powers. Paul Kennedy. Ch.1, page 25.

It is now an accepted notion that to attain and sustain high productivity requires that an economy continually upgrade itself. It is also an accepted fact that no country can produce everything productively or be competitive in everything. "A nation's pool of human resources is necessarily limited. The ideal is that these resources be deployed in the most productive uses possible". This is the concept of self-reliance which ESCWA employs. In the specific field of science and technology and industrial development it means a country should exploit foreign technology to make it contribute to the development of its local technological capabilities. Thus, contrary to self-sufficiency which means opting out of the international market, self-reliance means using the market more effectively.

Many explanations have been given to show how to attain and sustain high productivity. They variously emphasize high performance in export trade and international investment, relentless improvement in management, raising product quality, boosting production efficiency, entering into new and sophisticated industries, applying suitable macro-economic policies, supporting technological differences, maintaining continuous technical change and benefiting from scale-economies. There is an element of truth in each of these explanations, but none will singularly provide a satisfactory answer. They do, however, underline the role of three important factors: effective private sector, intelligent government policies, and existence of a national environment which stimulates advancement and progress.

ESCWA's work, therefore, must evolve with the world's evolving understanding of what makes economies more productive and prosperous. It should assist the member countries to deal with the dynamic forces that affect productivity and create wealth. ESCWA must operate on the principle that economic strength can not continue relying on natural-resource-based or factor-based advantages. We must assist the region's economies to gear themselves towards change and innovation. To do that we must in our operations address managers of firms as much as policy-makers, and initiate strategies and policies that emphasize product quality, differential products, technical changes and innovative design and process. Our mission should be addressed to the fundamentals which make the entire national economy progress. Fundamentals in which technological change, in the broad sense referred to earlier, accounts for much of economic growth.

2. Drawbacks in the ESCWA development process: the science and technology angle

The drawbacks in the region's development process which were noted earlier relate to the failure in addressing the fundamental issue which in a nutshell is to place local technological capabilities at the center of the investment process. Thus, for example:

- a. Despite the high rates of investments in the region over the last three decades there is a high rate of unemployment among engineers, scientists and other qualified manpower;
- b. Despite the marked expansion in the regions production capacity the growth (and utilization) of its technological (or regenerative) capacity has been negligible.
- c. There exist very weak linkages between endogenous technological capabilities (e.g., research and development, engineering, design, highly qualified personnel) and the production sectors;
- d. Absence of strong links between the process of technology transfer and development of local technological capabilities; and
- e. Relatively very low share in the international export of non-oil products; a negligible share in the world manufacturing export and almost no presence in the field of sophisticated industries.

3. **ESCWA response to development problems in the field of science and technology**

Most of the issues mentioned above are addressed in the ESCWA Medium Term Plan for Science and Technology. They will, therefore, remain valid in the foreseeable future. Some new issues, however, also need to be considered. Thus the issues of concern to science and technology will include:

- a. Development of local technological capabilities and enhancing their role in the investment process;
- b. Effectiveness of the technology transfer process and how to integrate it with the process of developing local technological capabilities;
- c. Technology strategies and policies at country and enterprise level designed to induce technological progress and technical change;
- d. The opportunities and challenges created by new and advanced technologies and how to exploit them;
- e. Technical assistance to existing technology institutions and how to upgrade their functions and performance;
- f. Linkages between research and development and other S&T apparatus and the production sectors, and how to strengthen them;
- g. Technology forecasting, assessment, and the dissemination of technological information;
- h. Training in environmentally-sound technologies;
- i. Promotion of regional cooperation in the application of science and technology in the region.

4. Ideas for medium and long-term operations in ESCWA

The ESCWA strategy for the future should include elements designed to:

- a. Coordinate activities aimed at developing coherent mechanism for the implementation of privatization. The mechanism should operate in a manner that preserves essential public sector enterprises while at the same time invigorating private sector enterprises and expanding their scope;
- b. Enhance the role of professional associations as well as producers and Service Sector Federations in the decision-making process, particularly in relation to the choice of technology and the compatibility of that choice with sustainable development;
- c. Encourage firms in production and service sectors and associations of such forms to incorporate and promote field-specific activities that are relevant to existing and future threats and challenges. e.g. the federation for Arab Textile industries can develop its own research capability and center ESCWA can assist;
- d. In the longer-term ESCWA could cooperate with other substantive organizations and entities in the region with the aim of transforming some of the already existing institutions to become specialized in specific priority operations and field of activities including the transfer of results of research and development to the production sectors concerned with the application of such results.

H. Statistics

As statistics constitute the basic requirements for all the activities undertaken by the ESCWA secretariat, more support is needed in this area. A comprehensive statistics programme is important to standardize the statistical concepts and methods covering a wide range of activities. Any data base of any programme in the secretariat should be part of the activities of the statistics programme. Such approach would allow the secretariat to apply uniform and comparable statistical classification and unify the methodological aspects of data collection, evaluation and tabulation in order to facilitate the comparison of data at the regional level.

Part Two. Orientation of activities

Studies and research conducted by the ESCWA secretariat in the various fields of economic and social development have had significant impact throughout the region. Such activities are still essential in many areas. However, it is suggested that more weight be given to the following types of activities:

1. Technical assistance and advisory services.
2. Training and demonstration projects.
3. Implementation of pilot projects.
4. Establishment of systematic consultations and contacts with member countries. In this respect, the establishment of specialized committees could be considered, particularly in the areas of energy, water, and human resources development.

Part Three: THEMATIC ISSUES:

Several issues of particular importance should be given special attention along with the priority areas of ESCWA activities:

1. Poverty in several ESCWA countries.
2. Desertification and rural development through policies based on water-land integration management.
3. Economic and social problems of big cities' slums including absence of adequate water and sanitation systems and the deterioration of the existing ones.
4. Low-cost housing in urban and rural areas.

IV. SOCIAL DEVELOPMENT DIVISION

Introduction

The world is passing through a transitional period. The downfall of the previous Eastern Socialist Block and the bi-polar system, the reunification of Germany, the emergence of the united Europe, the clear inclination towards major economic blocks and the opening of international markets, all these phenomena give this period a specific and transitional character, that will dominate until the appearance of another stage of political and economic stability.

While the internationalization of the economy is foreseen to continue in the short and medium terms, the concept of world singular political leadership will continue to be questioned. Has the bi-polar system failed just to be replaced by the uni-polar system under the leadership of the United States? Or will a bi-polar or multi-polar system emerge in the intermediate future (USA, Europe, Japan and China)?

It is particularly important to predict the effect of these political, economic and international developments in the Arab region, and in particular the prediction of the outcome of the peace talks, presently underway between the Arab countries and Israel, on all fields of politics, economics, social, culture and environment.

The question to be asked in this respect is, what is the role of ESCWA in this transitional period? and how can it activate its role towards enforcing Arab development in its comprehensive form, taking into consideration its basic role and its technical and financial resources.

It is not the intention here to change the basic role of ESCWA as a tool for fostering regional cooperation, but what is needed is to review its methods of work in order to concentrate on operational activities besides its research activities, so that it becomes an effective tool for the coordination of development efforts between the various international and Arab organizations working in the region, benefiting from its regional and international status.

A. The Premises

This contribution builds on two basic premises: (a) The adoption of the comprehensive and integrated concept of development, in its political, economical, sociological, cultural and environmental dimensions, and (b) The necessity of addressing issues at the national, regional and Pan Arab levels.

1. The comprehensive and integrated concept of development

It is widely known that there is now a prevalent conviction within those who are active in the fields of development, of the need to a comprehensive and integrated perspective, as people are being viewed not only as the tools for development but also as its objectives. This approach is holistic, systemic and integrated encompassing the political, cultural, and socio-economic dimensions. What promoted this comprehensive view is the UNDP through the publication of its human development report since 1990, as it emphasized that there are two sides for human development: "the formation of human capabilities - such as improved health, knowledge and skill - and the use people make of their acquired capabilities - for leisure, productive purposes or being acted in cultural, social and political affairs....."

In spite of the apparently obvious saying that people are both tools and objectives of development, the review of the developmental process shows clearly the prevalence of the "tool" aspect on the account of the "objective" aspect, and hence the predominance of the "economistic" approach. Thus the field is open for the application of the comprehensive and integrated concept of development in reality.

What is worth emphasizing here, is the importance of the cultural heritage in the development process, since the enlightened and inspired understanding of heritage does not only give to the developmental process its specific and special character, but it also can be considered as a moral incentive affecting the acceleration of the developmental process and correcting its path.

2. The Pan Arab dimension of development

Since the world is presently moving towards large political and economic blocks, the Arab countries should look at their development tracks from an Pan Arab perspective. The political fragmentation of the Arab homeland is not more than three quarters of a century old, and the Arab countries compliment each other from the point of view of natural and human resources.

However, this call for the Pan Arab developmental approach, should not be in contradiction with the national and regional approaches for development. Moreover, the ideological stamp should not prevail. In this respect it is important to find practical means to reach a complementarity in the Arab political and economic spheres, taking into consideration the fragmented political status and other related factors.

Those who claim that this Pan Arab developmental approach is purely ideological, are invited to prove how can a comprehensive and integrated development be achieved in the Arab countries separately, particularly in small size countries.

B. The Main Focus in the Social Field

Taking into consideration the above premises, one can stress the following:

1. Multi-disciplinary activities within the social field or with other fields of politics, economics and environment;
2. The proper planning between research and operational activities;
3. The planning of policies on national, regional and Pan Arab levels.

Within this framework, ESCWA's work in the social field can be focussed on human development in its wide concept, since it: 1) forms the human capabilities; and 2) it allows people to use their acquired capabilities. In addition to that, certain important multi-disciplinary subjects can be tackled.

1. Human development: forming capabilities

Within this framework people can be looked at as tools for development and therefore the emphasis is on the widening of their choices, and thus the following subjects can be suggested.

- Education and scientific research.
- Employment and training.
- Human Settlements.

2. Human development: use of acquired capabilities (social integration)

Social integration forms the objective of development as it reflects the participation of people in development, the use of their acquired capabilities. Under this heading the following subjects can be suggested:

- Community participation.
- Development of local community.
- Enhancing the role of the family .
- Enhancing the role of women.
- Incorporation of marginalized groups: the disabled and the elderly.

3. Some important multi-disciplinary topics:

- Poverty.
- The role of the state.
- Structural adjustment.
- Pan Arab institutions.
- Population policies.
- Employment policies.
- Other social policies.

V. STATISTICS DIVISION

A. Priority issues in the ESCWA region

ESCWA region is confronted with a vast number of issues which will have a far-reaching effect on the ESCWA region in the medium and long-term perspectives. One could summarize such issues by classifying them into four sets which are: (i) poverty and unemployment, (ii) technological advancement, (iii) natural resources and (iv) regional co-operation.

1. Poverty and unemployment:

Poverty and unemployment could be considered as both a cause and an effect of economic development. They are connected with a number of problems and issues such as population, income distribution, urbanization, social development, environment, economic policies and management, migration, nutrition, maternal and child health, education, special group populations, rural development, economic participation of women, etc.

2. Technological advancement:

Technology is changing in the world very rapidly and technological gap between developed and developing countries is constantly widening. This issue becomes crucial to developing countries as they are all adopting the concept of free market and the world economy is becoming more and more competitive.

This issue touches upon a large number of problems faced by ESCWA countries. It involves, among other things, issues like scientific research and development, natural resources, industrialization, quality of human resources, effectiveness of management resources, environmental standards in addition to institutional and financial aspects.

3. Natural resources and environment:

Three sets of priorities could be identified in the ESCWA region: scarcity of water, increased desertification and depletion of oil resources. The questions of natural resources management and environment degradation should also be cited in connection with the concept of sustainable development accepted worldwide after the Earth Meeting held at Rio in 1992.

4. Regional co-operation:

This issue of regional cooperation does not represent an objective in itself, but a means to attain the objective of peace and development in the region.

ESCWA is in a position to promote regional co-operation in executing regional activities, in carrying out joint ventures with Arab regional organizations and development funds and in creating mechanism for technical co-operation among ESCWA countries.

B. Special issues related to statistics

1. The shortage of trained personnel in statistics and data processing, at intermediate and higher levels, has been increased because of rapid changes in computer technology and the problem of transfer of trained staff from statistical offices to the private sector.

2. The introduction of new information technology, such as statistical networks, database management system, will affect not only the daily work statistical offices, but also the structure of central statistical offices and the statistical systems in the ESCWA countries.

3. Every ESCWA country possesses a huge quantity of economic and social data which are usually not totally collected or used or analyzed. Sometimes there is a lack of co-ordination between producers and users of statistics.

4. The problem of standardization of concepts and definitions and of statistical classifications is important at national, regional and international levels. This problem touches upon a wide range of subjects in statistics, mainly in national accounts, trade, industry, social statistics and household surveys.

5. The economic development of the region has not been accompanied always by a similar development of its statistical capabilities. Moreover, many statistical areas such as environment statistics, household surveys on health, household energy surveys, nutrition, literacy, etc. and other social statistics are still lacking in many countries.

C. Long term priorities in statistics

The long term objective in the area of statistics is to contribute to the development of statistical capabilities in the ESCWA region in co-operation with national, regional and international bodies concerned.

1. Development of national statistical offices

ESCWA action towards this objective involves, among other things, the creation of highly qualified team of advisers in statistics and the creation of a mechanism to optimize the use of services rendered by the advisers. Technical assistance rendered by ESCWA should also be coordinated with other United Nations agencies, regional organizations for complementarity and removal of work duplication.

2. Establishment of regional information system

This priority will be worked out in the context of the project of United Nations Economic and Social Information System (UNESIS) which is planned to be launched in 1994 by the Department of Economic and Social Information and Policy Analysis at the Headquarters. ESCWA Information System is a long term project whose scope, objectives, features, process, organization and phasing will be discussed through the proper channels of ESCWA including the Steering Committee established at ESCWA in December 1993.

3. Training in statistics and data processing

Contribution of ESCWA could take two forms: (i) executing regional projects in statistical training such as the project under discussion with four Egyptian institutions for the creation of a regional training institute in informatics; or supporting existing regional institutes and (ii) organizing, in co-operation with regional organizations and funds, training courses in areas of interest to the region.

D. Medium-term priorities

In the medium-term, ESCWA statistical activities will be oriented to the following issues:

1. Implementation of the 1993 United Nations System of National Accounts

In this area, ESCWA will have the lead to carry out a plan of actions contributing to the adoption and implementation of the System in the ESCWA region. This plan includes several types of actions to be executed within a period of 3-4 years in co-operation with major regional Arab organizations and ESCWA countries.

2. Establishment and maintenance of statistical data bases

Statistics Division has adopted this issue as a highest priority issue in order to serve better other substantive divisions within ESCWA and end-users in member

States. ESCWA will continue building up its data bases in the economic and social areas to be integrated in the future in the regional information system.

3. Development of social statistics and indicators

There has been growing interest worldwide in issues pertaining to human development and social advancement, including questions of human rights, grass-root participation, decentralization of decisions, etc. On the other hand, a certain number of conferences and seminars are expected in the coming years in the social and demographic areas (Social Summit, International Conference on Population and Development, Fourth World Conference on Women).

In this area, ESCWA is planning to develop its data base on social statistics and indicators and to prepare statistical indicators on the situation of women. Other activities in the area of civil registration are also planned in the context of the International Programme for Accelerating the Improvement of Civil Registration and Vital Statistics Systems.

4. Environment statistics

Development of environment statistics in the ESCWA region lays far behind its development at the international level. ESCWA will identify a set of activities to be carried out in co-operation with the United Nations bodies and regional organizations. In particular, a data base on environment statistics is envisaged to be built-up with the technical assistance of the Economic Commission for Europe.

5. Collection and dissemination of statistics

Collection of basic statistics in the economic, demographic and social areas of the ESCWA region will be carried out to establish and develop various data bases. Recurrent general and specialized publications will continue to be prepared as outputs of ESCWA data bases and disseminated to end-users in the region.

6. Participation and co-ordination with central statistical organizations

It is hoped that a better mechanism for improved participation and co-ordination be created by ESCWA Statistical Committee which will hold its first meeting in 1995.

7. Technical assistance in social and economic statistics and in household surveys

Technical assistance will be rendered, in particular, by the regional advisers in economics statistics and national accounts, in data processing and in social statistics. It is hoped that advisers on sampling, on population statistics and environment statistics could be recruited by ESCWA to cover the needs of ESCWA countries in these areas.

As regard the household surveys, ESCWA will execute a project funded by AGFUND to assist member States in building up enduring national capabilities through various activities of the project.

VI. SUSTAINABLE ECONOMIC DEVELOPMENT DIVISION

The identification of development issues and the setting of long-and medium-term priorities for the region during the coming two decades or so should reflect the diversity/similarity among member countries, and the changing regional and international setting, with respect to such important parameters as: the stage/level of development attained; extent of participation of various economic agents (e.g., women) in the development process; distribution of the benefits of development; structural imbalances; resource (human, natural, technological and financial) endowment; degree of openness and external dependence; institutional development and capacity; economic management and policies (e.g., market-oriented vs. central management, and private sector vs. public sector dominance); and other specific features such as those relating to reconstruction and rehabilitation needs of war-torn and/or occupied territories, and refugees and displaced persons.

Given the very large number of issues and priorities that could be identified for the region, the ultimate selection of those issues and priorities that the Economic and Social Commission for Western Asia (ESCWA) would concentrate on must take into account the capacity and resources, both relatively limited, of the commission, the existence of other specialized international, interregional and regional organizations with similar and/or overlapping mandates, and the utility to be derived by member countries. To avoid duplication and wasting resources, and to concentrate on those areas where the Commission could have a significant impact, the selection would have to focus on those issues and priorities that cut across the largest possible number of sectors and countries and are at the same time issues where ESCWA has a comparative advantage relative to other organizations.

The overall objective of ESCWA in the coming two decades or so will be to assist member countries to evolve policies and institutions to achieve sustainable development, i.e., development which is environmentally sound, that balances the needs of present generations with future ones, and that focuses on people as the means and end of development through participation in the process and sharing in its benefits. The means available to the Commission in this endeavour comprise essentially research and studies, technical assistance, advisory services and training.

In line with the above, the following regional development issues and priorities may be identified:

- Improvement of macro-economic management and policies
- Growth with equity
- Improvement of resource management and development
- Enhancing Regional and global economic integration
- Development and transfer of science and technology

- Protection of the environment
- Reconstruction and rehabilitation
- Building economic and social data and information base

A. Improvement of Macro-economic Management and Policies

The importance of macro-economic management and policies in the region derives from the direct and extensive involvement of governments in economic activity in many of the member countries, on the one hand, and from their influence in shaping the environment and setting for undertaking economic activity in all countries through policy formulation, institution building, negotiations and agreements, etc., on the other. ESCWA's role should assist member countries to provide an "enabling policy environment" which maximizes optimal utilization of resources and is sustainable in the long-run.

ESCWA's priorities in this area could focus on:

- Macro-economic policy analysis and research aimed at optimal utilization of physical, human, financial and natural resources
- Policy coordination and harmonization
- Resource mobilization, allocation and management
- Public sector economic management and privatization
- Structural imbalances and spatial distribution of economic activity
- Improving productivity and fostering entrepreneurship

B. Growth with Equity: A people's-oriented Growth Strategy

Growth is a prerequisite for development. Participation in economic activity and equity in the distribution of its benefits are prerequisites for sustainable development; inequity and non-participatory development will be unstable. Alleviation of poverty, social integration, and involvement of all sectors of society, especially, women, are of crucial importance.

ESCWA's priorities in this area could focus on:

- Alleviation of poverty and improving income distribution
- Rural Development and urbanization
- Least developed country
- Occupied Palestinian Territories
- Role of women and youth in development
- Social integration
- Refugees and displaced persons

C. Improvement of Resource Management and Development

An important aspect of sustainable development is the optimal utilization and development of natural and human resources. For sustainable development, it is imperative that the relationship of natural resource degradation to poverty and growth be recognized, as well as the central role played by human resources in the process. Research is needed on the "economics of resource use". Analyses detailing the present and future costs associated with the use of a resources should be the basis of informed policy making aimed at sustainable development. Economic management of resources is inextricably linked to the issue of pricing of these resources and the inherent trade- offs involved in the choice of policy.

ESCWA's priorities in this area could focus on:

- Conservation, utilization and sharing water resources
- Land use and desertification
- Pricing of natural resources and their exhaustible nature
- Development of human resources through education, training and improved health care

D. Regional and Global Integration

The high degree of openness of their economies and external dependence, notwithstanding, the integration of the economies of member countries at both the regional and global levels remains weak. The growing interdependence of the world economy, brought about by the revolutionary advances in information technologies, foreign direct investment and globalization of economic activity by transnational corporations, can not be allowed to by pass the region. The pressure to integrate is rendered more pressing by the formation of large economic and trading blocs by both developed and developing countries. Integration with the global economy is also important for the acquisition and development of technology which in its bulk still originates outside the region. The prospects of peace in the region requires a fresh look at the possibility of cooperation, their form and scope.

ESCWA's priorities in this area could focus on:

- Identification of regional cooperation possibilities, taking into consideration the prospects of peace in the region
- Expanding and diversifying trade, particularly intra-regional trade
- Improving trade efficiency by reducing transaction costs and time
- Role and operations of transnational corporations
- Promoting foreign direct investment
- International economic negotiations and regional interests
- Impact of economic blocs on trade and development in the region
- Integration of product, labour and financial markets
- Trade in services, including tourism

E. Development and Transfer of Science and Technology

A major factor shaping the world economy and influencing the ranking of nations is the level and potential for technological development, the foundation of which resides in the importance given to research and development (R&D). The ESCWA region lags noticeably behind in this respect. Science and technology are relevant to all activities/sectors and all member countries would agree on its priority importance.

ESCWA's priorities in this area could focus on:

- Promoting joint research activities and institutions
- Formulation of science and research policies
- Providing a link between the region and the outside world with respect to major developments in the field of development and transfer of technology

F. Development and the Environment

The protection of the environment as a major condition for sustainable development is at the forefront of regional and world concerns. It is a field that lends and/or requires action at the national/subregional/regional levels and, hence, joint action. It also cuts across all sectors of economic activity and forms of social organization.

ESCWA's priorities could focus on:

- Elucidation of the relationship between development and protection of the environment and introducing the environment dimension into planning
- Increasing environmental awareness
- Assisting member countries in formulating national/subregional/regional policies, and legislation and institutions
- Assessing environmental impact of existing trade, agricultural and industrial activities and policies.

G. Reconstruction and Rehabilitation

Several economies in the region have suffered severe damage in their physical and institutional infrastructure, and in production capacity and in lost opportunities, as a result of internal and external wars, occupation and natural disasters, with detrimental results to growth and development prospects and the environment and ecological systems. The reconstruction and rehabilitation of these economies is needed to put them again on the path of sustainable growth and development.

ESCWA's priorities in this area could focus on:

- Promoting regional cooperation in the area of reconstruction and rehabilitation
- Provision of assistance in policy formulation and institution building
- Provision of assistance in resolving specific issues and bottlenecks

H. Building the Economic and Social Data and Information Base

The deficient state of economic and social data and information in the region presents a major obstacle confronting policy makers and economic/production managers in an age where the possession of information has become a major determinant of competitiveness and development. In addition to traditional forms of information, new ones need to be developed especially in the areas of environmental and social statistics. Moreover, international standards which keep on evolving and new ones need to be introduced and applied in the region.

ESCWA's priorities in this area could focus on:

- Assisting member countries to adopt and apply international standards (national accounts, industry, trade, prices, wages, employment and unemployment)
- Assist member countries to develop and apply indicators in the social and environment fields, including poverty
- Collect, standardize and disseminate information in forms that respond to the needs of policy makers and researchers
- Assist member countries to conduct specialized structural survey and censuses such as household surveys, population and industrial censuses.

VII. Joint UNCTAD/ESCWA Unit on Transnational Corporations

A. General Framework

When addressing the prospects of economic development in a region such as that of ESCWA, one has to assume some degree of a consensus, by concerned Governments, as to the direction of their macro-economic policies:

- will Governments be heading towards more liberalization?
- would Governments utilize the private sector (as contrasted to the public sector) as the main vehicle for economic growth?
- To what extent would liberalization encompass free movement of capital and labour within the region?
- To what extent will the region be open to flows of capital and labour from outside the region.?

On the political front, there are a number of unknowns, such as:

- On the assumption that the Palestinian question is somewhat resolved, is the region going to be in a position to re-channel the resources spent on armament, to the rebuilding and modernization of its infrastructure, and other productive activities?
- Would the region be immersed into other regional conflicts, such as: (a) access to and utilization of, water; (b) the Kurdish question, ... etc .

In contrast to the above mentioned uncertainties, one can be certain of at least one thing: no country can any longer insulate itself from the rest of the world. Today, the world at large is increasingly heading towards the "globalization" of investment, production and trade in goods and services, the "globalization" of the media and transborder information flows, and the "internationalization" of societies and of peoples' aspirations and expectations.

Many events are taking place on the international scene that inevitably will have an impact on the ESCWA region and will, in a sense, shape its available options, namely:

- (a) "Globalization" :
 - of firms and industries;
 - of services;
 - of media and information, ..etc.

(b) Liberalization:

- The Uruguay Round of Multilateral Trade Negotiations under GATT, and the resulting General Agreement on Trade in Services (GATS)(the first-ever multilateral framework governing international transactions in services);
- Deregulation of national economies;

(c) Privatization;**(d) Regionalization:**

- The European community;
- The European Economic Area Agreement;
- The European Free Trade Association (EFTA);
- The North American Free Trade Agreement (NAFTA)
- The Association of South-East Asian Nations (ASEAN);
- The Greater China; ...etc.

Governments of the region will need to assess the impact of the above mentioned issues and to adequately react or adapt to these events; and in so doing will need to decide as to the extent to which the economies of the region are to be integrated in the "globalization" process, taking into consideration the growing linkages between international trade, foreign direct investment and transfer of technology, as reflected in the operations of transnational corporations.

B. Linkages between international trade, foreign investment and transfer of technology in the operations of transnational corporations, and their relevance to the region's economic growth prospects.³

The rapid growth of world trade relative to world output has meant an increase in the degree of international economic integration. The world has become much more of an interdependent whole. In all the industrialized countries, the size of the trading sector as a proportion of national output has increased. Important changes have also taken place in the nature and pattern of world trade.

³ - TCMD/DESD World Investment Report 1992: Transnational Corporations as Engines of Growth
(United nations, New York, 1992)

- UNCTAD/
Prog. TNCs World Investment Report 1993: Transnational Corporations and Integrated International Production.
(United Nations, New York, 1993)

In recent years a variety of attempts have been made to bring both trade and investment together in a single framework to develop an integrated theory of international production. Thus, comparative advantage in a particular product or industry changes over time as a specific technology is diffused internationally. In this process an important role is played by transnational corporations: In setting up new production facilities in other countries, transnational corporations transfer technology to those countries.

In the early 1980s, the global pattern of foreign direct investment (FDI) could be characterized as bipolar, dominated by the United States and the European Community (EC), with the latter not yet fully integrated in terms of foreign-direct investment flows. By the end of the 1980s, Japan had emerged as an equally important foreign-direct investment power, at least as far as outward FDI flows were concerned. As a result, the global pattern of foreign direct investment (FDI) can now be characterized as tripolar, with EC, the United States and Japan being the members of the triad.

The triad accounts for some four fifths of total outward FDI stocks and flows, a percentage substantially higher than in the area of trade, where the triad accounted for one half of total world trade during the 1980s. Furthermore, while other countries have somewhat improved their relative position as outward foreign investors (although the triad still accounts for over 80 per cent of outward world FDI stock), a growing share of worldwide investment is being concentrated in the triad itself.

Thus, the concentration of intra-triad FDI reflects the growing importance given by transnational corporations to the triad "regions" (US, EC, and Japan). This strategy, often referred to as "globalization", means that transnational corporations are increasingly regarding their non-domestic triad activities and their home-country operations as equally important. The recent Japanese strategy to become "regional insiders" in each leg of the triad is motivated both by efficiency reasons (country specialization and regional economies of scale) and by policy considerations (extraregional tariff and non-tariff barriers). If the Japanese FDI strategy proves successful, then the question arises whether EC and United States transnational corporations, in order to ensure competitive survival, will also have to adopt a three-legged strategy in each member of the triad. The incentive to do so will be greater if regional trade blocs are strengthened in Europe, North America and Asia so that achieving "insider" status would be an important competitive advantage to gaining access to those markets.

C. Risk of marginalization of developing countries

Despite an increase in the absolute volume of FDI inflows to developing countries, the decline of their share in worldwide FDI flows has continued in the late

1980s. Considering the pivotal role that FDI plays in economic development - not only in its own right, but also because of its close interlinkages with trade, technology and financial flows- there is a need to reverse the marginalization of developing countries and the resultant inequity in the international division of labour. This, in turn, raises the question to what extent can co-ordinated public policies by host countries, home countries and international institutions play a role.

The task of legislating FDI in a world characterized by a triad will become increasingly complex for developing countries. In particular, the margin for effective policy-making utilizing traditional liberalization and incentive instruments is narrowing, though the scope for further improvement in the foreign-direct-investment framework by all developing countries has not been exhausted. This is because the scope for further liberalization and additional incentives diminishes as more and more of such measures are implemented; in addition, the effectiveness of such measures in attracting investment becomes more limited when virtually all countries have adopted them. In this light, it may be appropriate for developing countries to review their investment incentives and to structure them on the basis of a co-ordinated and realistic appraisal of their effectiveness.

D. Developments in the 1990s and anticipated role of transnational corporations.

As the decade unfolds, Governments of developing countries are likely to experience increasingly difficult obstacles to achieve needed development. Current economic trends indicate that the internationalization of national economies will continue. Yet many developing countries lack the human resources needed to manage their economies and related industries so as to participate in the international markets effectively; such countries are in danger of being marginalized.

Trends expected to dominate the economic scene in this decade include:

- (a) Rapid technological change geared towards lower production costs, enhanced product quality and diversification; and a much more competitive economic environment;
- (b) As a corollary to (1), technology transfer to developing countries would become more intricate and would necessitate more dynamic arrangements;
- (c) A new role for the State, which will become more of a facilitator of, and manager for, an efficient use of resources, and less of a producer and supplier of goods and services;
- (d) An enhanced role for the private sector as a vehicle for growth;
- (e) An increasing concern for environmental protection, leading towards an increasing use of more environmentally sound production technologies.

Countries which can harness these forces would enhance their potential for growth, and the quality of life for their population. This could be achieved, inter alia, through equitable productive linkages with transnational corporations (TNCs).

Indeed, the single most important actor in an increasingly globalized economy will be the TNCs:

- (a) TNCs are the major users (and often also the developers and licensor) of new, more cost-efficient production technologies and managerial know-how;
- (b) TNCs have developed international marketing and distribution networks which reach into major markets across the world. A growing share of foreign trade is carried between TNCs or TNC affiliates;
- (c) TNCs are major international investors;
- (d) TNCs are allocating increasing R&D resources towards environmentally sound production technologies.

Each economy has different human, natural and technical resource capabilities. However, problems involving the attraction, transaction with, and integration of transnational corporations (TNCs) are, for the most part, common.

Thus, under certain conditions, opportunities exist for TNC involvement to facilitate economic development. This type of development can directly benefit development of human managerial and technical skills, overall economic reform liberalization and improved performance of the private sector.

Thus, the importance of international trade/foreign investment/transfer of technology, as an interrelated developmental issue, warrants its inclusion as one of the priority programme themes for the ESCWA region.

E. The Economic Size Issue in the ESCWA Region

The ESCWA region consists of thirteen Member States. In a recent report by the Joint Inspection Unit on "The development needs of small Member States"⁴, "Small States" are listed in two categories, those with a population of less than one million, and those with a population falling between one and four millions. In the first category, ESCWA covers two countries (Qatar and Bahrain) and in the second category five countries (Oman, United Arab Emirates, Kuwait, Lebanon, and Jordan). In total, ESCWA has seven Member States that are labelled as "small States". This represents more than fifty percent of its Member States. However, the issue of

⁴ (JIU/REP/93/4, 1003, Geneva)

"smallness" seems to have been adequately addressed by Member States in the following manner: Out of the seven "small" States covered by ESCWA, five States have joined hands in a regional cooperation arrangements with the Kingdom of Saudi Arabia, under the Gulf Co-operation Council (GCC); while, Jordan, prior to the Gulf war of 1990/1991, had joined another regional cooperation scheme with Egypt, Iraq, and the Yemen, under the Arab Co-operation Council (ACC). However, subsequent developments deprived the ACC of its momentum. Lebanon, the remaining "small" country, has ratified a number of cooperative arrangements with the larger neighbouring country, Syria. Lebanon, in many ways, did not, in the past, "suffer" from its "smallness". On the contrary, "small was beautiful", and Lebanon was able to reap some of the advantages of being "small".

The interest of specific sub-groups in the region, as to the nature of their dealings with TNCs, differ with the differences in their level of wealth. The GCC region is interested in technology transfer more than in attracting foreign investment, while the remaining countries are interested in both, i.e. foreign investment as well as transfer of technology. However, every country in the region sees the advantage of export-oriented growth and associated implications.

F. ESCWA Role vis-a-vis the linkages in the areas of international trade, foreign direct investment and, transfer of technology in the operations of transnational corporations.

In order for the ESCWA region to avoid being marginalized, and to enhance its capabilities for participation in the globalized production and trade environment, including transfer of technology, a number of areas would require the continued attention of Member states, as well as the attention of regional and international institutions:

1. **Regulatory Framework, Screening and Monitoring**
 - (a) **Regulatory Framework:** The development of an adequate regulatory framework (policies, laws, regulations), conducive to increasing the inflow of foreign direct investment, technology and management know-how. This involves the review and refinement of Company Laws, Contract Laws, Fiscal Laws (Income tax and customs duty), Foreign Investment Laws (joint-venture laws including joint-venture company and foreign income tax laws and implementing regulations), and Technology Transfer Regulations
 - (b) **Screening & Monitoring:** The development and institutionalization of appropriate foreign investment screening, approval and monitoring mechanisms that would be favourably comparable to procedures applied

by neighbouring countries and regions, should certainly enhance the interest of foreign investors while allowing the concerned Governments to protect their vital interests, and channel such resources to the realization of national developmental goals.

The establishment of joint venture screening, approval and monitoring procedures including appropriate institutional mechanisms, would facilitate setting-up such ventures to the benefit of the parties involved. Thus, Governments would aim at creating the environment that could lead to the realization of well selected and negotiated joint-ventures, technology and management agreements in all sectors of their respective economies.

- (c) Standards of Accounting and Reporting: Efforts would need to be made towards the harmonization of standards of accounting and reporting for joint-ventures, as a requisite for the establishment and strengthening of fruitful and lasting business relations.

2. Economic Reform

- (a) Macroeconomic Policy Liberalization: Governments, increasingly have, as their primary aim, private sector-oriented economic development, as opposed to social welfare-oriented economies. Thus, macro-policy frameworks need to be identified and established, within the economic, political and social capabilities of the individual economic systems. These frameworks do not have to be overreaching and dramatic. They could be simple building block processes over a three to seven years period. They could consist of: commercialization and privatization of government-owned entities, development of legal/regulatory environment, development of entrepreneurship, development of investment attraction and export promotion and development of human capability.
- (b) Investment Development & Foreign Investment promotion Strategy: Developing countries have met with varying degrees of success in their efforts towards the development of investment. Investment goals and objectives would need to be clearly defined. In addition to the development of an appropriate legal/regulatory commercial operating environment. Investment development programmes will need to be formulated in each country. These "programme" would include incentives, identification of areas seeking investment, facilitation and promotion. These functions can be undertaken by the governments, private sectors, regional institutions or a combination of these entities.

- (c) **Privatization of Government-Owned Entities:** Within a number of countries in Western Asia, Governments are the main economic catalyst, being the dominant revenue earner, employer and service provider. Governments are involved in an array of social services, manufacturing sectors, and infrastructure sectors. Some (not all) of these areas can be undertaken by the local private sector alone or with the partnership or assistance of TNCs.

However, prior to attracting and entering into ventures, the proper regulatory environment must be in existence in order to ensure the proper provision of services and economic benefits that accrue to the local economy.

Entities in some cases should first be commercialized and then privatized. An educational effort should be initiated (if it has not occurred already) so that public and private sector leaders understand the risks and responsibilities involved. Privatization guidelines and plans could then be developed.

- (d) **Public sector institutional reform:** Public sector organizational/efficiency development is needed to assist in focusing public sector efforts on fulfilling basic prioritized needs by focusing on developing a facilitative private sector environment that not only facilitates local private sector development, but utilizes TNC involvement as a catalyst for developing local capabilities, utilizing resources and contributing to general economic growth.
- (e) **Market development:** Countries in the region do have market capabilities that are either unrecognized, not properly identified or not promoted. Governments are gradually realizing that their role in market development is not to identify the market and become a market player, but to facilitate the creation of a private sector environment (e.g., tax laws, investment incentives, tariff and customs laws, operating regulations, if any, environmental laws, infrastructure development, etc.). Governments increasingly realize that their role is to insure that a company (local or a TNC) can operate effectively in the economy, and assist in promoting and attracting opportunities.
- (f) **Trade and finance development:** Trade is usually a result of investment, especially in the case of developing countries. More capabilities (entrepreneurial, technical, support service, etc.) need to be developed in order to encourage joint-ventures between local firms/individuals and foreign investors.

Export development and promotion efforts need not be the responsibility of the government only. It could be a joint effort between government, local private sector, TNCs (actual and potential), national organizations/associations, and regional organizations/associations.

- (g) **Tourism Development:** In a number of countries in the region, tourism is a significant sector. Governments will need to meet the need of this sector such as human resource and infrastructure development, an adequate regulatory framework to attract both investment and tourists. Eco-tourism considerations must also be addressed given the abundant tourism resources and the sensitive environmental factors of some countries.

3. **Human Development**

- (a) **Negotiating Capabilities:** Enhancing endogenous negotiating capabilities in dealings with transnational corporations (joint venture, technology and management agreements, ..etc), including the setting-up of a comprehensive information system on foreign investment and technology.
- (b) **Project Evaluation Capabilities:** Strengthening endogenous capabilities and institutional mechanisms in the identification, preparation and evaluation (financial and economic evaluation) of specific joint ventures (pre-feasibility and feasibility studies and joint venture project proposals in all sectors of the economy).
- (c) **Determination of Transfer pricing:** In order to maintain lasting business relations while protecting national and regional interests, Governments need to develop the skills of officials concerned in the identification and determination of transfer pricing practices, and may wish to consider establishing "transfer pricing determination units" as part of the taxation authorities for the purpose of controlling manipulations of transfer pricing.
- (d) **Entrepreneurial development:** Entrepreneurial and business development should be a result of technical, financial and market development. However, it can also be fostered through appropriate training and promotional efforts. Entrepreneurs must first specialize in a certain area, have access to capital, and have a general private sector market.

- (e) **College/University Curriculum Development:** Regional and national educational institutions have the opportunity to play an essential role in developing commercial sector specific capabilities. These capabilities can assist in (i) developing a private sector orientation for youth; and (ii) highlighting the linkages between international trade in goods and services, foreign direct investment and transfer of technology as apparent in the operations of transnational corporations, (iii) providing negotiating and transaction skills to be involved in domestic and international commerce. Educational institutions should have specifically tailored curriculums to meet these needs.

VIII. TRANSPORT AND COMMUNICATION DIVISION

A. Regional long-term development issues and priorities pertaining to Transport and Communications

The principal long-term objective in the field of ESCWA regional transport and communications development is to establish connected transport and communications networks that ensure a reliable and continuous flow of traffic among ESCWA member countries and with the other regions through integrated ESCWA regional transport and communications policies and operations.

In the long run i.e. beyond the year 2000, ESCWA regional priorities and core themes pertaining to the transport and communications sectors could include the following. These are based on anticipated regional developments and they stem from anticipated regional requirements and aspirations in the field of transport and communications.

- Core theme 1: Transport and communications infrastructure needs: Construction, reconstruction and rehabilitation of roads, railways, ports and airports.
- Core theme 2: The maintenance of existing land, maritime and air transport infrastructures and facilities, including networks, terminals and carrying units.
- Core theme 3: Transport training: Vocational training, incorporating skills development and vocational components at lower, medium, higher and management levels.
- Core theme 4: Transport facilitation: Comprehensive transport policy measures to facilitate land, water, air and multimodal transport by simplifying and reducing to a minimum the formalities, documentary requirements and procedures on the arrival, transiting, stay (storage and terminals) and departure of goods and persons. This includes all documents, formalities etc. pertaining to the transport of cargo, baggage, passengers, and temporary importation of motor vehicles, which are required by customs, immigration, health and other public authorities for proper flow of transport.
- Core theme 5: Transport management: Development of management techniques, utilization of electronic data interchange, modernized communication systems and computerization.

The ESCWA region, experiencing rapid political and socio-economic changes, would certainly require transport infrastructure and equipment regularly and continuously maintained and efficiently and safely operated by skilled manpower. These long-term transport requirements should be met to attain the anticipated socio-economic development goals in the Western Asian region which would increasingly rely on a smooth flow of goods, persons and services.

B. Medium-term development issues and priorities in the field of transport and communications

Priorities for regional transport and communications development can be established on the basis of current transport situation in the ESCWA region and focusing on its anticipated shape till the end of this century. While the present regional needs dictate urgent rehabilitation and reconstruction efforts in some sub-regions and countries such as in Lebanon, Iraq, Kuwait, Palestinian territories, in some other ESCWA countries (Egypt, Jordan, Syria, Yemen) further infrastructure investments or the maintenance of existing transport networks, equipment and facilities (in GCC countries) require priority actions.

It is therefore appropriate to differentiate between various transport planning and policy responses according to the particular requirements in given areas. However at the ESCWA regional level, the relevance of transport infrastructure building, reconstruction, rehabilitation and maintenance is indisputable. Therefore, transport infrastructure issues should receive the highest priority. In this respect, topics such as the private sector's participation in financing and in operations of transport infrastructure should be addressed as well.

Moreover, in the medium-term, the following priorities aiming to reduce the principal problems faced by users and providers of transport operations, also emerge from the current status of transport and communications in the region:

1. Establishment of regional transport planning and policy guidelines,
2. Regional guidelines for manpower and training requirements in the transport sector including unskilled, skilled laborers, technicians and specialists at the supervisory middle and top-management levels,
3. Joint road transport enterprises/companies at the regional or sub-regional context. Institutional, financial and operational aspects of such joint companies, private sector's role, deregulation and subsidies are among the priority issues to be focused on,

4. Regional transport facilitation issues including customs and other border crossing formalities for goods and passengers. In this respect road transport sub-sector should be considered as priority and ESCWA road transport conventions including transit traffic be drafted. Full application by ESCWA countries of international transport agreements should also be envisaged and further pursued.
5. Study and completion of missing land transport (road and railways) links at the intraregional as well as at the interregional level,
6. Multimodal transport is the backbone of modern transport systems. As such, multimodal transport chain, transit transport, containerization and combined transport solutions gain increasing importance in the region. Supported by latest information and communications technologies, multimodal transport operations will constitute the main transport mode in the future and they should enjoy growing priority in ESCWA member countries,
7. In the field of telecommunications, the ESCWA region's priorities are geared towards the establishment of the missing links in the least developed and rural areas, the elimination of monopolies, actions on privatization, modernization and efficiency. Designing and implementation of appropriate regional ESCWA telecommunications policies and networks are essential for the development of all socio-economic sectors without any exception.

The above indicated issues and priorities would require:

1. Institutions building and transport management measures which comprise inter alia: Establishment of ESCWA Transport Committee; Joint transport companies (regional, sub-regional or the strengthening of existing ones); regional transport planning and policy guidelines; concerted and coordinated regional actions,
2. Advisory services through ESCWA Regular Budget and by the ESCWA regional advisers in transport. Concentration areas would be road transport, urban transport, traffic management and safety, planning and project monitoring,
3. Technical assistance in those fields with greater and deeper impact on transport policies and projects implementation such as, advice on modifications to organizational structures, on creation of an efficient transport environment, on private sector participation and on project evaluation in transport sector.

4. Action and project oriented research, studies and surveys, in particular by monitoring the trends in transport supply and demand structures as well as in transport policies.
5. Specific training schemes for and in member countries. Multimodal transport, transport information technology, port management, planning methods, project evaluation and monitoring, policy analysis, costing and pricing constitute priority fields in this respect.

Experience accumulated since 1974 by the ESCWA Transport and Communications Division through the transport programmes implementation also suggests that there is justified scope and larger room for intersectoral approaches to regional transport development issues. In this respect the following multidisciplinary areas can be listed:

1. Creation of new and extension of the existing free trade zones, transit trade and traffic (Transport and Economic Development/Trade programmes),
2. Oil transport (Transport programme and Natural resources and energy programmes).
3. Environmental impact analysis in the transport sector and transport related pollution (Transport programme and Environment sub-programme),
4. Transport and telecommunications technologies (Transport programme and Science and technology programme),
5. Urbanization and urban transport (Transport programme and Human settlements programme),
6. Transport components in regional food security and rural development policies (Transport programme and Agriculture programme),
7. Transport and communications statistics and data base (Transport programme and Statistics programme),
8. Manufacturing of transport and telecommunications equipments such as wagons, cars, shipbuilding and ship repair (Transport programme and Industry programme).
9. Transport training and manpower development (Transport programme and Social development programme),
10. Integration of the handicapped in the public transport system (Transport programme and Social development programme).

Since there is not any United Nations, intergovernmental or regional agency dealing with the overall transport priority issues depicted in this paper, regional long- and medium-term development issues and priorities in the transport sector should be one of the main tasks of the ESCWA Secretariat.

In conclusion, the core themes for ESCWA regional transport and communications programmes should encompass:

1. Transport policy and planning,
2. Transport infrastructure and equipment,
3. Multimodal transport chain,
4. Transport training,
5. Transport facilitation,
6. Telecommunications,
7. Transport information systems.

Priorities should be given to the aforementioned areas.

A meaningful and appropriate coverage of the core themes and priority issues would require ESCWA regional activities, programmes and projects in the following fields:

1. Transport policy and planning, including transport facilitation, infrastructure and management, data base;
2. Multimodal transport, including electronic data interchange, transit traffic, containerization, modal coordination and integration;
3. Land transport (Road and rail transport);
4. Water transport (Ports, shipping, inland waterways);
5. Air transport;
6. Urban transport;
7. Transport training;
8. Communications (Telecommunications, information systems and postal services);
9. Advisory services (RB and regional advisers);
10. Programmes and projects related to the phase II of the Transport and Communications Decade for Asia and the Pacific (1992-1996) in Western Asia.

It is worth underlining the fact that the above coverage fully corresponds to the current United Nations/ACC/CCSQ programme classification for transport and communications.



