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**SURVEY OF ECONOMIC AND SOCIAL
DEVELOPMENT IN THE ECWA REGION**

1970-1978

Fourth Biennial Review and Appraisal of Progress
in the Implementation of the International Development Strategy
for the Second Development Decade in the ECWA Region

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Fourth Biennial Review and Appraisal of Progress
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I. INTRODUCTION

The present decade has witnessed some eventful changes in the world economy unparalleled in the post-war period.. Some of these changes which were intense, far reaching and wide in scope came as sudden shocks to the prevailing world economic system.^{1/} Yet, their causes or the factors which led to their surfacing in the first half of the 1970s had been at work for quite sometime. By far, the most important change has been the shift in the power structure of the international petroleum market in favour of the major oil-exporting countries with the consequent quadrupling of oil prices. The ECWA region, being the producer of a sizable proportion of the world oil supply, and the main reservoir of world oil reserves has become an important actor on the world economic scene.

To view economic and social developments in the region during the 1970s in the proper perspective, it is appropriate first to briefly (a) identify the broad features that characterize the economy of the region and (b) highlight the region's position in and interaction with the world's economy.

^{1/} These changes include the breaking down in 1971 of the then prevailing international monetary system, the rapid rise of food and primary commodity prices, fluctuation in world output, structural imbalances in agricultural production, inflation associated with recession in the developed market economies and many developing countries, wide spread of balance of payments deficits and the so-called "energy crisis".

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A. ECONOMIC CHARACTERISTICS OF THE ECWA REGION

The most conspicuous feature of the region's economy is the preponderance of the oil sector. The influence of oil is obviously more discernible in the oil-exporting countries of the region. Oil and revenues from oil exports represent the mainstay and the driving force behind the economies of most of ECWA countries. Oil also underlies the expanding role of the region, and its interaction with the rest of the world. The economic weight of oil in the region assumed greater proportions following the sharp increases in its price in 1973-1974. But, even prior to that period when oil had been severely underpriced and its production was mainly in the hands of the multinational oil corporations, it still had the lion's share in revenue sources in the oil exporting countries.

It must be stated, however, that the contribution of the oil sector to economic activity has been mainly through the availability of financial resources from export earnings. Most of the oil is exported and in crude form leaving only a small proportion to be refined in the region. In addition, the oil sector is a capital intensive sector in which most other inputs are imported. Furthermore, the bulk of oil export earnings accrues to the central Governments and filters down into the economy through government spending. In other words, the linkages between the oil sector and the rest of the economy are limited. Thus, the developmental effect and the income generating impact of oil on the rest of the economy is far below its potential and considerably less than has been commonly thought.

The subject of oil with all its ramifications in the context of the ECWA region is quite central and will therefore come up very frequently in this paper. Nevertheless, it is important to keep in mind the depletable nature of oil which decision makers in the oil exporting countries are quite conscious of. This view of oil has important conceptual as well as policy implications concerning income measurement and production policy.

Secondly, the region's economy is characterized by a high degree of openness and high propensities to import and export. During the seventies, the share of foreign trade in gross domestic product has progressively increased and reached as high as 110 percent for imports (1977-Jordan) and 118 percent for exports (1974-UAE). This high degree of openness exposes the economies of the region to external influences and subjects them to international economic forces. Meanwhile, member country major trade partners are mostly from outside the region. Intra-regional trade relations, by contrast, are still very dismal accounting for no more than a few percentage points of total trade. In fact, its share even declined with the oil generated boom which has had its greatest impact on the region's external economic relations.

Thirdly, the ECWA region remain a predominantly primary commodity producing area with oil heading the list of major commodities which include phosphate, cotton and cereals. This, of course, explains much of the openness of the economy. It also means that the region's economy is dependent not only on external economic forces but also on weather conditions for its agriculture. Hence, the level of economic activity corresponds to and reflects variations in exogenous factors. Consequently, economic planning, plan implementation and economic policy actions are often constrained and rendered ineffective. However, during the 1970s diligent efforts have been made to industrialize and diversify the economies of the region in order to reduce the influence of exogenous factors. But these efforts are only the beginning of a long-term campaign and it will be several years before they begin to yield results.

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Fourthly, the economic role of the public sector has been increasing at an accelerated rate during the 1970s. In addition to the traditional reasons for expanding the government's economic role, two factors stand out conspicuously in the region's experience. In the oil-exporting countries, the nationalization of the oil sector and the massive inflow of oil revenues accruing to central governments have prompted to **these** governments to embark on huge development campaigns far beyond the scope and ability of the private sector. Here, foreign factors of production other than capital have inevitably been resorted to on a large scale. Meanwhile, in Iraq, the Syrian Arab Republic and Democratic Yemen, the rapid expansion in the economic role of the government represents a manifestation of the socio-political systems which have had a socialist orientation.

Lastly, the economy of the region is fragmented and continues to suffer from economic and political instability. Historically, and under the influence of foreign powers, parts of the region which make viable economic units had been segmented into small political entities and as a consequence structurally imbalanced economies. These economies may be classified into two groups oil and non-oil economies. The 1970s have witnessed greater awareness of the necessity and the inevitability of economic consolidation in the region. Several attempts and experimentations to align these economies, have been made at the subregional level. Furthermore, numerous regional economic and development institutions were established and have been effectively promoting economic solidarity among the countries of the region.

The economic costs of political instability, whether resulting from internal development or a consequence, of military conflicts with Israel have been quite high. This instability has led to economic dislocation, disruption of the process of development and to the retardation of growth.

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Furthermore, it has diverted sizable resources from development to defence spending. During the 1970s, the 1973 war with Israel, the conflict with Kurds in Northern Iraq, the rebellious movement in Oman and the Civil War in Lebanon, are examples of the distabilizing development in the area.

B. THE ECWA REGION IN THE WORLD ECONOMY

The ECWA region had emerged during the 1970s as a significant world economic power. The establishment by the producing countries of control over the oil sector and related pricing policies was behind this ascent in economic power. This control was effected through the consolidation of the strength of the Organization of Petroleum Exporting Countries (OPEC) following the Arab-oil embargo which was triggered by the Arab-Israeli war of October 1973.^{1/}

The magnitude of the newly acquired economic power of the oil-countries in the region can be appreciated by citing few important statistics. In the 1970s, OPEC has been responsible for about 88 percent of world crude oil exports of which ECWA's share reached 54 percent in 1976-1977. Saudi Arabia, alone, supplied some 27 percent of world crude exports during the same period. Furthermore, the Region accounted in 1978 for 47 percent of world proven recoverable crude oil reserves and for more than 85 percent of the remaining reserves in "super-giant" fields of more than 10 billion barrels. Meanwhile, the technical and comparative advantage of oil over other sources of energy and the fall of its, already low, relative price through the early 1970s has resulted in great dependence on oil and consequently in a growing and inelastic demand.^{2/} Hence, with the

^{1/} The international impact of the so-called energy crisis of 1973 was strong perhaps because of the failure of many consuming countries to anticipate oil price increases or more precisely their underestimation of OPEC's potential economic power.

^{2/} See the Natural Resources and Energy section below.

.../

concentration of supply in a few producing countries, the raising of the price of oil was inevitable.

The surge in the Region's economic wealth and power has had many significant consequences. Domestically, it has generated an unprecedented spending and development boom with commensurate changes and challenges. It prompted the Governments in the region to revise upward their growth targets and to embark on accelerated development campaigns. These campaigns and the responses of the economies were in several cases as in Saudi Arabia, so intense that they strained the economies leading, among other things, to spiral inflation, economic and social dislocation and bottlenecks. The situation reached a point which necessitated the reconsideration of development goals and strategies by some governments and the application of measures to restrain and moderate the pace of spending.

The impact of the oil boom was not limited to the region's oil exporting countries but it went beyond to reach all the countries of the region, though in varying degrees. The direct impact was transmitted mainly through resource flows. Financial flows from the surplus oil economies to the capital-deficit countries, such as Jordan, the Syrian Arab Republic and the two Yemens, increased markedly. In return, the non-oil countries supplied the labor-short oil countries with large numbers of skilled and semi-skilled labor. The oil boom has availed the region of perhaps the first real opportunity for the realization of the long awaited economic co-operation and integration. Resource complementarities and the need for a large domestic market to accommodate the large industrial projects which are currently under construction amply demonstrate the indispensability of economic integration. What is still wanting is a greater sense of mutual trust coupled with determination and commitment in an atmosphere of improve political stability.

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Externally, the ECWA region has played during the 1970s an important role in the world economy. Notwithstanding the short-term impact of the oil price increases, which were not as detrimental as was initially thought, the region has responded responsibly and positively to the malaise of the world economy.^{1/} First, the region, together with other major oil exporters, has endeavoured to maintain a steady flow of oil to the consuming countries which has, on occasions, led to an oil glut in the international market. Saudi Arabia, the region's and the world's largest exporter of oil, has to a considerable extent, acted as a supplier of last resort adjusting its production to world's requirements. The recent stepping up of production as a result of its interruption in Iran is a clear example of the Saudi role.

Secondly, the bulk of the region's sizable oil revenues has been channelled back to the rest of the world through burgeoning imports, aid to the developing countries and recycling of surplus funds to the developed market economies. The ploughing back of oil revenues into the world market provided an economic stimulus and a much needed source of funds at a time when many countries had slipped into economic recession and balance of payment deficits. Thus, the region has been a significant stabilizing force in a fluctuating world economy.

Thirdly, within the framework of OPEC, the region has contributed to the achievement of a greater sense of solidarity among the developing countries and to enhancing their bargaining strength vis a vis other economic groups. It has had a role to play in promoting international economic co-operation and in the efforts towards the establishment of the new international economic order.

^{1/} "The sudden and substantial increase of oil prices has not had as destabilizing an effect on the developing world as was feared at one time. To some extent, this is due to good economic management on the part of certain developing countries and the recycling of OPEC surpluses" See U.N. document E/1978/46 p.6.

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Despite the above, the increased wealth and economic weight of the region cannot be said to have been matched by a correspondingly vivid and well defined development strategy. Ambitious development plans notwithstanding, the responses of the region to the new situation have been more or less isolated short-term reactions to domestic and external influences under existing mechanisms, rather than well conceived policies which would form into new and long-term development patterns. The region is in effect passing through a transitional period within which the full implications of oil wealth are not yet absorbed. Its member countries are still feeling their way regarding (a) their priorities and objectives and the manner and the means of achieving them and (b) the nature, the extent, and the direction of their relations with the rest of the world.

Meanwhile, the newly acquired wealth, or more precisely the conversion of non-renewable natural resources into financial resources measured by unstable foreign currencies, has created new economic, social and cultural problems in the region. For example, the depreciation of some of these currencies has been eroding accumulated surplus funds. Domestically, while spending has been in some cases extravagant, it has created strong inflationary pressures which, among other things have accentuated the problem of income distribution. The sudden opulence is still associated with a relatively low economic performance, underdevelopment, and concentration of wealth.

C. DEVELOPMENT OBJECTIVES AND STRATEGIES OF THE ECWA REGION

The experience of development planning ~~in the region extends back~~ to the 1950s but it was not until the 1970s that concentrated and serious efforts towards the formulation of a future vision of the economy could be identified. Development planning is currently practiced in two-thirds of the countries of the region. While these countries face different

economic problems and issues, they nevertheless share the broad characteristics of developing countries and it is in this respect that their declared development objectives converge and some sort of a regional picture can be sketched. Although the strategies that ought to be adopted to identify the region's goals and priorities and to match them with its resource endowments are not clearly defined, some broad goals and strategies could still be distinguished:

(a) Accelerated growth and diversification. Motivated by the availability of financial resources, the countries of the region, specially the major oil exporters, have committed themselves to ambitious rates of growth in aggregate and per capita income.^{1/} The development strategies lay considerable stress on rapid expansion in capital formation and on economic diversification, industrialization and building or expanding the infrastructure. Industrialization is viewed as the means to achieve economic diversification and accelerated growth. This is especially so in the oil economies where the risks stemming from the near to complete reliance on the oil sector are being recognized as potentially serious national problems. In these economies, capital intensive and energy absorbing industries are viewed as the way to remedy the structural imbalance.

(b) Balanced Development. The emphasis on a balanced strategy for growth and development is discernible in almost all the development plans. It is a multidimension strategy relating to (a) a more equitable distribution of income among the different segments of population, (b) balanced geographical distribution of development projects and (c) balanced agro-industrial mix of development projects whereby

^{1/} GDP is planned to grow at an average annual rate ranging between 8 and 12 percent in the non-oil countries and between 10 and 17 percent in the oil countries (Oman is a notable exception, where GNP is planned to grow at 33 percent annually). Per capita income growth, where it is referred to, is planned to grow between 8 and 13 percent per annum.

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a reasonable level of import substitution and self-sufficiency could be attained. Other elements of a balanced development strategy such as a balanced spacing in time of projects or an optimum mix of labor and capital intensive development have figured less prominently in the region's development plans.

In the area of external balance while the oil, and the balance of payments surplus, economies have begun to diversify their international investment portfolio, the deficit non-oil economies have been striving to improve their trade and payments positions.

(c) Oil Strategy. As oil is a "strategic" and an internationally traded commodity, policies governing the level of its exports and pricing have so far been very much subject to the forces and influences of the world market.^{1/} Therefore, domestic oil strategies have pertained mainly to the administration of oil revenues and to the proper utilization of what is produced of oil for the local market. The additional use of oil as an industrial input has been acknowledged recently by the oil countries. As a result, intensified efforts are being exerted in the direction of a more diversified utilization of oil. The administration of oil revenues has centred around the recycling of surplus funds abroad. In the years that followed the surge in oil prices, most of the oil exporting countries in the region have accumulated sizable capital surpluses. The bulk of the surplus funds have been recycled through a variety of channels to the international financial markets. A considerable amount of these funds have been made available in the form of grants or loans on concessionary terms of capital-deficit countries in and

^{1/} Despite its accumulated oil surplus and the still low-absorptive capacity Saudi Arabia, the largest oil producer in the region, had to raise its level of production considerably to help in closing the gap created by the shut-down of oil production in Iran.

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outside the region. While this recycling has been in one respect a financial necessity, it has more importantly reflected the region's positive and remedial attitude (towards the world's economic problems. Recently, however, there seems to be a greater interest on the part of the surplus countries to seek direct investment opportunities in the region. This new tendency has been prompted by the risks and uncertainties of investing in the unstable international financial market and by the difficulties of acquiring equity investment on any large scale in the developed market economies. Meanwhile, the region is assuming a bigger share in the responsibility of managing its funds. A number of financial centres such as Kuwait, have grown into prominence and have the potentials of serving not only the region but also other parts of the world.

Country oil strategies seem to converge on a common regional strategy more than in any other field. Differences, when present, relate to the levels of production which reflect country differences in the magnitude of oil revenues needed to meet development requirements. Oil strategies and policies have in recent years been effected in the framework of the Organization of Arab Petroleum Exporting Countries and its umbrella organization OPEC.

(d) Regional Co-operation. Member countries are beginning to view intra-regional economic co-operation as the most viable path for realizing the economic potential of the region. Some aspects of this co-operation, notably in trade, have been in existence for quite some time, but with the accumulation of surplus capital the issue is taking new dimensions. The new oil era seems to be creating a sense of solidarity and cohesiveness among the hitherto fragmented economies in the region. Important signs of a new era of co-operation appear in the fields of finance, labor and industrialization. The juxtaposition of capital-surplus and capital-deficit countries within the region has put an increased pressure

.../

on capital mobility. Such capital mobility serves the interests of both the donor countries of limited domestic absorptive capacity, and the recipient countries who cannot realize high economic growth without substantial capital inflows. The establishment of a number of national and regional financial institutions and development funds is an example in point.

While the entire region is facing shortages in skilled labour, the oil countries suffer the most and are short of labour in all its categories. Labour mobility if properly managed can be beneficial not only to the recipient countries but also to the supplying countries of the region.

Meanwhile, a regional approach to industrialization may prove to be an economic and business necessity. The region, through co-operation provides the needed economic scope for capital intensive industries in terms of economies of scale and larger markets. It also helps avoid duplication in national industrialization efforts.

(e) The objective of the ECWA countries in the field of manpower and employment is to develop their human resources in a way consistent with their socio-economic development objective. A clearly defined human resources strategy is yet to be established. Nevertheless, the objective of manpower development in the oil economies is to train local manpower to meet the sharply rising demand for labor and to gradually replace expatriate workers. Similarly, the objective of the non-oil economies is to develop their national labour force to meet local demand but taking into account the requirements of the oil economies and in some cases, as in Yemen, encouraging temporary labor migration to labor-short countries such as Saudi Arabia.

As to a strategy for labor migration, most ECWA countries are subscribers to the Cairo Convention on the movement of labor among Arab countries. Inter-country movement of labour is almost exclusively determined by market forces with little or no government intervention. A tacit agreement seems to exist between labor importing and exporting countries on the necessity and usefulness of a free movement of labour in the region.

II. MAJOR DEVELOPMENT INDICATORS AND ISSUES IN THE 1970s

A. STRUCTURE AND GROWTH OF OUTPUT

Aggregate and per capita growth^{1/}

The ECWA region achieved a relatively high growth performance during the 1970s. Real growth rates of gross domestic product (GDP), in the range of 7 to 12 per cent in most member countries, compared very favourably with: the 6.6 per cent growth experienced in the 1960s; the 6 per cent target of the current International Development Strategy; and the average of 5.7 per cent growth performance of the developing countries. The oil economies have generally attained higher growth rates than the non-oil economies especially in the post 1973 period.^{2/}

Table II-1 shows that during the first three years of this decade average growth rates of gross domestic product in real terms ranged from under one per cent (Jordan) to 15 per cent (Saudi Arabia). The performance of Jordan was particularly depressed for several reasons including the continued repercussions of the separation of the West Bank of Jordan, the internal armed conflict in 1970 and the severe drought in 1973. Kuwait's low growth was mainly a result of the conservation policy in oil production.

Subsequent to the sharp oil price increases of 1973 and 1974, growth trends accelerated markedly in most ECWA countries with average annual rates oscillating around 10 per cent.^{3/} Notable exceptions were again Jordan and Kuwait in addition to Lebanon where the civil disorder caused the economy to regress sharply in 1975 and 1976. Bahrain seems to have also experienced a slow-down in growth in the period 1973-1977.^{4/} In most recent years, the tempo of growth in the region has abated somewhat partly in response to deliberate moderating policies by the oil countries to check the rampant inflation.

^{1/} See Appendix II for an analysis of the output growth pattern.

^{2/} When viewed in terms of gross national product (GNP), because of the direction of net factor income, particularly worker remittances, the performance of the non-oil economies in contrast to that of the oil economies improves significantly. However, the rapidly growing investment income accruing to the latter countries is steadily increasing their GNP/GDP ratio which exceeded one in Kuwait (1975) and Iraq (1976).

^{3/} See Appendix I on an alternative income measurement which reflects the exceptional growth performance of mid-1970s.

^{4/} Based on very rough estimates.

Table II-1. Growth of aggregate and per-capita output in countries of the ECWA Region (1970-77)

Country/period	Average annual growth rates/ (CPI)			Absolute value		
	GNP current constant	current constant	Popu- lation constant	GNP/ lacion capita	GNP Mn.US\$	GNP/capita Mn.US\$
<u>Bahrain</u>						
1960-70	-	6.4	-	3.5	2.9	
70-77	-	-	-	3.8	-	
70-73	-	-	2.3	-	-	
73-77	-	-	5.0	-	-	
77	-	-	1.0	-	-	
	-	-	0.9	-	-	353.1 1307.8 ^{a/}
<u>D. Yemen</u>						
1960-70	-	-2.8	10.1	2.3	-5.1 ^{a/}	
70-76	-	-	3.8 ^{b/}	2.0	1.8 ^{a/}	
70-73	-	-	4.9	-	-	
73-76	-	-	13.0	-	-	
76	-	-	29.0	-	-	373.1 221.0 ^{a/}
<u>Iraq</u>						
1960-70	-	5.9	6.2	3.2	2.7	
70-76	26.6	10.5	8.0	3.3	7.2	
70-73	11.1	8.3	5.6	-	-	
73-76	34.8	13.0	10.8	-	-	
76	20.2	11.4	7.3	-	-	15904.6 15776.6 1382.4
<u>Jordan</u> (East Bank)						
1960-70	18.2	5.3	9.0	3.3	2.0	
70-77	14.8	2.2	8.6	-	-	
70-73	24.3	7.7	19.0	-	-	
77	12.8	-14.0	16.5	-	-	1864.6 1430.3 876.9
<u>Kuwait</u> ^{3/}						
1960-70	23.9 ^{e/}	8.2 ^{e/}	6.0	9.8	-1.4 ^{e/}	-
70-76	23.0 ^{d/}	4.3 ^{e/}	0.1	6.1	-1.8 ^{e/}	-
73-76	34.2 ^{d/}	-5.6 ^{d/}	2.4	-	-	
76	10.5 ^{e/}	19.9 ^{e/}	-0.5	-	-	12080.1 ^{e/} 12559.3 11792.8 ^{e/}
		15.0 ^{e/}	1.9	-	-	
<u>Lebanon</u>						
1960-70	-	4.7	4.8	2.0	-	
70-74	13.1	7.1	8.6	1.9	5.2	
75	-	-	-25.0 ^{f/}	-	-	
76	-	-	-47.6 ^{f/}	-	-	- 1096.2 1450.0 ^{f/}
<u>Oman</u>						
1960-70	-	19.4	-	2.0	17.1	
70-77	37.7	-	36.2	3.6	-	
70-73	14.2	-	15.0	-	-	
73-77	39.8	-	36.7	-	-	
77	8.9	-	4.0	-	-	2188.8 2527.2 2669.2

Table II-1. Growth of aggregate and per-capita output in countries of the ECWA Region (1970-77) (cont'd)

Country/period	Average annual growth rates ^{1/}				Popu- lation	GDP/ capita	Absolute value	
	GDP		GNP				Mn. US\$	Mn. US\$
	current	constant	current	constant				
<u>Saudi Arabia</u> ^{4/}								
1960-70	-	11.0	-	8.6	2.6	8.4		
70-77	43.0	16.5	36.5	12.0	2.9	13.6		
70-73	25.8	6.4	27.0	15.0	-	-		
73-77	43.7	23.0	36.6	9.1	-	-		
77	31.8	25.9	27.2	17.0	-	-	51528.3	56909.7
								6734.9
<u>Syrian Arab Republic</u>								
1960-70	-	4.6	-	5.7	3.3	1.2 ^{a/}		
70-77	-	-	22.0	10.0	3.3	6.7 ^{a/}		
70-73	-	-	13.0	7.2	-	-		
73-77	-	-	25.0	11.2	-	-		
77	-	-	11.0	3.4	-	-	6580.6	838.8 ^{a/}
<u>U.A.E.</u>								
1972-77	43.8	-	41.4	-	20.2	-		
72-73	75.5	-	76.6	-	-	-		
73-77	35.5	-	33.5	-	-	-	11882.0	13181.5
77	17.1	-	17.9	-	-	-		13784.2
<u>Y.A.R.</u> ^{5/}								
1960-70	-	3.0	-	-	2.5	0.5		
70-76	24.5	6.9	24.0	6.7	2.8	4.1		
70-73	20.6	4.4	21.0	4.4	-	-		
73-76	27.3	9.6	27.0	8.9	-	-		
76	48.4	12.3	45.6	10.2	-	-	1701.5	1653.7
								350.0

Source: ECWA based on national and international sources.

1/ Exponential rates of growth ($y=ae^{bx}$, where b is the rate of growth).

2/ GDP at market prices.

3/ Fiscal years beginning April 1, 1970.

4/ Fiscal years ending around the middle of the year.

5/ Fiscal years beginning July 1, 1970.

a/ GDP/capita.

b/ World Bank estimates.

c/ 1970/71-1975/76.

d/ 1973/74-1975/76.

e/ 1975/76.

f/ Estimates of the Ministry of Planning in Lebanon. For the per-capita income 1974 a more representative year was chosen.

Table H-1 also shows the growth of gross product at current prices thus indicating the pace of inflation which has characterized all the economies of the region during the seventies.^{1/} Both internal and external inflationary pressures have been at work producing annual price increases of up to 20 and 30 per cent. Domestically, the spending boom and the long gestation period of many investment projects, have contributed strongly to those pressures. Externally, as the economies of the region are characterized by a high degree of openness or economic dependence, the sharply growing demand has increasingly been met by imports. Thus, imported inflation has significantly exacerbated the rate of inflation.

Per capita incomes in the ECWA region vary dramatically among member countries. Two groups of these countries stand in sharp contrast as to income per head. The Gulf oil economies are sparsely populated and enjoy per capita income levels which are among the very highest in the world. The two Yemens at the opposite end have such low per capita incomes that they qualified to be classified among the least developed countries.^{2/} Income per head in the United Arab Emirates reached a level in recent years (\$13,784 in 1977) which is equivalent to more than 60 times that of Democratic Yemen (\$ 221 in 1976). In Iraq, Jordan and the Syrian Arab Republic, per capita incomes fell between \$840 and \$1380.

Per capita income disparities, which are prominent among ECWA countries, are paralleled by sharply skewed income distribution at the country level. Despite some recent improvements and Government intentions to correct income inequalities in several member countries, large income differences

^{1/} It should be noted here that because of Government subsidies, the full effect of inflation may not be deduced from contrasting growth rates at constant and current prices.

^{2/} See Table II-1. Per capita income estimates suffer not only from estimation problems typical of aggregate estimates but also from very rough population estimation in some member countries.

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between rural and urban as well as among various income groups of the population persist. While it may have expanded the middle income class, the upsurge in the region's wealth during the present decade has perhaps accentuated income disparities. The benefits from the new wealth have probably benefited certain segments of the society more than others. They have given rise to new classes of entrepreneurs, such as contractors, who reaped a disproportionate share of these benefits. Speculation, particularly in real estate, also expanded worsening further the already uneven distribution of income.

Official data on income distribution is virtually non-existent in the region. Table II-2, however, gives the share in GDP of only one income group, namely, wage earners for six ECWA countries. This share is relatively low in all these countries except in Jordan. It has also declined in three of the six countries during the seventies.

Sectoral contribution to output

The contribution of the agricultural sector to gross output deteriorated significantly in the 1970s, especially after 1973. Table II-3 shows that, with the exception of the Syrian Arab Republic and the two Yemens, it accounted for no more than 12 per cent of total output during the period. Agriculture in the oil economies is negligible not exceeding one per cent in most cases. The relative decline in the contribution of this sector can be attributed to, inter alia, recurring unfavourable weather conditions and low levels of precipitation, the sudden surge in the oil sector and the comparatively modest emphasis the agricultural sector has received in development efforts. However, the importance of the sector, as a source of food and agro-industrial commodities as well as for its central role in the economy of rural areas cannot be overstressed. Yet, the sluggishness in the agricultural sector has made the region's self-sufficiency in food a more difficult task to achieve. Moreover, in the non-oil economies, it has led to the diversion of sizable amounts of such needed foreign exchange receipts for the import of food commodities. The recent interest in the revival of the

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Table II-2. Wages as a percentage of Gross Domestic Product at current
producers value in some ECWA countries
(1970-1977)

Country	Period	% share
<u>Iraq</u>	1970-76	24.5
	70-73	27.9
	74-76	19.9
	76	19.9
<u>Jordan</u>	1970-77	45.5
	70-73	45.8
	74-77	45.2
	77	43.5
<u>Kuwait</u>	1970/71-1975/76	20.3
	70/71-73/74	22.6
	74/75-75/76	15.6
	75/76	17.3
<u>Saudi Arabia</u>	1970-77	17.0
	70-73	20.9
	74-77	13.4
	77	18.7
<u>U.A.E.</u>	1972-77	21.4
	72-73	20.8
	74-77	21.7
	77	26.6
<u>Y.A.R.</u>	1970-76	16.1
	70-73	15.7
	74-76	16.6
	76	19.0

Source: ECWA based on national sources.

Note: See footnotes 3,4&5 of Table 1.

Table II-3. Structure of Output - Percentage Contribution to Gross Domestic Product at Current Prices 1/ in Countries of the ECWA Region, 1970 - 1977

Country/Period	GDP mn. of national Currency	Agricul- culture	Mining and Quarrying Total	Oil	Manufac- turing ^{2/}	Construc- tion	Transport	Trade	All Others ^{3/}
Bahrain									
70-77		1.0	28.1		43.9	2.2	2.0	5.5	17.3
70	116.3	0.9	25.9		50.2	1.7	1.8	5.4	14.1
71-73		1.0	28.4		43.9	2.1	1.9	5.6	17.1
74-76		1.0	28.3		42.4	2.3	2.0	5.5	18.5
77	139.7	1.0	28.3		42.4	2.3	2.3	5.6	18.1
Democratic Yemen									
70-76		20.2	0.2		15.0	4.8	8.1	20.1	31.6
70	67.8	19.4	0.1		26.8	1.0	6.8	21.1	24.8
71-73		22.2	0.1		15.2	3.9	7.1	19.7	31.8
74-76		18.6	0.2		11.0	6.8	9.4	20.1	33.9
76	112.3	20.0	0.2		8.6	7.4	11.1	19.8	32.9
Iraq									
70-76		11.7	43.7	(43.2)	8.8	3.6	5.1	6.3	20.8
70	1197.3	11.3	30.9	(30.2)	10.7	3.4	5.9	8.2	29.6
71-73		16.3	34.3	(33.7)	10.5	3.3	5.9	7.2	22.5
74-76		7.3	57.4	(57.1)	6.6	4.0	4.1	4.7	15.9
76	4582.8	7.6	54.0	(53.4)	7.6	7.7	4.6	4.3	14.4
Jordan									
70-77		11.5		16.1 ^{a/}		6.1	9.6	17.6	39.1
70	154.7	10.1		15.9 ^{a/}		5.0	10.1	21.7	37.2
71-73		12.7		12.5 ^{a/}		5.8	9.3	18.9	40.8
74-76		11.1		18.9 ^{a/}		6.5	9.5	15.5	38.5
77	395.9	10.6		18.7 ^{a/}		6.8	10.6	15.9	37.4
Kuwait									
70-76		0.3	68.4		6.7	1.7	3.0	6.2	13.7
70	961.0	0.4	67.8		8.0	3.5	3.7	8.4	8.2
71-73		0.3	65.2		6.1	1.8	3.3	6.3	17.0
74-75		0.2	73.6		6.9	0.8	2.3	4.9	11.3
75	3279.0	0.2	70.0		7.4	0.9	2.6	5.8	24.4

Table II-3 (Cont'd)

Country/Period	GDP mn. of national currency	Agri- culture	Mining and Quarrying Total	Manufacturing Total	Construction	Transport	Trade	All Others
Lebanon	70-74	9.3		16.6 a/	4.3	7.6	31.4	30.8
	70	9.1		15.9 a/	4.5	8.2	31.4	30.9
	71-73	9.3		16.2 a/	4.4	7.6	31.7	30.8
	74	9.2		18.7	4.0	7.0	30.6	30.5
Oman	70-77	7.7		61.5	12.8	2.5	4.4	10.4
	70	15.5		67.0	9.9	0.6	1.5	5.2
	71-73	11.8		56.4	15.5	2.2	3.3	10.1
	74-76	2.6		65.0	11.3	3.0	5.6	11.8
	77	2.5		60.8	12.0	3.7	6.9	13.0
Saudi Arabia	70-77	2.6	64.6	(64.3)	5.7	4.7	3.9	11.6
	70	5.7	46.9	(46.6)	5.4	7.1	5.8	17.9
	71-73	3.6	60.1	(59.9)	4.4	5.7	4.2	13.8
	74-76	1.0	75.7	(75.4)	5.0	3.1	2.7	7.4
	77	0.9	62.7	(62.1)	4.0	4.2	4.2	11.8
Syrian Arab Republic	70-77	20.7		20.8 a/	4.9	7.9	20.5	25.2
	70	21.5		19.7 a/	3.5	9.9	18.2	27.2
	71-73	22.1		19.8 a/	4.0	10.0	18.2	25.9
	74-76	19.4		22.9 a/	5.6	6.3	21.9	23.9
	77	19.7	10.1	(10.3) b/	7.2	4.5	25.5	24.3
United Arab Emirates	72-77	1.1		69.2	6.7	4.0	6.8	0.8
	72-73	1.6		66.3	5.6	6.5	7.1	9.3
	74-76	0.8		73.2	6.3	3.6	6.3	8.0
	77	0.9		62.9	9.9	4.9	7.5	11.1
Yemen	70-76	43.5	0.7	-	5.3	3.0	18.0	19.6
	70	55.5	0.8	-	5.0	2.7	16.3	15.6
	71-73	50.6	0.7	-	5.2	3.2	16.5	18.7
	74-76	44.0	0.7	-	5.5	2.9	20.2	21.7
	76	35.2	1.0	-	8.2	2.7	22.0	25.9

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Table E3 . (Cont'd)

Source: ECWA, based on national sources.

- 1/ GDP at factor cost for Iraq, Jordan and UAE and at market prices for all others.
- 2/ Including electricity and water for all the countries listed. Oil refining is the major manufacturing activity in Bahrain, Democratic Yemen and Saudi Arabia average share of which over the whole period was 40.1%, 10.3% and 4.0% respectively.
- 3/ Mainly public administration and defence.
- a/ Includes: Mining and quarrying and manufacturing.
- b/ 1975-76, prior to this period no breakdown is available.

Note: 1) See footnotes 3-5 of Table 1.

- 2) All countries follow the former system of national accounts (SMA) except Jordan, Kuwait, Saudi Arabia, UAE and YAR which follow the present SMA.

agricultural sector is discernible in most member countries. The urgency of this revival is prompted by the question of food supply security and is encouraged by great agricultural potential in the region.

It was indicated earlier, that economic diversification was a major development goal in almost all ECWA countries. Industrialization is considered the means to achieve this diversification. The drive to industrialize is manifested in increased investment allocation to industry and to related infrastructure projects. The acceleration of the industrial campaign since mid-1970s is yet to have its full impact in terms of its contribution to GDP. This is to be expected, partly because of the relatively long gestation period associated with industrial projects. For the success of the industrialization efforts, many conditions will have to be satisfied. These include: (a) the choice, the transfer and the adaptation of the appropriate modern technology; (b) the availability of the relevant administrative and physical infrastructure including the development of industrial entrepreneurship; (c) the preparation of careful pre-investment feasibility studies; and, (d) the co-ordination, on the regional level, of national industrialization programmes.

As to major industries, while oil refining, fertilizers and petrochemicals head the list of industries in the oil-economies, food processing and textiles are the two major industrial activities in Jordan, Lebanon and the Syrian Arab Republic.

The contribution of mining and quarrying rose significantly during the period. This sector is accounted for mainly by crude petroleum. In some non-oil economies such as those of Jordan and the Syrian Arab Republic, phosphate contributes significantly to the sector. The contribution of oil increased during the 1970s to reach about 60 per cent of total output in most of the oil-economies. The largest yearly rise in the share of oil took place in 1974 following the quadrupling of oil prices. It is this

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dominance of the oil sector which underlies the structural imbalance of the oil-economies.

In the non-oil and the relatively more diversified economies, service sectors, particularly trade, figure more prominently in the composition of output. Trade contributed, during the 1970s, between 17 per cent and 20 per cent to GDP. The share of services, comprising dwellings, finance, public administration and defence, ranged between 17 and 40 per cent in most of the countries.

Expenditure on GDP

The patterns of expenditure differ radically between the oil and non-oil economies (Table II-4). Expenditure on consumption absorbs the largest portion of gross output in the non-oil economies limiting the ability of these countries to generate indigenous savings. In Jordan and Yemen, consumption exceeds domestic income leading to a heavy dependence on resources from abroad to meet the gap. In the remaining non-oil economies, the portion of output that goes into consumption is high and approaches 87 per cent.

In the oil economies, the share of consumption expenditure varied, during the seventies, from a minimum of 23 per cent (UAE) to a maximum of 60 per cent (Iraq). The relatively low consumption in these economies has meant the generation of sizable domestic savings and the accumulation in some cases of huge investible capital. The share of the private sector in consumption is still dominant in almost all the countries reviewed and specially in the non-oil economies. However, the growing economic role of the State has steadily increased the relative size of public consumption.

The ratio of gross capital formation to gross product grew markedly during the 1970s, achieving high levels of more than 30 per cent in some countries. The ratio was generally higher for the oil economies than for

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Table II-4. Structure of Expenditures on the Gross Domestic Product
at Current Market Prices in Countries of the ECWA Region
1970-77

Country/Average Period	GDP in national currency	P e r c e n t a g e S h a r e					
		Consumption		Capital Formation		Exports	Imports
		Total	Gov't	Private	Gross		
Iraq							
1970-75	2214.5	60.3	22.7	37.6	21.0	45.3	28.6
70	1282.5	63.5	21.0	47.5	15.8	34.1	13.4
71-73	1534.7	63.9	22.8	41.1	18.1	39.4	21.4
74-75	3700.2	50.7	23.2	27.5	27.8	59.7	38.2
Jordan							
1970-77	280.6	122.2	35.2	87.0	26.0	29.7	77.9
70	174.4	121.2	33.6	87.6	12.7	10.1	44.0
71-73	203.9	119.4	34.0	85.4	19.1	17.2	55.7
74-76	329.4	126.1	37.7	88.4	33.2	41.6	100.9
77	470.9	120.5	33.5	87.0	30.4	50.7	109.6
Kuwait							
1970-76	2340.5	35.0	16.7	18.3	9.1	76.3	20.4
70	961.0	46.4	21.0	25.4	11.4	67.2	25.0
71-73	1673.7	34.6	17.2	17.4	0.5	73.5	16.6
74-76	3467.2	31.7	14.9	16.8	8.7	82.3	22.7
76	3672.0	37.3	17.3	20.0	12.9	79.3	29.5
Lebanon							
1970-74	6373.4	88.1	9.3	78.8	20.4	49.9	58.4
70	4866.0	88.1	10.5	77.6	18.6	42.6	49.3
71-73	6288.0	87.0	9.2	77.8	20.6	46.7	54.3
74	8137.0	91.5	8.4	83.1	21.7	66.8	80.0
Oman							
1970-77	445.2	49.7	33.3	16.4	26.9	65.3	41.9
70	106.8	32.2	12.8	19.4	13.8	73.7	19.7
71-73	145.1	51.2	29.2	22.0	28.1	61.9	41.2
74-76	715.5	51.3	41.4	9.9	30.0	66.8	48.1
77	872.9	57.9	-	-	27.0	62.7	47.6

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Table II-4 (cont'd)

Country/Average Period	GDP mn. national currency	Percentage Share				Imports	
		Total	Gov't	Private	Gross Capital Formation		Exports
Saudi Arabia 1970-77	80414.9	35.0	16.2	18.0	16.1	73.5	24.6
70	17399.0	53.4	19.7	33.7	16.1	59.2	20.7
71-73	30594.0	38.2	14.9	24.0	12.7	70.2	21.0
74-76	130462.3	24.2	13.4	10.8	15.2	82.6	22.0
77	206751.7	37.5	24.9	12.6	28.0	69.9	36.2
Syrian Arab Republic							
1970-77	14499.1	85.7	19.7	66.0	24.1 ^{a/}	23.0	32.8
70	6433.0	88.8	18.5	70.3	15.4	20.1	24.3
71-73	8584.2	85.8	19.3	66.5	18.2	21.9	25.9
74-76	19271.4	85.5	20.2	65.3	27.6	25.5	30.6
77	25993.3	82.7	20.4	62.3	39.5	21.9	44.1
United Arab Emirates							
1972-77	29568.8	23.2	11.0	12.2	26.9	84.1	34.2
72-73	8921.4	25.8	12.3	13.5	26.2	83.8	35.8
74-76	36036.6	20.3	10.1	10.2	25.0	86.7	32.0
77	51460.4	26.7	11.3	15.4	33.6	76.9	37.2
Yemen 1970-76	3030.1	103.6	11.7	91.9	21.6	5.2	30.4
70	1746.0	105.3	9.2	96.1	14.8	2.3	22.4
71-73	2621.7	103.8	11.7	92.1	18.3	4.4	26.5
74-76	5733.3	102.8	12.5	90.3	27.1	6.9	36.8
76	7545.0	105.1	12.7	92.4	34.7	6.7	46.5

Source: ECWL based on national and international sources.

^{a/} Representing gross fixed capital formation due to lack of information about changes in stocks.
Note: See footnotes 3-5 of table 1.

the non-oil economies at the beginning of the decade. However, in recent years the share of investment did not seem to vary between the two country groups.^{1/}

As indicated earlier most of the economies of the region were characterized by a high degree of openness. Hence, the external sector's share in the structure of GDP expenditures is very prominent. In the oil-economies, the share of exports rose dramatically during the 1970s and especially after 1973. It has varied between 60 per cent (Iraq) and 87 per cent (UAE). The composition of exports of these countries is accounted for almost totally by crude oil. In recent years, however, other exports including refined oil products, fertilizers and aluminium have grown in importance. In the non-oil economies, the average share of exports in GDP for the whole period did not exceed 30 per cent with the exception of Lebanon which attained an average of 50 per cent in the period 1970-1974. For Jordan the share rose significantly in recent years to register 42 per cent to 51 per cent between 1974 and 1977. Cotton, phosphate and services are the most important exports of the non-oil economies.^{2/}

The share of imports in GDP during the 1970s averaged between 20 per cent (Kuwait) and 78 per cent (Jordan). It rose significantly over the period reaching in some countries unusual levels. For example, Jordan's imports as a percentage of GDP rose from 44 per cent in 1970 to 109.6 per cent in 1977. For other countries, however, the rise was more reasonable amounting roughly to between one-quarter to one-third higher. In general, the share was lower for the oil economies as compared with the non-oil economies.

^{1/} For more on the share of investment, see "the ratio and allocation of investment" below.

^{2/} Cement was in the early 1970s another major export commodity. For the Syrian Arab Republic, oil has also become a major export item. For more information see the Trade Section below.

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The expansion in the share of imports in the region, which was facilitated by the abundance of financial resources after 1973, was prompted by the accelerated development efforts on the one hand and by the narrow domestic production base on the other hand. Nevertheless, imports are still dominated by consumer goods including food supplies.^{1/}

The ratio and allocation of investment

The share of gross fixed capital formation (GFCF) in GDP increased noticeably in almost all the ECWA countries during the seventies. This increase was brought about mainly by the industrialization and construction efforts. Table II-5 indicates that at the beginning of the current decade the investment ratio was in the neighbourhood of 15 per cent for five of the six countries for which investment data were available.^{2/} By 1976-1977 the ratio rose to a level of between 26 per cent and 32 per cent.

Meanwhile, the share of the public sector in investment expanded over the period in all the countries though at different speeds. It is noteworthy that the involvement of the public sector in capital formation was not limited to the government led economies such as Iraq or the Syrian Arab Republic. This involvement was at least as prominent in the free-enterprise oil economies. This situation is explained by the type and the magnitude of investments undertaken. Much of these investments are in the area of basic industries and infrastructure which are beyond the scope and ability of the private sector. In Saudi Arabia, the Syrian Arab Republic and Yemen, public investment was double the private investment in later years. In Democratic Yemen and Iraq it was five times as much.

Information on the allocation of investment by economic sectors and by types of assets is very limited and available for only a few ECWA countries. Table II-6 shows that the share of the agricultural sector

^{1/} See the Trade Section below.

^{2/} Only Lebanon had a higher ratio of 19.3 per cent.

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Table II-5. Gross Fixed Capital Formation - as Percent of Gross Domestic Product, and by Private and Public Sectors.
(Average percentage shares)

Country/Period	GFCF in national currency	% Share of GDP		% Distribution	
		Current	Constant 1970 prices	Private	Public
Iraq	70-76	16.6	21.1 ^{a)}	32.7 ^{a)}	67.3 ^{c)}
	70	14.4	14.4	45.4	54.6
	71-73	15.1	15.8 ^{b)}	39.2 ^{b)}	60.8 ^{b)}
	74-76	19.0	32.4	16.6	80.4
	76	22.5	-	-	-
Jordan	70-77	25.3	-	29.9 ^{a)}	70.1 ^{a)}
	70	14.4	-	46.9	53.1
	71-73	18.5	-	30.1 ^{b)}	69.1 ^{b)}
	74-76	31.6	-	20.0	80.0
	77	37.2	-	-	-
Kuwait	70-76	8.9	14.7	38.7 ^{a)}	61.3 ^{c)}
	70	11.3	11.3	42.6	57.4
	71-73	8.5	12.2	36.9 ^{b)}	63.1 ^{b)}
	74-76	8.4	18.3	39.6	60.4
	76	12.5	28.3	-	-
Lebanon	70-74	20.3	20.3	84.7 ^{c)}	15.3 ^{c)}
	70	19.3	19.3	82.0	18.0
	71-73	20.2	20.2	85.7	14.3
	74	21.7	21.9	-	-
Oman	70-77	26.9	-	35.0	65.0
	70	13.8	-	77.6	22.4
	71-73	28.1	-	35.1	64.9
	74-76	30.0	-	20.3	79.7
	77	27.0	-	36.5	63.5
Saudi Arabia	70-77	15.7	18.7	52.3 ^{d)}	47.7
	70	14.9	14.9	53.3 ^{d)}	46.7
	71-73	12.9	14.7	60.5 ^{d)}	39.5
	74-76	13.9	21.4	49.2 ^{d)}	50.8
	77	30.3	26.6	35.9	64.1

Table II-5 (Continued)

Country/Period	GFCF mn national currency	% share of GDP		% Distribution	
		Current	Constant 1970 Prices	Private	Public
Syria	70-77	24.1	18.7	34.3	65.7
	70	15.4	15.4	34.6	65.4
	71-73	18.2	16.1	40.1	59.9
	74-76	27.6	19.7	29.3	70.7
	77	39.5	26.9	31.6	68.4
U.A.E	72-77	24.2	-	54.3	45.7
	72-73	22.7	-	63.9	36.1
	74-76	22.9	-	52.7	47.3
	77	31.4	-	40.1	59.9
YAR	70-76	16.0	16.7	35.0 ^{a)}	65.0
	70	13.5	13.5	44.0	56.0
	71-73	14.5	15.7	34.0 ^{b)}	66.0
	74-76	18.2	18.8	32.0	68.0
	76	26.7	26.3	-	-

Source: ECWA, based on national and international sources.

a) 70-75

b) 74-75

c) 70-73

d) Including investment in the oil which is considered part of the private sector

note: See footnotes 3-5 of table I

in both Iraq and the Syrian Arab Republic fell during the 1970s. In the latter country, the decline was sharper though more gradual. In Yemen, the size of the share was maintained during the first half of the decade.

The combined share of mining, quarrying and manufacturing rose from 4 to 7 per cent in Yemen. Mining and quarrying alone rose in Iraq from 4 to 9 per cent and in the Syrian Arab Republic from 12 to 19 per cent. Manufacturing accounted to a stable share of around 30 per cent in Iraq but rose sharply in the Syrian Arab Republic from 6 to 27 percent. In the United Arab Emirates, the share of manufacturing rose during the 1970s by more than one third to account recently for 30 per cent of total investment. The share of transport and communications in investment is less in both Iraq and the Syrian Arab Republic, averaging at below 15 per cent. In the United Arab Emirates and Yemen this share averaged between 25 and 27 per cent.

As to types of assets, construction represented by far the largest share in total investment. Its country average varied during the period between 57 and 79 per cent. The share fell in the Syrian Arab Republic and Yemen but rose in Saudi Arabia. In Iraq and Jordan, its share remained about the same. Residential construction amounted to between 15 and 44 per cent of total investment in five ECWA countries. It was the highest in Yemen followed by Jordan and lowest in Iraq. In Saudi Arabia and the Syrian Arab Republic, the average share was around 20 per cent.

The share of machinery and equipment was high in both Iraq and the Syrian Arab Republic averaging at 31 to 32 per cent, but falling in the former while rising in the latter. It was stable at around 12 per cent in Saudi Arabia and at less than 14 per cent in Jordan with the exception of 1970 when it registered 18 per cent. Data on transport equipment are available for only four ECWA countries. Their shares over the period were 13 per cent for Iraq, 16 per cent for Jordan, 9 per cent for Saudi Arabia

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Table II-6. Distribution of Gross Fixed Capital Formation
at Current Market Prices
(average percentage share)

Country / period	Economic Activity ^{1/}				Transport and Communication	Type of asset			Transport Equipment
	Agriculture	Mining and Quarrying ^{2/}	Manufacturing ^{3/}	Total		Construction		Machinery equipment	
						Residential	Non-Residential		
Iraq	1970-75	11.1 ^{a/}	9.4 ^{a/}	20.4 ^{a/}	13.9	57.3	14.0	30.6	13.2
	70	12.4	4.1	29.5	14.5	55.7	17.7	33.3	11.0
	71-73	13.7 ^{b/}	7.3 ^{b/}	27.8 ^{b/}	13.3	59.8	16.3	31.8	9.4
	74-75	3.0 ^{b/}	13.2 ^{b/}	28.7 ^{b/}	14.5	55.8	11.0	27.4	19.9
	76	9.4	9.0	31.5	-	-	-	-	-
Jordan	1970-76	-	-	-	-	70.1	29.3	13.7	16.2
	70	-	-	-	-	73.0	37.3	16.3	8.7
	71-73	-	-	-	-	69.0	29.3	12.7	16.3
	74-76	-	-	-	-	70.3	26.5	13.2	16.5
	76	-	-	-	-	71.6	25.5	13.7	14.7
Saudi Arabia	1970-76	-	20.5 ^{a/}	-	-	79.0	19.8	12.0	9.0
	70	-	12.6	-	-	75.8	24.0	12.3	11.9
	71-73	-	25.1	-	-	76.0	21.4	12.5	9.5
	74-76	-	22.8	-	-	78.8	16.6	12.9	8.3
	77	-	7.4	-	-	86.3	20.5	7.4	6.3
Syrian Arab Republic	1970-77	16.1	22.0	15.6	12.2	57.0	20.5	32.3	10.7
	70	25.0	12.0	6.0	16.0	64.1	30.1	24.9	11.0
	71-73	21.2	26.2	6.2	10.5	60.1	23.2	32.6	7.3
	74-76	10.8	21.8	24.5	11.5	54.3	16.7	31.2	14.4
	77	7.7	19.3	26.8	15.9	43.3	14.2	42.4	9.3
United Arab Emirates	1972-77	0.8	14.9	28.1	27.1	-	-	-	-
	72-73	1.0	23.1	20.6	27.2	-	-	-	-
	74-76	0.7	12.7	32.8	24.8	-	-	-	-
	77	0.8	5.3	29.1	34.0	-	-	-	-
	1970-75	13.3	4.9 ^{a/}	-	24.7	77.4	44.2	22.6	-
Yemen	70	12.8	3.8 ^{a/}	-	26.4	85.4	42.1	13.6	-
	71-73	13.5	4.4 ^{a/}	-	22.0	81.6	48.7	18.4	-
	74-75	14.9	6.3 ^{a/}	-	27.7	66.8	30.6	33.2	-
	75	13.7	6.6 ^{a/}	-	30.0	65.7	37.0	34.3	-

Source: ECWA based on national sources.

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Table II-(cont'd)

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- 1/ Distribution of fixed investment by the major economic sectors, thus total does not add up to 100.
- 2/ For Saudi Arabia: investment in oil only. For Syrian Arab Republic: it includes water and electricity.
- 3/ Including water and electricity.
- a/ 70-76.
- b/ 74-76.
- c/ Including manufacturing.

Note: see footnotes 4 and 5 of table 1.

and 11 per cent for the Syrian Arab Republic. The share grew in Iraq but fell in the other three countries.

Saving and investment

It was indicated earlier that the share of total consumption in GDP varied markedly in the member countries of the region. Hence, the ratios of domestic savings to GDP differed widely and ranged during the seventies from a negative (dissaving) ratio of -22.2 per cent in Jordan to as high as 76.8 per cent in the United Arab Emirates (Table II-7).

In the oil-countries, due to the constrained investment absorptive capacity, high domestic savings resulted in sizable saving (over investment) surpluses. The substantial accumulation of investable capital which, as a ratio of GDP, ranged between 13.4 in Iraq (1975) and 50 per cent in Kuwait (1976) is likely to continue into the future but may decelerate depending on the speed with which investment impediments are effectively overcome.

In the non-oil economies, domestic resources were insufficient to meet investment requirements as demonstrated by their negative resource balance ratios. The latter averaged in 1977 between 22.2 per cent in the Syrian Arab Republic and 58.9 per cent in Jordan. Foreign capital flows, mainly in the form of transfers and loans, assisted these countries in meeting their capital needs. For example, Jordan and Yemen which are the recipients of considerable foreign assistance had ratios of foreign aid to domestic investment which often reached or exceeded 1. In the Syrian Arab Republic, while non-oil foreign investment seems to be negligible, the flow of aid since October 1973 has contributed significantly to financing investment.

So far the attractiveness of regional investment has been hampered by political instability, administrative and institutional inefficiencies, lack of entrepreneurial talents and under-developed financial markets.

Table II-7. Domestic Savings, Gross Capital Formation 1/
and Resource Balance as a Percentage of
Gross Domestic Product (1970-77)

Country/Average Period	Domestic Savings <u>2/</u>	Gross Capital Formation	= Resource balance <u>3/</u>
Iraq			
70-75	39.7	21.0	18.7
70	31.5	15.8	15.7
71-73	36.1	18.1	18.0
74-75	49.3	27.8	21.5
Jordan			
70-77	-22.2	26.0	-48.2
70	-21.2	12.7	-33.9
71-73	-19.4	19.1	-38.5
73-76	-26.1	33.2	-59.3
77	-20.5	38.4	-58.9
Kuwait			
70/71-76/77	65.0	9.1	55.9
70/71	54.6	11.4	43.2
71/72-73/74	65.4	8.5	56.9
74/75-76/77	68.3	8.7	59.6
76/77	62.7	12.9	49.8
Lebanon			
70-74	11.9	20.4	- 8.5
70	11.9	18.6	- 6.7
71-73	13.0	20.6	- 7.6
74	8.5	21.7	-13.2
Oman			
70-77	50.3	26.9	23.4
70	67.8	13.8	54.0
71-73	48.8	28.1	20.7
74-76	48.7	30.0	18.7
77	42.1	27.0	15.1
Saudi Arabia			
70-77	65.0	16.1	48.9
70	46.6	16.1	30.5
71-73	61.1	12.7	48.4
74-76	75.8	15.2	60.6
77	62.5	28.8	33.7
Syrian Arab Republic			
70-77	14.3	24.1	- 9.8
70	11.2	15.4	- 4.2
71-73	14.2	18.2	- 4.0
74-76	14.5	27.6	13.1
77	17.3	39.5	-22.2

.../

Table II-7 (cont'd)

Country/Average Period	Domestic Savings <u>2/</u>	- Capital Formation	=	Resource Balance <u>3/</u>
United Arab Emirates				
72-77	76.8	26.9		49.9
72-73	74.2	26.2		48.0
74-76	79.7	25.0		54.7
77	73.3	33.6		39.7
Yemen				
70-76	- 3.6	21.6		-25.2
70	-5.3	14.8		-20.1
71-73	- 3.8	18.3		-22.1
74-76	- 2.8	27.1		-29.9
76	- 5.1	34.7		-39.8

Source: ECWA, based on national and international sources.

1/ For Oman and Syrian Arab Republic data pertain to gross fixed capital formation.

2/ Domestic Savings = GDP less consumption.

3/ Resource balance = Domestic savings less investment.

B. FISCAL AND MONETARY DEVELOPMENTS

The International Development Strategy called on the developing countries to bear the main responsibility for financing their development programmes. To this effect, it emphasized the need to pursue sound fiscal and monetary policies aimed at ensuring a fuller mobilization and effective use of their financial resources. The Strategy particularly stressed the need to increase tax effort by streamlining and strengthening tax administration and undertaking necessary structural reform of the tax system. With respect to outlays, it called for a close scrutiny of current public expenditures and improvement of efficiency in public enterprises to release maximum resources for investment.

Fiscal and monetary policies play a vital role in the process of development, not only in mobilizing resources for capital formation and affecting the direction of their flow, but also in ensuring the short-term stability needed to achieve the long-term objectives envisaged. The growing participation of governments in developing countries in the process of development has added to the importance of these policies and to the choice of their parameters. For most ECWA countries, and the oil countries in particular, an effective use of these policies has become crucial in view of the recent international monetary and financial developments which have resulted in changes in the pattern of resource distribution at the international level. Despite unprecedentedly high levels of economic activity in most member countries over the last few years, the fiscal and monetary systems remained largely undeveloped. Public sector financial statistics are usually late and invariably deficient. In the following an attempt is made to review fiscal and monetary developments in the region during the seventies and to highlight the most salient issues which confront the region's governments.

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Fiscal developments

The stage of development of money and capital markets coupled with structural rigidities in the region severely limit the effectiveness of monetary policy influencing the level of income, employment, prices, consumption, savings and investment. The fiscal system has increasingly become the decisive force in affecting the level and direction of economic activity in these countries.

Government revenues: structure and trends

Government revenues recorded unprecedented rates of growth in all countries of the region during the period under review. The increase was particularly marked in the oil countries. The combined oil revenues of the five principal ECWA oil exporters in 1976 amounted to approximately \$ 60 billion, with Saudi Arabia accounting for more than 47 percent of this total. Total government revenues in the oil countries registered, during the period 1974-1976, annual average increases ranging from approximately three fold for Iraq to more than seven fold for Saudi Arabia, as compared with the 1970-1973 average (table II-8). In all cases, oil receipts and investment income constituted the bulk of total government revenues, and amounted on the average to 78.5 percent of revenues for Iraq, 83.8 percent for Bahrain, 87.7 percent for Oman and 90.0 percent for each of Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (Table II-9). As a percentage of GDP, oil revenues increased from an average of 18.0 to 82.0 percent in Oman and from 44.6 to 66 percent of GDP in the United Arab Emirates.^{1/}

^{1/} In terms of capital formation, oil revenues amounted to more than 170 percent of average annual domestic fixed capital formation in Oman and more than 600 percent in Kuwait during 1974-76, leaving substantial budgetary surpluses despite sharp increases in government consumption outlays.

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Table II-8. Government Revenue: Composition and Ratio to GDP, 1968-69 and 1970-76*
(In millions of national currencies)

C o u n t r y	Total Revenues			Tax revenues			Non-tax revenues		
	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
<u>Oil Economies</u>									
Bahrain	20.2 (...)	32.2 (25.4)	140.0 (...)	19.6 (...)	31.0 (24.4)	138.7 (...)	0.6 (...)	1.2 (0.9)	1.7 (...)
Iraq ^{a/}	325.0 (28.2)	596.0 (40.5)	2221.2 (55.2)	249.0 (21.6)	505.7 (34.4)	1890.9 (47.0)	76.1 (6.6)	90.3 (6.1)	330.3 (8.2)
Kuwait ^{b/}	287.4 (...)	465.9 (31.2)	2009.9 (56.0)	270.2 (...)	436.0 (29.2)	511.6 (14.8)	17.2 (...)	29.9 (2.0)	1498.3 (43.2)
Oman ^{c/}	... (...)	57.2 (39.4)	425.4 (59.4)	... (...)	2.1 (1.5)	5.4 (0.8)	... (...)	55.1 (40.7)	419.9 (59.8)
Qatar ^{d/}	508.8 (...)	1104.6 (...)	7399.9 (...)	4.5 (...)	11.5 (...)	26.0 (...)	504.8 (...)	1093.1 (...)	7373.9 (...)
Saudi Arabia ^{d/}	5236.0 (34.2)	9082.0 (33.3)	72301.3 (55.9)	2966.5 (19.4)	6512.6 (23.9)	46536.0 (35.9)	2269.5 (14.8)	2569.5 (9.4)	25765.3 (19.9)
United Arab Emirates ^{e/}	... (...)	2229.0 (52.7)	14595.8 (70.5)	... (...)	24.7 (...)	74.2 (0.4)	... (...)	2204.3 (...)	14525.6 (70.2)
<u>Non-Oil Economies</u>									
Jordan ^{f/}	29.4 (17.3)	38.7 (19.7)	86.8 (29.2)	21.0 (12.4)	26.7 (13.6)	63.0 (21.2)	8.4 (4.9)	12.0 (6.1)	23.9 (8.0)
Lebanon ^{g/}	587.2 (13.3)	831.5 (14.0)	1011.5 (...)	474.6 (10.7)	656.7 (11.0)	810.3 (...)	112.6 (2.6)	174.8 (3.0)	201.2 (...)
Syrian Arab Republic ^{h/}	1232.0 (21.4)	1938.0 (24.1)	5475.3 (29.0)	601.0 (10.4)	860.0 (10.7)	1749.3 (9.3)	631.5 (11.0)	1078.2 (13.4)	3726.0 (19.7)

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Table II-8. Cont'd.

C o u n t r y	Total revenues		Tax revenues		Non-tax revenues	
	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
Least Developed						
Democratic Yemen ^{d/}	9.0 (12.6)	12.9 (19.1)	16.9 (19.2)	5.1 (7.2)	8.8 (13.1)	13.0 (14.7)
Yemen ^{j/}	62.3 (4.4)	180.7 (7.5)	575.1 (10.0)	47.2 (3.4)	145.6 (6.0)	479.0 (8.4)
				3.8 (5.3)	4.1 (6.1)	3.9 (4.1)
				15.2 (1.1)	35.2 (1.5)	96.1 (1.7)

Source: ECIA, based on information compiled from national and international sources.

* Figures in paranthesis represent ratios to GDP.

a/ Data for 1975 and 1976 calendar years, Central Government.

b/ Since 1974, following increases in oil prices in 1973 and government participation in oil companies, receipts from oil participation appears under a special account and is not included in the tax revenues as before. This explains the soaring-up of non-tax revenues in the 1974-76 period. Fiscal year beginning 1st April.

c/ 1971-73 only.

d/ Hijri fiscal years. Budget estimates. No GDP figures are available for Qatar.

e/ Data for Abu Dhabi, 1974-75 only.

f/ Figures for 1975 and 1976 are preliminary.

g/ Data for 1974 only. Central Government.

h/ The non-tax revenues mainly comprise surpluses of public enterprises.

i/ Central government. Data for 1969 and 1974-1975 only.

j/ Fiscal year starting 1st July.

Table II-9. Ratio of Oil Revenues to Total Government Revenues and GDP, 1968 - 1976

C o u n t r y	Oil revenues (millions of national currency units)			Oil revenues as % of total revenues			Oil revenues as % of GDP		
	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
Bahrain	16.2	23.6	112.3	80.2	73.3	83.8	...	18.6	82.0
Iraq ^{a/}	171.8	400.9	1743.7	52.9	67.3	78.5	14.9	27.2	43.4
Kuwait	261.7	425.4	1928.9	91.0	91.3	96.0	...	28.4	55.6
Oman ^{b/}	...	52.9	373.1	...	92.5	87.7	...	39.0	53.1
Qatar ^{c/}	450.2	1004.2	7147.2	88.5	90.9	96.6	...	...	...
Saudi Arabia ^{c/}	3856.0	8147.0	...	73.6	89.7	...	25.2	29.9	...
United Arab Emirates ^{d/}	...	1885.0	15473.3	...	84.6	96.6	...	44.6	66.2

Source: ECWA, based on data compiled from national and international resources.

a/ 1975-1976 are calendar years. 1976 data are estimates.

b/ 1971-1973 only.

c/ Hijri fiscal year budget estimates. Recent actual figures for Saudi Arabia indicate more than ten per cent increase in actual revenues over budget estimates during 1974-1976.

d/ Abu Dhabi only.

.../

Although non-oil revenues, largely comprising indirect taxes (customs duties) increased in absolute terms, their share in total revenues remains very low in almost all the oil countries of the region. As the composition of imports has, in various instances, shifted towards items that are subject to little or no duty, such as raw materials, intermediate and capital goods, the share of revenues from this source tended to decline as a ratio of total imports. The rapidly increasing oil revenues has reduced the necessity of instituting higher taxes particularly on income and wealth. Nevertheless, the tax system, along with other instruments of public policy, could serve as an invaluable tool for achieving greater efficiency in resource mobilization and allocation, while at the same time, contributing to a more equitable income distribution. The achievement of development objectives during the 1980s necessitates making fuller use of this effective instrument of public policy. Tax reform ought to become an integral part of overall development efforts with emphasis on bringing taxes in line with changes in the level of economic activity.

In the non-oil economies fiscal policy is expected to play a larger role in the mobilization of domestic resources and serve as an instrument for a more equitable distribution of income and efficient allocation of resources.

Total government revenues in these countries recorded sharp increases during 1974-1976, compared to 1970-1973, ranging from more than 80 percent for the Syrian Arab Republic to almost 125 and 218 percent for Jordan and Yemen, respectively. In Democratic Yemen and Lebanon revenues increased at lower rates. With the exception of the Syrian Arab Republic, these increases were reflected in slightly higher tax/GDP ratios. In the Syrian Arab Republic, transfers from public sector enterprises accounted for much of the increase in total government receipts, as indicated by non-tax sources of revenues, while tax revenues showed a steadily declining trend (Table II-8).

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Despite the existence of numerous statutory stipulations which militate against higher tax revenues, efforts could still be made to improve tax assessment, administration and collection and to institute appropriate structural adjustments to the tax system. Transfers from the public sector (mainly from the financial and banking sector and from the oil and the phosphate industries) have steadily increased throughout the period under review reaching their peak in 1975. However, efficiency in the operations of public enterprises leaves much to be desired.

In Jordan, Lebanon and the two Yemens, the revenue structure is still characterized by the predominance of indirect taxes, mainly levied on international trade which accounts for 50 to 80 percent of government revenues. This share has generally been increasing in recent years with the rapid increase in imports, though not in the same proportion. In addition to serving as a reliable source of revenue, these taxes are also used as short-term allocation and stabilization devices. Despite these favourable features, however, such taxes tend to remain largely regressive in nature.

The share of direct taxes in total government revenues and GDP is still low in both oil and non-oil countries. Only in Jordan has this share shown a slight but steady, increase over the period reflecting, in addition to increased economic activity improvements in the tax system.

Despite their increase at rates higher than those of GDP, government revenues in the non-oil economies have had to be supplemented by internal loans and external aid to finance capital outlays and, in some cases, current expenditures.

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The need for resource mobilization is particularly urgent in the two Yemens. Although the revenue system in general, and taxes in particular have been undergoing a series of changes there remains considerable scope for further adjustments in the tax system and improvements in its administration.

An examination of the relationship between the rate of growth of tax revenue and that of GDP, or the income elasticity of tax revenue,^{1/} indicates that in five countries, namely, Democratic Yemen, Iraq, Jordan, Saudi Arabia and Yemen, this elasticity exceeded unity. Elasticity is largest in the case of Jordan confirming the improvement of the tax performance through better administration and institution of new taxes.

Government expenditures: structure and growth

Increased government involvement in the economic life in the countries of Western Asia is reflected in the steady growth of public expenditures. The latter have been aimed at raising the level of capital formation, increasing labour productivity and creating increased employment opportunities, in addition to providing or improving basic government services. This has been particularly pronounced in the oil-producing countries where post 1973 developments in the oil sector prompted the formulation of ambitious development programmes.

1/ The method employed in calculating the elasticities is regression analysis using the equation $Y = AX^b$, where 'b' is the elasticity coefficient and 'A' is the yield when 'b' is zero. This equation is reduced to the double log function of: $\log Y = \log A + b \log X$.
R= Coefficient of correlation. R²= coefficient of determination.

Table II-10. Ratio of Government Revenues,
Expenditures and Savings to GDP
1968-69, 1970-76
(percentages)

Country	Total revenues ^c			Total expenditures			Current expenditures			Saving		
	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
<u>Oil Economies</u>												
Bahrain	...	25.4	...	...	23.5	86.4	...	19.4	49.8	...	5.9	60.9
Iraq ^{a/}	28.2	40.5	55.2	33.2	34.8	53.0	23.0	24.6	26.6	5.2	15.9	28.6
Kuwait ^{b/}	...	31.2	58.0	...	21.3	22.8	...	16.5	17.0	...	14.6	41.0
Oman ^{c/}	...	39.0	59.4	12.1	41.8	66.0	...	29.0	40.9	...	10.5	18.5
Saudi Arabia ^{d/}	34.2	33.3	55.8	35.5	33.9	59.7	19.9	18.3	16.6	14.2	15.0	29.6
United Arab Emirates ^{e/}	...	52.7	70.5	...	36.7	17.8	...	27.3	27.6	...	25.4	42.9
<u>Non-Oil Economies</u> ^{f/}												
Democratic Yemen ^{f/}	12.6	19.0	19.2	27.8	32.8	48.1	24.7	27.2	28.6	-12.1	-8.2	-9.4
Jordan	17.3	19.7	29.2	49.7	49.0	65.4	36.0	34.2	43.2	-18.7	-14.5	-14.3
Lebanon	13.3	14.0	...	14.0	13.9	...	12.5	12.2	...	0.8	1.8	...
Syrian Arab Republic	21.4	24.1	29.0	26.6	32.2	56.1	19.2	20.9	25.2	2.2	3.2	5.2
Yemen ^{g/}	4.4	7.5	10.0	8.3	11.2	12.6	6.9	8.3	7.9	-2.5	-0.8	-2.1

Source: ECWA, based on data compiled from national and international sources.

^{a/} Fiscal years ending 31st March. Data for 1975 and 1976 are calendar years.

^{b/} Fiscal year beginning 1st April.

^{c/} Data for 1971-73 only.

^{d/} Hijri fiscal years.

^{e/} Data for Abu Dhabi covering 1974-75 only.

^{f/} Data for 1969 and 1974-75 only. Fiscal years ending 31st March.

^{g/} Fiscal years starting 1st July.

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Government expenditures in both oil and non-oil economies of the region increased at faster rates than GDP, reaching as high as 86 percent of GDP in Bahrain (Table II-10). The increase in government expenditures has been faster than that of revenues in all non-oil economies resulting in government dissavings. Budget deficits have been met by domestic borrowing and external aid consisting of grants and loans. ^{1/}

Although development expenditures increased faster than current expenditures in most countries of the region since 1973, the latter continued to absorb a larger share of total government revenues except in Saudi Arabia where the share of current expenditures steadily declined. The rapid increase in government current expenditures has been mainly due to rising inflation. Although there is no clear income and pricing policy in most countries of the region, budgetary operations have been resorted to combat the adverse effects of inflation.

A second reason for the rise in the level of current expenditures is government subsidies to ensure the adequate supply of basic consumption goods and services, including education, health and housing. Still, a third reason is the substantial allocations to defense and to growing government services.

As noted earlier, despite high elasticities, the responsiveness of the revenue system, excluding oil revenues which are largely determined by exogenous factors, remains sluggish in most countries of the region. The expenditure system is also characterized by a number of structural and conceptual shortcomings and makes no provision for a systematic scrutiny of outlays. The traditional object-cum-organization scheme of expenditure classification in use does not adequately serve budgetary and economic purposes. It does not provide sufficient guidelines for dividing government

^{1/} External public debt outstanding, during the period 1974-76, amounted to 14 percent of GDP in the Syrian Arab Republic, 20 percent in Yemen, 39 percent in Jordan and as high as 50 percent of GDP in Democratic Yemen. Debt servicing by Jordan during the same period, reached on the average, as high as 2.3 percent of GDP and more than 16 percent of exports. For Yemen, debt servicing averaged more than 58 percent of exports. Despite rising transfer payments from Yemeni workers abroad, the servicing of the outstanding debt will be a growing burden on the meagre foreign exchange earnings of the country.

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budgetary transactions into current, capital and financial categories. In the majority of cases, there is no functional or economic classification of government budgetary transactions. As a result, the analysis of the potential economic and social impact of the budget remains inadequate and fails to provide for effective evaluation of policy options.

The link between planning and budgeting in most cases remains weak due to the lack of annual operational and financial plans and to the inadequacy of the budgetary scheme to serve as an effective instrument for measuring economic performance. No effective use has yet been made of improved accounting, auditing and budgeting techniques in order to scrutinize outlays. As such, the prevailing fiscal system leaves much to be desired.

Monetary developments

The 1970s witnessed significant monetary developments in such areas as banking legislation and institutions, especially in the Gulf countries. Total money supply (M_2)^{1/} experienced rapid expansion in all countries. The increase has been substantial in the oil-producing countries since 1973, ranging between an average annual rate of 97 percent for Kuwait and more than 216 percent for Qatar, during 1974-1976 compared to three preceding years. In the non-oil economies of the region, total money supply rose at relatively lower rates during the same period, ranging from an average rate of 79 percent for Democratic Yemen to 136 percent for the Syrian Arab Republic (Table II-11). Available data reveal a decline for Iraq, Kuwait, Oman and Saudi Arabia. The ratio increased to as high as 80 and 95 percent for Democratic Yemen and Jordan, respectively and remained practically unchanged in the Syrian Arab Republic.

^{1/} Money supply (M_2) is defined to comprise currency in circulation plus demand deposits (M_1), plus private time and savings deposits.

.../

M_1 has continued to constitute the largest component of money supply in most countries except Bahrain, Kuwait and the United Arab Emirates where time and savings deposits amounted to around 58, 69 and 72 percent of total money supply, respectively. In the Syrian Arab Republic, however, the sharp increase in money supply is almost entirely attributed to changes in currency in circulation and demand deposits.

The growth in total money supply M_2 , in general, and M_1 in particular, is largely attributable to increases in bank lending to both the public and the private sectors. Bank credit to the public sector increased sharply during 1974-1976 in Iraq, Democratic Yemen and the Syrian Arab Republic. In all the other countries of the region bank lending to the private sector substantially increased, reflecting the increased demand to finance rising imports, construction and industrial activities (Table II-12).

Another factor which has affected money supply is net foreign assets, the size of which has sharply increased in almost all countries during 1974-1976, despite increases in imports and in foreign liabilities. This increase continued well into 1977 except in the United Arab Emirates and the Syrian Arab Republic where substantial decreases were recorded. However, the impact of this decline on the money supply was apparently offset by rapid expansion in bank lending to the government.

Whatever the impact of most of the factors associated with money supply and the level of prices, it may be inferred that the institutional framework of domestic banking and monetary system and the use of policy instruments still remain weak in almost all countries of the region. There are important institutional improvements still to be made, to accommodate the recent rapid financial and monetary developments and increase the scope for effective monetary and financial management.

Table II-11. Money Supply, its Annual Percentage Change and Ratio to GDP in ECWA Countries 1968-76
(In millions of national currencies, percent)

	Currency in circulation			Demand deposits			Time and saving deposits		
	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
Oil Economies									
Bahrain	16.3	19.7	25.0	18.3	30.6	64.0	11.6	29.0	122.3
Iraq	155.7	211.4	488.5	41.1	51.2	142.4	54.7	81.6	182.7
Kuwait	45.6	56.0	104.1	68.2	75.9	190.4	269.0	346.6	649.5
Oman	2.0	10.3	38.4	1.4	6.0	37.1	19.0	26.8	51.5
Qatar	51.2	75.5	254.9	125.6	222.8	790.3	149.8	273.9	785.9
Saudi Arabia ^{a/}	1505.0	2132.0	5485.0	760.0	1335.0	5345.0	570.0	1057.5	2535.0
United Arab Emirates	...	...	711.3	...	...	2243.3	...	...	7447.0
Non-Oil Economies									
Democratic Yemen	20.9	27.9	47.0	6.6	5.9	14.0	5.9	9.0	16.0
Jordan	67.4	86.1	138.7	24.7	30.6	77.7	21.4	29.4	66.5
Lebanon	853.0	1005.8	2226.0	848.0	1134.8	1678.0	1891.5	3770.2	6563.7
Syrian Arab Republic	1533.8	2160.5	4206.2	348.6	687.2	2490.4	119.4	246.9	633.8
Yemen	...	...	1343.5	10.6	61.6	337.7	11.3	74.9	462.4
	Total Money Supply	1970-73	1974-76	Average annual percentage change	1970-73	1974-76	Money supply as % of GDP	1970-73	1974-76
Oil Economies				1968-69	1970-73	1974-76	1968-69	1970-73	1974-76
Bahrain	46.2	79.3	211.3	71.6	166.4	166.4	...	62.4	...
Iraq	251.5	344.2	813.6	36.8	136.4	136.4	21.8	23.4	20.2
Kuwait	382.8	478.5	944.0	25.0	97.3	97.3	...	32.0	27.2
Oman	22.4	43.0	127.1	92.0	195.6	195.6	25.1	31.7	18.1
Qatar	326.6	579.0	1831.1	77.3	216.2	216.2	...	...	...
Saudi Arabia ^{a/}	2835.0	4585.0	13365.0	61.7	191.5	191.5	18.5	16.8	11.4
United Arab Emirates	...	...	10401.6	...	...	...	...	...	44.5
Non-Oil Economies									
Democratic Yemen	33.5	42.8	77.0	27.8	79.9	79.9	...	63.5	80.0
Jordan	113.5	146.1	282.9	28.7	93.6	93.6	66.9	74.4	95.1
Lebanon	3592.5	5510.8	10467.7	64.5	77.1	77.1	81.3	99.6	...
Syrian Arab Republic	2001.8	3094.6	7330.4	54.6	156.9	156.9	34.8	38.5	38.8
Yemen	...	...	2143.6	...	...	...	...	...	37.4

Source: ECWA, based on data compiled from national and international sources.

^{a/} 1974-75.

Table II-12. Domestic Credit and Net Foreign Assets
of Banks in the ECWA Countries, 1968-76
(In Millions of National Currency Units)

C o u n t r y	Total credit				Credit to private sector			
	1968-69	1970-73	1974-76	1977	1968-69	1970-73	1974-76	1977
<u>Oil Economies</u>								
Bahrain	21.0	48.0	185.2	320.0	21.0	48.0	185.2	310.8
Iraq a/	234.4	301.6	757.1	...	66.8	89.8	134.1	...
Kuwait b/	134.6	188.0	601.0	1236.7	134.6	188.0	601.0	1236.7
Oman	...	13.0	168.1	231.5	1.6	8.4	92.9	167.1
Qatar	168.5	328.3	1145.7	2463.7	168.5	328.3	1145.7	2463.7
Saudi Arabia	1499.5	1928.2	7012.0	10120.0	1499.5	1928.2	7012.0	10120.0
United Arab Emirates e/	...	1791.0	7276.3	19503.0	...	1627.0	6508.3	15819.0
<u>Non-Oil Economies</u>								
Democratic Yemen	10.9	20.3	55.0	132.2	9.9	10.0	22.9	47.1
Jordan g/	48.6	77.5	177.7	289.0	40.9	48.9	124.4	197.3
Lebanon	2305.0	3391.5	7091.7	9430.0	2151.5	3246.5	6653.7	8064.0
Syrian Arab Republic	3117.0	4721.7	11074.3	17870.0	590.0	588.0	900.3	1332.0
Yemen i/	...	293.4	951.6	1639.1	10.8	94.4	715.2	1290.6
<u>Net foreign assets</u>								
<u>Credit to public sector</u>								
	1968-69	1970-73	1974-76	1977	1968-69	1970-73	1974-76	1977
<u>Oil Economies</u>								
Bahrain	-	-	-	9.2	44.0	57.8	132.4	166.2
Iraq a/	167.6	211.8	623.0	...	157.8	261.9	1084.0	...
Kuwait b/	-	-	-	-	357.7	472.4	881.0	1224.5
Oman *	...	4.6 ^{c/}	75.2	64.4	...	35.7	30.8	105.8
Qatar	-	-	-	-	228.6	410.9	1250.5 ^{d/}	1972.7
Saudi Arabia	-	-	-	-	3857.0	10685.2	10513.0 ^{d/}	...
United Arab Emirates e/	...	164.0	768.0 ^{f/}	3684.0	...	1524.0 ^{e/}	9971.3	2080.0
<u>Non-Oil Economies</u>								
Democratic Yemen *	1.0	10.3	32.1	85.1	29.0	27.0	10.5	24.8
Jordan g/ *	7.7	28.6	53.3	91.7	100.3	96.5	153.1	246.1
Lebanon *	153.5	145.0	438.0	1366.0	1779.0	3495.8	6184.0	9021.0
Syrian Arab Republic h/	2527.0	4133.7 ^{i/}	10174.0	16538.0	125.6	157.0	1148.3	567.0
Yemen i/	...	159.0 ^{j/}	236.4	348.5	...	616.1	2599.8	5463.7

Source: ECWA, based on data compiled from national and international sources.

* Credit to government only.

Table II-12. cont'd

- a/ Foreign assets and liabilities include SDRs holdings and allocations as of 1971
As of January 1975, this item represents net balances instead of gross.
- b/ Beginning 1970 revised figures. Beginning September 1974, Foreign Assets include Kuwait's
contribution to IMF Oil Facility.
- c/ 1971-73.
- d/ Net foreign assets are for 1974-75 only.
- e/ Abu Dhabi and Dubai 1973 only.
- f/ This includes UAE Dirhams (133) million as credit to public enterprises.
In 1977 credit to public enterprises is UAE Dirhams (186) million.
- g/ For 1969 only.
- h/ Currency held by the treasury and commercial banks. Credit to public
economic sector amounted to IS: (761.0) million, (1325.4) million;
(4834.8) million, (8168.0) million for the same periods.
- i/ Credit to public enterprises amounted to YD: (39.7) million, (82.1) million and
(67.9) million for same periods.

C. THE ROLE OF THE PUBLIC SECTOR IN DEVELOPMENT^{1/}

Introduction

The past few decades have witnessed an unprecedented growth in government involvement in the control and management of economic life in the developing countries. The desire to find solutions to critical and pressing problems have prompted governments to take upon themselves the task of mobilizing and allocating the resources of the economy.

The nature and scope of public sector involvement in the process of development in the ECWA region have been determined by various considerations. Prominent among those has been the over-riding pre-occupation with attaining high and sustained rates of growth through rapid industrialization, reform of the traditional agricultural sector, exploitation of natural resources, increased employment and the provision of adequate social overhead capital. Recent developments in the oil sector, further expanded the role of the public sector in the ECWA countries. Development plans and programmes with ambitious goals and objectives, have been formulated in virtually all countries. In almost all cases, the public sector has been assigned a cardinal role in achieving planned targets.

The Magnitude and Trend of Public Sector^{2/} Involvement

The size of the public sector, measured in terms of total government consumption and government and public enterprise investments, has rapidly expanded in all countries of the region. Recent developments in the oil

^{1/} This section is an abridged version of an ECWA paper prepared in response to the provisions of General Assembly resolution 32/179 and Economic and Social Council resolution 1978/60 on the subject.

^{2/} The public sector, in its broad interpretation, includes General Government (i.e. central and local) and departmental and autonomous public enterprises. The size of public sector expenditure, investment and employment would, of course, be greater if the share-holding interests of the State were also taken into consideration. In view of the paucity of statistical information, however, reference to the public sector is confined to central government and departmental and/or autonomous economic enterprises.

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industry, from which also the non-oil producers have benefited indirectly, have been a major influence in expanding the role and share of public sector in the economies of these countries.

There is a rapid increase in the total share of public sector consumption and investment in the gross domestic product (GDP) of the majority of countries in the region. In recent years, this share has ranged from about one-fifth to more than three-fifths of GDP in the oil-producing countries and from about one-tenth to approximately one-half of GDP in the non-oil economies. This rising trend has been particularly marked in the oil-producing countries of the region since 1973. For instance, in Oman total government expenditures rose from less than five per cent of GDP in 1968 to a record level of more than 66 per cent of GDP in 1975. The main objective of this rapid increase has been to expand the much needed government services and to provide the necessary infrastructural base.

The increase in the share of public sector in GDP has been especially pronounced in those countries where the socio-economic system gives the public sector a predominant role, namely, in Democratic Yemen, Iraq and the Syrian Arab Republic. In these countries, Governments, have resorted, through nationalization, to increased ownership, control and management of economic undertakings, with a view to achieving more rapid growth, diversifying the economy, and attaining development objectives considered to be beyond the capabilities of the private sector, such as the building-up of the infrastructure, redistribution of income and provision of various social and community services.^{1/}

In both - private and public sector - oriented economies of the region, public enterprises have been instrumental though in varying degrees, in expanding the economic role of the State. Public enterprises have been

^{1/} An interesting consequence to this development can be observed in the size of public sector employment. According to recent estimates, total employment in the public sector of Iraq has increased from 14.7 per cent of the labour force in 1972 to 17.4 per cent in 1976 and, in the Syrian Arab Republic, from 12.0 per cent to 13.7 per cent during the same period.

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assigned a crucial role in the resource mobilization and allocation. In the capital deficit member countries, the surpluses generated by these enterprises have generally provided a growing source of public savings. In the Syrian Arab Republic, for instance, transfers from public enterprises to the central budget constitute the main item of government revenues.^{1/} In the capital surplus countries, however, the role of public enterprises is one of ensuring an optimum allocation of resources available to the public sector.^{2/}

A rising trend in government consumption is observed for the majority of the countries in the region. The share of government consumption in GDP in 1974 ranges from as low as 8 per cent for Lebanon to a maximum of about 35 per cent for Oman. As a share of total outlays, government consumption expenditures ranged from one-third to almost two-thirds in several countries. This is in marked contrast to the situation which prevailed at the end of the last decade when government consumption expenditure in the majority of the countries amounted to approximately four-fifth of total government outlays (see Table II-13). Nevertheless, the rate of increase in government consumption expenditures has been generally substantial, particularly in the oil-producing countries since 1973. The increases incurred, however, have largely gone to offset the effects of mounting inflationary pressures, meet the growing requirements of an enlarged administration and the demand of an expanding population for social and community services.

The growth in the share of government outlays under the three main categories of government functions, namely, the provision of general

^{1/} These transfers have increased from SL 471 million in 1970 to SL 2,254 million in 1974 and are estimated at SL 3,792 million in 1975.

^{2/} Public enterprises, in this context, involve State ownership and management of agricultural, industrial, commercial and financial undertakings.

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Table II-13 Government Ordinary and Development Expenditures in ECWA Countries,
1968-1976
(in millions of national currencies)

Country	1968	1969	1970	1971	1972	1973	1974	1975	1976
Bahrain									
Total expenditures	18.0	19.8	24.0	32.8	32.7	42.1	77.9	114.5 ^a	162.5 ^a
- Ordinary	15.2	17.3	18.6	21.2	24.4	34.5	44.4	70.5 ^a	90.0 ^a
- Developmental	2.1	1.7	4.5	6.9	3.3	7.6	33.5	44.0 ^a	72.5 ^a
Democratic Yemen (year ending March 31)									
Total expenditures	23.7	15.8	15.5	17.6	24.8	30.7	35.0	49.6	77.5 ^b
- Ordinary	20.1	15.2	15.2	17.2	20.2	21.2	22.0	28.3	35.0 ^b
- Developmental	3.6	0.6	0.3	0.3	4.6	9.5	13.0	21.3	42.5 ^b
Iraq (year ending March 31)									
Total expenditures	306.3	459.9	381.4	495.2	473.9	698.9	1497.8	1889.9 ^c	3000.1 ^c
- Ordinary	241.9	289.2	303.4	341.4	345.4	454.9	921.4	813.9 ^c	1476.6 ^c
- Developmental	64.4	170.7	78.0	153.8	128.5	244.0	576.4	1076.0 ^c	1523.5 ^c
Jordan									
Total expenditures	80.5	88.4	80.7	83.1	101.4	119.5	151.5 ^d	209.4 ^d	222.9 ^d
- Ordinary	57.2	65.2	59.0	60.7	70.5	78.6	104.8 ^d	136.3 ^d	144.5 ^d
- Developmental	23.3	23.2	21.7	22.4	31.0	40.9	46.7 ^d	73.2 ^d	78.4 ^d
Kuwait (year ending March 31)									
Total expenditures	334.0	274.5	298.8	320.3	365.1	415.7	556.8	1113.2	875.4 ^f
- General budget expenditure	314.0	253.0	273.4	291.7	332.1	378.1	517.3	1061.1	796.3 ^f
- Ordinary	199.1	199.3	212.2	219.4	262.6	295.5	424.4	819.1	522.3 ^f
- Developmental	114.8	53.6	61.3	72.3	69.5	82.7	92.9	242.1	274.0 ^f
Lebanon									
Total expenditures	931.0	988.2	1029.9	1097.8	1338.1	1413.1	1785.5	...	...
- Ordinary	537.7	565.6	628.2	674.8	736.6	859.4	1011.5	...	...
- Developmental	192.2	181.3	171.1	172.0	197.2	372.2	355.0	...	...
Oman									
Total expenditures	...	...	...	46.0	71.6	88.7	326.2	489.6	573.6
- Ordinary	26.0	41.7	58.3	183.3	316.6	378.7
- Developmental	20.0	29.9	29.9	142.9	173.0	195.1

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services, economic services and social and community services,^{1/} has varied among countries and, within each country, among the different functions.

Government general services continue to receive the largest share of total outlays in Yemen (75 per cent), Jordan (56 per cent), Oman (50 per cent), Saudi Arabia (40 per cent) and Democratic Yemen (26 per cent), with economic services ranking second in both Jordan and Oman. Defense and provision of basic administrative services account for much of this high share in most countries. Moreover, where low revenue/GDP ratios prevail, such as in Jordan and the two Yemens, and where governments find it difficult to draw on other sources of finance, the share of general services in total outlays has been highest.

The share of economic services has steadily increased in all countries during the decade under review, reaching, in 1975-76, 51 per cent in Bahrain, 49 per cent in the Syrian Arab Republic, 44 per cent in Kuwait^{2/}, 40 per cent in Iraq, 33 per cent in the United Arab Emirates and 30 per cent in Qatar.

The rate of increase in outlays on social and community services, which together occupy third ranking among the main functions of the government, has been rather slow. In the majority of cases, there was only a slight increase in absolute terms during the period under review. Expressed in real terms, and bearing in mind the growth in population, the level of per capita government expenditures on social and community services could not

^{1/} General services include such items as national defense, security, financial and economic affairs, foreign affairs, internal security and justice, planning, pension and gratuities. Social and community services include education, social affairs, municipal affairs and work, youth and health services, religious affairs and the like. Economic services include mainly transport and communication, agriculture and industry.

Note: It should be noted, however, that in view of the multiplicity of budgets in some countries of the region and inadequate reporting systems, certain items mentioned under the above categories do not reflect total government outlays in that field. This is particularly true of expenditures on national defense which are, for various reasons, not wholly reflected in the budgets of some countries.

^{2/} Represents the share under ordinary (consumption) expenditures of the government.

Table II-14 Ratio of Government Savings to Total Government Revenues in the ECWA Countries, ^{a/}
1968-1976

Country	1968	1969	1970	1971	1972	1973	1974	1975	1976
Bahrain	18.7	20.2	16.2	22.9	28.2	23.5	16.8	53.5	41.2
Democratic Yemen (year ending March 31)	-125.8	-68.9	-36.9	-23.7	-20.9	-61.9	-18.9	-31.6	-59.8
Iraq (year ending March 31)	21.7	15.3	24.8	36.1	15.0	56.2	55.3	53.6	48.1
Jordan	-117.5	-100.6	-94.7	-69.5	-65.5	-70.1	-63.3	-61.9	-30.8
Kuwait (year ending March 31)	34.9	24.3	28.8	33.8	29.5	43.7	26.2	60.4	67.4
Lebanon	4.0	3.8	3.4	9.1	12.2	8.5	...	...	...
Oman	85.8	87.2	55.8	48.1	32.3	14.9	41.7	31.1	25.1
Qatar (Hijri fiscal year)	38.1	6.9	39.9	38.2	49.8	43.2	37.0	77.7	73.1
Saudi Arabia (Hijri fiscal year)	43.5	40.1	44.9	38.1	46.7	47.3	62.5	26.9	67.0
Syrian Arab Republic	2.6	16.4	11.4	12.8	10.5	16.2	24.8	21.8	7.2
U.A.E.		45.7	57.9	65.5	54.9	32.1	70.8	62.3	...
Yemen	-137.3	-134.5	-77.6	-79.2	-50.5	-36.8	-16.5	-23.8	-17.8

Source: ICWA, based on information compiled from national and international sources.

^{a/} Government saving is defined as total government revenues less government ordinary expenditures.

Table II-15 Public and Private Sector Investment in Agriculture in Relation to Total Investment as depicted in Current Development Plans of Various ECWA Countries (millions of national currency units; percentage)

Country	Plan period	Investment in agriculture			Total investment			(1) as percentage of tage of (4)	(1) as percentage of tage of (4)	
		(1) Public	(2) Private ^{a/}	(3) Total	(4) Public	(5) Private ^{a/}	(6) Total			
Democratic Yemen	1974/75-78/79	27.7	(...)	27.7	75.4	(...)	75.4	100	36.7	100
Iraq	1976-80	(...)	(...)	b/	12,255.0	1,200.0	13,455.0	b/	(...)	91
Syrian Arab Republic	1976-80	10,438.0	2,500.0	12,938.0	44,778.0	9,388.0	54,166.0	81	23.3	83
Jordan	1976-80	98.2	14.0	112.2	382.0 ^{c/}	383.0	765.0	88	25.7	50
Saudi Arabia	1976-80	41.0	16.0	57.0	936.0	420.0	1,356.0	72	4.38	69
Yemen	1976-80	9,685.0	(...)	(...)	318,416.0	(...)	(...)	(...)	3.0	(...)
		1,455.0	817.0	2,272.0	8,006.0	7,965.0	15,971.0	64	18.2	50

Source: Compiled by ECWA on the basis of the national development plans.

a/ Includes co-operative and mixed sectors.

b/ Total investment envisaged in agriculture under the plan amounts to more than one third of the total investment of 13,455 million Iraqi dinars for the economy and the public sector's share is expected to reach approximately 90 per cent of this amount.

c/ This does not include the sum of JD 119 million government loans and participation in mixed enterprises as well as amortization of debt and investment by some autonomous enterprises.

production in the countries of the ECWA region has been extensive and manifested itself in various forms.

1. Shaping agricultural development. One of the important steps taken by the public sector to promote agricultural production was through resource allocations aimed at shaping the development of the agricultural sector.

Table II-15 shows substantial allocation for the development of the agricultural sector, both in the private and public sector - oriented economies of the region. As can be noted, the share of public sector investment in agriculture is much higher in the private sector-oriented economies than for the economy as a whole. Actual public sector domestic fixed capital formation in agriculture is likely to occupy a smaller, though still predominant, share than envisaged in the plans, due mainly to the low implementation ratios.^{1/}

Past and present plans have mainly concentrated on developing the irrigation subsector (Table II-16) including the construction of dams, main canals, flood protection and related major irrigation and drainage networks. However, there has been failure in developing local and on-farm irrigation systems. In the current plans, the bias towards major structures is less pronounced, with more emphasis being placed on increases in productivity and relatively quick yielding investments. The early emphasis on irrigation development has been at the expense of other important subsectors, such as livestock. In countries of the southern tier of the region, however, investment allocations to the fisheries sector have matched the importance and development potential of this sector.

The functional distribution of planned public investment in agriculture in the current plans of selected ECWA countries is shown in Table II-17. As in previous plans, agricultural infrastructure, together with development schemes, account for most of the allocations. These plans, however, show

^{1/} See ECWA: 1973 Review and Appraisal of Progress in the Agricultural Sector of Selected Countries of Western Asia, paper submitted to the FAO Commission on Agricultural Planning, Beirut, October 1974, pp.53-56.

Table II-16 ~~Distribution of Investment in Agriculture Over~~
Major Subsectors in Current Development Plans
of Selected ECWA Countries
(per cent of total)

Country	Irrigation	Agricultural (crops and livestock) production and services	Fisheries ^{a/}	Total
Democratic Yemen	53.8	15.0	31.2	100.0
Jordan	66.0	34.4	-	100.0
Oman	34.7	30.2	35.1	100.0
Syrian Arab Republic	81.7	16.6	1.7	100.0
Yemen	50.9	43.0	6.1	100.0

Source: Compiled by ECWA from on-going analysis of agricultural development plans.

^{a/} The major part of the investment allocation is of an infrastructural nature.

Table II-17 Functional Distribution of Investment and Agriculture under
the Current Development Plans of Selected ECWA Countries
(per cent of total)

Country	Infra- struc- ture <u>a/</u>	Develop- ment schemes <u>b/</u>	Produc- tion & suppor- ting ser- vices	Surveys and studies	Research training and extension	Total
Democratic Yemen	43.0	35.6	16.7	1.8	2.9	100.0
Jordan	38.9	38.8	20.0	1.6	0.7	100.0
Syrian Arab Republic	19.3	74.9 ^{c/}	4.9	0.9	-	100.0
Yemen	33.4	45.0	13.7	0.2	7.7	100.0

Source: ECWA, compiled from on-going analysis of agricultural development plans.

a/ Dams and buildings.

b/ Land reclamation and land development.

c/ Particularly in the Euphrates area.

a distinct shift in favour of developing a more productive agricultural sector.

In addition to shaping agricultural development through resource allocation, the public sector exercises important management and control functions related to agriculture. During the past two decades, there has been a bias in favour of industrial development at the expense of agriculture with adverse effects on overall economic efficiency and growth. Concern with the rapidly mounting food import bills and uncertainty of future food supplies at the global level, are reflected in the current development plans and policies where agriculture has re-emerged as a top priority sector.

2. Direct participation in production and marketing

Production. Radical institutional reform measures (land tenure), were decreed in Iraq (1958, 1970), the Syrian Arab Republic (1958, 1969) and later in Democratic Yemen (1969, 1970). In the other ECWA countries, only moderate measures of a corrective nature were taken. Private sector farming continued to prevail with the government generally increasing service-type free association of farmers in co-operatives. In Saudi Arabia and the Gulf countries, the problem was not institutional reform but the establishment of adequate agricultural organization and production structures.

Countries which introduced agrarian reform considered the measure as a prerequisite for development and modifying production and socio-economic relations with a view to reducing the inequalities inherent in the prevailing pattern of land distribution and employment. The initial phase of the reform was characterized by land redistribution to those working on land and the establishment or development of individual farms associated with rural development co-operatives. In the next phase, the move tended to development collective organizations. It is worth noting, however, that there has been prolonged hesitation and indecision concerning the appropriateness, scope and extent of development of the collective forms of organization, the development of which is likely to tax the managerial capabilities of the public sector in the countries concerned.

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Aside from this indirect form of participation in the production process, the development of State farming has not introduced the public sector as a partner in agricultural production. State farming in the region remains relatively unimportant and its contribution to total production is marginal.^{1/}

Marketing. Efforts have been initiated during the last decade to regulate or replace traditional market structures through the organization of marketing boards, the promotion of co-operation or the transfer of particular marketing functions from the private to the public sector.^{2/}

In virtually all countries of the region, the public sector assumes direct responsibility in marketing operations, particularly for basic commodities (e.g. cereals, sugar). However, in the private-sector-oriented economies, market structure reform has been limited to basic commodities, while in the public-sector-oriented economies reform measures have had a much wider coverage. Public sector control of marketing operations regarding production factors has been instituted in Democratic Yemen, Iraq and the Syrian Arab Republic.

Natural Resources

The public sector has been actively engaged in the development of mineral resources in the ECWA region, though the degree of progress has varied greatly among member countries. Public sector involvement has ranged from the establishment of institutional infrastructure and enactment of the necessary legislation and regulations to conducting geological surveys and exploration and mineral resources exploitation: the extent of commitment to

^{1/} State farms are assigned a leading role in agricultural development, often functioning as model and demonstration farms and heavily relying on modern technology. The development of State farms have, however, suffered from the general weaknesses in administrative machinery and management, characteristics of a number of public sector enterprises in the developing countries. In Iraq, the contribution of State farms to total agricultural value added was a mere 0.8 per cent (I.D. 2.5 million) in 1975. In the Syrian Arab Republic, the situation is similar. However, for Democratic Yemen, where collective and State farms are by far the predominant organizational forms of production, the corresponding data on the respective contribution to value added are not available.

^{2/} See FAO "Agricultural Marketing Improvement Programmes: Some lessons of recent experience", the State of Food and Agriculture, 1969, Rome, FAO, 1969, pp.83-106; and, J.C. Abott, "The Development of Marketing Institutions", in H. Southworth and B. Johnston, Agricultural Development, New York, pp. 364-398.

the development of the mineral resources potential is closely demonstrated by the substantial allocations earmarked for this purpose in the current development plans of countries such as Jordan, Saudi Arabia, the Syrian Arab Republic and Yemen.

The rapidly expanding demand by industry, agriculture and households for more and better quality water led governments in all countries to devote increasing attention and resources for water development.

All aspects of the oil industry, from exploration to the final product distribution had been dominated by transnational oil companies until the beginning of this decade with the role of national governments confined to the negotiation of royalties agreements and the collection of taxes. Since then, a series of initiatives by the oil-producing countries has brought about an almost complete reversal of the situation in their favour and consequently a much greater public sector involvement.

Industry

With the exception of Lebanon and, to a lesser extent, Jordan a striking aspect of the growth of investment in manufacturing in the countries of the ECWA region is the vigour with which the public sector has been increasing its participation relative to that of the private sector. This tendency is also reflected in the current development efforts of these countries. However, governments have differed considerably in the positions which they have taken regarding the role of the public sector.

In Iraq and the Syrian Arab Republic, for instance, by virtue of nationalization, most of the large and medium industrial establishments are now in government hands. In Kuwait and Saudi Arabia, the predominantly free enterprise system has not prevented the government from undertaking large scale projects in order to supplement private initiative. Government initiative has been exercised mainly in the area of petrochemical and metallurgical industries which are not considered to be sufficiently attractive to the private sector.

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In Kuwait, the Government also participates in a large number of industrial enterprises, and created, in August 1974, the Higher Council for Petroleum at the ministerial level and entrusted it with the task of formulating general policy for the exploitation of oil resources and related industries. The Kuwaiti Government encourages industry through the Industrial Bank of Kuwait (59 per cent of its capital is owned by the Ministry of Finance and the Central Bank), which prepares feasibility studies and extends loans at concessional rates to industrialists. Established in November 1974, with a capital of KD 100 million, this Bank has already become a catalyst for industrial development.

In Saudi Arabia, the Government established, in 1962, the General Petroleum and Mineral Organization (PETROMIN) to develop oil and related mineral industries, both independently and in collaboration with private enterprises. In 1975, the tasks of establishing basic industries was transferred to the Ministry of Industry which, in turn, established in 1976 the Saudi Basic Industries Corporation (SABIC) to be responsible mainly for establishing the hydrocarbon and mineral-based industries envisaged in the Second Development Plan (1975-80). The initial capital of this Corporation in SR 10 billion, of which 75 per cent would be sold to the public after 1982. SABIC has already gone some way in the implementation of a number of petrochemical complexes and a steel rolling mill at Yanbu and Jubail.

In the other oil-producing countries, national oil companies have been established to initiate oil-based industrial projects. The most active of these is the Abu Dhabi National Oil Company which, aside from being involved in petroleum marketing and refining, deals in industrial projects (petrochemicals or heavy industry) valued at US\$ 12.8 million or above.^{1/} In 1976, the Abu Dhabi Investment Authority was established to be responsible for conducting investment activities on behalf of the state, and to undertake solely or jointly with others the establishment of banks and of trading, industrial, agricultural, insurance and transport (sea, land and air) companies.

1/ Middle East Economic Digest (MEED), Special Report on UAE, July 1977, p.12.

In Lebanon and Jordan, the development of the manufacturing industry has been largely left to private initiative. The role of the public sector is generally confined to the provision of basic facilities and the creation of a favourable climate for private investment in manufacturing. In Jordan, however, the Government has been directly involved in industrial activity in the form of direct participation in the equity capital of major industrial enterprises.

Transport and Communications

The development of an adequate transport and communications infrastructure is generally considered a public sector domain, not only as it necessitates careful planning and synchronization with all the other sectors of the economy over a longer span of time, but also because the financial requirements are such that they cannot be provided by the private sector. Investment in the transport and communications sector in the ECWA countries is primarily a public sector activity. The share of public sector in total investment allocations to the transport and communications sector varies from 33 per cent (Bahrain) to 100 per cent (Oman, Democratic Yemen and Saudi Arabia). In Jordan, Kuwait, Syrian Arab Republic and Yemen, public sector share amounts to 95, 77, and 88 per cent, respectively. Private sector involvement in transport activities is usually limited to the operation of transport companies, and its investments are mostly directed towards the acquisition of transport equipment.

In Bahrain, allocations to public investment projects in transport and communications for the 1972-1975 period represented 11 per cent of total planned public sector investments and ranked second after the Sitra power station. More than 90 per cent of these allocations was earmarked for the airport terminal and runway. In Kuwait, the share of public investment in transport and communications amounts to 19 per cent of total public investment envisaged during 1976/77-1980/81, with 40 per cent of it going to ports and shipping, 38 per cent to roads, and the remainder to air transport and communications. In Saudi Arabia, 8 per cent of total planned investments

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during 1975-1980 has been allocated to transport and communications, with emphasis on the expansion of air transport facilities (37 per cent), development of the road network (35 per cent), port development (17 per cent), communications (11 per cent) and railway development (one per cent).

In Oman, heavy public investments in transport infrastructure during the first half of the decade gave the country a good road network, a modern deep sea port (Qaboos) and an airport capable of handling large aircrafts. With a major part of the infrastructure necessary for economic and social development created, the emphasis of the current Five-Year Development Plan (1976-1980) has shifted away from infrastructure to income-generating projects to hedge against the expected fall in oil revenues. Accordingly, the share of transport and communications in total public sector investment allocations is expected to decline from 28 per cent in 1976 to 17 per cent in 1980.

Iraq has a relatively good basic transport network which is the fruit of heavy past government investments. During the 1951/52-1968/69 period, about 25 per cent of total development expenditures went to transport and telecommunication projects, mainly roads, railways and bridges. The 1970-74 Development Plan allocated about 10 per cent of total public investment to the transport sector.

The Syrian Arab Republic also possesses a well-developed transportation network. Great pains were taken during much of this decade to expand and improve the road and railways systems and develop ports. Under the current 1976-1980 Development Plan, efforts are mainly geared towards the development of communications to which 53 per cent of total planned investments in transport and communications has been allotted. Lower priority has been assigned to railways (28 per cent), land transport (9 per cent), air transport (6 per cent), and port development (4 per cent).

The development of the transport sector in Jordan has received major emphasis during the past two decades and particularly during the 1971-1975 Plan period when an integrated project for phosphate, mining, railway

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transport and port facilities was initiated and implemented. During the same period, physical implementation of transport and communications projects was 100 per cent in railways, 90 per cent in roads and 70 per cent in air transport. The present Five-Year Development Plan (1976-1980) allocates a total of JD 139.2 million, or 19 per cent of total planned investments, to transport and communication projects, 95 per cent of which constitutes public sector projects. This represents the largest sectoral share after mining and manufacturing and amounts to 35 per cent of total public sector investment allocations. With regard to the subsectors, 29 per cent of planned investments are earmarked for roads, followed by 23, 22, 15 and 11 per cent allocated to maritime transport, civil aviation, communication, and railways, respectively.

Lebanon's Six Year Development Plan (1972-1977) allocated 20 per cent of total public sector investments to transport and communications projects. The implementation ratio of transport projects scheduled for the first three years of the Plan was 50 per cent.

Following independence, the public sector in Democratic Yemen put heavy emphasis on the improvement of the transport system, the development of which had previously been limited to Aden and its surroundings. The desire to unify the country was also reflected in top priority given to the development of a road network linking the capital with other parts of the country. Moreover, the reopening of the Suez Canal prompted the authorities to direct some efforts to rehabilitating and modernizing the port of Aden. The current Five-Year Development Plan (1974/75-1978/79) allocates YD 19 million, or 25 per cent of total planned public sector investments, to the transport and communications sector, of which 86 per cent will go to the development of the road network.

Yemen is severely handicapped by an under-developed transport and communications network. The authorities, conscious of the situation, have included an ambitious transport and communication development programme in the current 1976/77-1980/81 Development Plan, amounting to 38 per cent or

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YD 4.3 million of total planned public sector investments. Around 57 per cent of this sum is assigned to land transport development, 23 per cent to civil aviation and air transport, another 6 per cent to ports, and the remaining 15 per cent to communications and undefined projects.

Social Aspects

Within the general area of social development, education and health have received the strongest support from the public sector. Provision of other social services, such as care for the aged and child care, has largely tended to remain the responsibility of the private sector, either through private organizations or, more commonly, through the family structures.

In the countries of the region, education is seen as a function of the State. There are exceptions to this statement, but the predominant pattern is for all students to attend school at State expense. With rapidly growing enrolments, this has meant a sizeable increase in the total amount of public sector expenditure on education. The actual proportion of government expenditures on education, expressed as percentage of total current expenditures, has remained, however, relatively constant. In most of the countries, it represents between 10 to 15 per cent of current expenditures.

In the field of health, there is more of a division of responsibility between the public and private sectors. Typically, however, government expenditures on health care, health institutions and public health programmes account for 5 to 6 per cent of total government expenditures.

The public sector is not heavily involved in other social services, although the degree of involvement is increasing. Usually, not more than one per cent of government expenditure is allocated to these services.

The overall pattern for the region, therefore, is strong public sector involvement in some areas of social development, but relatively little involvement in other areas. The total amount of this public sector support has been growing rapidly and there are indications that the number of areas supported will increase.

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Science and Technology

The need to integrate science and technology in the process of socio-economic development has been greatly felt by the countries of the region. The public sector has been largely responsible for the modest efforts made in the direction of meeting this need. On the whole, these efforts have been insufficient for developing the required scientific and technological capabilities and for achieving a higher degree of self-reliance in designing and executing development projects. The various issues and obstacles underlying the transfer, adaptation and development of technology remain serious impediments to development. More than 90 per cent of transactions, having modern and sophisticated technology component, are still implemented through the "turnkey" mode, thus perpetuating the technological dependence of the region.

Government support for research and development activities has not kept pace with the tremendous exponential growth experienced in technology imports. The average expenditure on R&D in the Arab world, before 1975, was one of the lowest in the world. Institutional infrastructure in the field of science and technology is still to be developed in the ECWA region.^{1/} Furthermore, the public sector in these countries has not yet explicitly formulated comprehensive science and technology policies in line with development objectives and strategies. Although the public sector has been active in expanding manpower training at all levels in the countries of the region, the development and training of highly specialized manpower need to be given serious attention. The educational system has not yet adequately responded to this problem which manifest itself in an overall shortage of engineers and scientists, and a more severe shortage of technicians.

The public sector should play a more active role to reduce the obstacles facing the application of science and technology for development. This could be achieved through national science and technology policy and the application of a technology plan as an integral part of development plans.

^{1/} For further details, see "Status of Science and Technology in the Western Asia Region", E/ECWA/NR/SEM.1/18.

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Factors Affecting the Role and Performance of the Public Sector

The concept of public sector involvement in economic life, both direct and indirect, has been gaining wider acceptance in the region. While this has made undeniable contributions to the process of economic and social development, public sector performance has, by no means, been without shortcomings, which, in most cases, reflect the very state of under-development.

Much of public sector's direct involvement in the ownership and management of economic resources has been largely pursued through public enterprises. While these enterprises have had an important role to play in the mobilization and allocation of resources in certain sectors, their operation, however, has continued to be marked by mounting difficulties. These have resulted from the high degree of centralization in decision-making, involving many government agencies and dealing with such crucial functions as pricing, financing, marketing, procurement, recruitment and remuneration of employees. The situation has been further complicated by severe shortages of qualified personnel at the managerial, technical and operational levels, and complicated bureaucratic procedures and practices. Deficiencies in the general system of government administration and the slow process of its adaptation to the dynamics of development and its growing requirements have further added to the formidable task of the public sector to satisfactorily contribute to the process of economic and social changes in the countries of the region.

In the light of these difficulties, and bearing in mind the increasing role of the public sector in promoting development, it is important to seriously investigate alternative forms of ownership, management and direction which could be provided by the public sector in specific areas, in line with the economic, social and political philosophies prevailing in the countries of the region. How best can the questions of autonomy, accountability and efficiency in public enterprises be made compatible and performance improved? What optimum financial and pricing policies can be introduced in public undertakings and how best can government fiscal, monetary and credit policies be designed to facilitate this task? It is also equally essential to examine what indirect contributions the public sector can make through the creation of the necessary institutional and managerial capabilities including arrangements to facilitate access to and adaptation of appropriate technologies.

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D. POPULATION ^{1/}

The population of the ECWA region is characterized by rapid growth significant migratory movements, relatively low geographical density and a very young age structure. Population growth rates are among the highest in the world. Natural growth rates range between 2.4 per cent and 4.7 per cent compared with an estimated world average of 2 per cent.

In addition to the familiar rural to urban migration, some unique situations have accentuated population movement in the ECWA region. These include (a) displaced Palestinians^{2/} and more recently Lebanese as a result of wars or civil disorder; (b) nomadic migration involving some three million persons; and (c) labour movement from the non-oil to the oil economies as a consequence of the strong economic boom in the latter countries in recent years. Meanwhile, the level of urbanization in the region is among the highest in the world reaching over 80 per cent in most of the oil economies. Furthermore, primate cities which in some countries such as Bahrain and Lebanon house more than 43 per cent of this population have been growing very rapidly.

^{1/} This Section is based mainly on the documents: "The Demographic and Socio-Economic Situation in Countries of the ECWA Region, Population Bulletin of ECWA, January, 1977, and "Estimates and Projections of Population, Vital Rates, and Economic Activity for members of the Economic Commission for Western Asia". June, 1978 (mimeographed). A revised version of a table on selected demographic, socio-economic indicators from the first document is reproduced in Appendix.

^{2/} In December 1977 Palestinians receiving UNRWA assistance totalled 1,757,269.

By 1975, about 80 million persons were living in the countries of the ECWA region, representing approximately two per cent of the world population. The territories of these countries cover 4.7 million square kilometers, and the average density is only 11 inhabitants per square kilometer. However, this density varies considerably among member countries. Bahrain and Lebanon, for example, had densities as high as 410 and 231 inhabitants per square kilometer respectively. Saudi Arabia, by contrast, had a density of only 4.1.

The population of the ECWA region has a very young age structure. On the average, the population less than 15 years of age represents 45 per cent of the total population and the population over 65 years of age is less than 5 per cent. The consequences of this type of age structure are significant. For example, the active population must support a relatively large number of inactive persons and, therefore, the dependency ratio^{1/} is very high. In Jordan, for example, this ratio reaches 111.9 inactive persons per 100 active persons as compared to 29 per 100 for the developed countries taken as a whole.

With the exception of Lebanon, the crude birth rate of the countries of the ECWA region average above 40 per 1,000, with the majority falling close to 50. The lowest crude birth rate, 42 per 1,000 is found in the most populous country in the region, Iraq; while the highest birth rate, 51 per 1,000, is in Kuwait, one of the lesser populated countries. Although these rates are influenced by the relatively young age structure of the population, they are determined mainly by the high levels of fertility. In examining the gross reproduction rates,^{2/} one finds that by the end of their child bearing span, 1,000 women will have given birth to approximately 3,500 daughters. In other words, by the end of a woman's reproductive life, she will have more than tripled herself in number.

^{1/} This ratio is defined for the statistic above as population under 15 and over 65 years. It does not represent the ratio of dependents to each employed person.

^{2/} The average number of live daughters that would be born to a hypothetical female birth cohort, on the assumption that mortality before the end of reproduction age is zero.

The level of fertility in Lebanon, in contrast, is markedly different from the levels of the rest of the region. The crude birth rate, is well below 40 per 1,000 (estimated at 33 per 1,000 for 1975). The gross reproduction rate per 1,000 Lebanese women is 2,300 or roughly one-third below the region's average.

The patterns of mortality in the ECWA region are substantially less uniform than those of fertility. They vary considerably. For example, life expectancy at birth varies from a low of about 38 years in Yemen to a high of 70 years in Kuwait. An examination of the crude death rates and life expectancies at birth suggests that there are four general levels of mortality among the countries. The group with the lowest mortality rates consists of Bahrain, Kuwait and Lebanon. Their crude death rates are 6 to 8 per 1,000 and their life expectancies at birth are between 64 and 70 years.

The second mortality group comprises Iraq, Jordan, and the Syrian Arab Republic. Their crude death rates vary between 10 and 15 per 1,000 and their life expectancies at birth average 55 years. Internationally, such mortality levels are intermediate, falling near the world average.

The remaining ECWA countries, have relatively high mortality rates. Except for the two Yemens, the crude death rates average 19 per 1,000, and life expectancies at birth are between 46 and 50 years. The level of mortality in the two Yemens is the highest, at 23 and 25 per 1,000, which is twice the world average and **three** times the rates in Bahrain, Kuwait and Lebanon. Life expectancy at birth in these two countries are among the lowest in the world, 38.3 and 41.5 years or almost half that of Kuwait.

It is worth noting here that, although the variation in mortality among ECWA countries is no doubt related to differences in economic conditions, it would be a mistake to directly relate low mortality to economic standards of living, such as per capita income. As a result of the relatively recent and substantial increases in income due to oil revenues, the general inverse relationship between mortality and economic status is not strictly applicable to this region at least at the present time. To understand the substantial variation in mortality in the ECWA region, one must consider not only the economic circumstances of the countries, but also their social conditions.

Given the high birth rates and the relatively low to moderate death rates, the high/population growth rates of the ECWA countries are understandable. The highest natural rates of population growth are observed in Jordan, 3.5 per cent; Bahrain, 3.8 per cent; and Kuwait, 4.7 per cent. Lebanon and Yemen have the region's lowest natural rates of 2.5 per cent and 2.4 per cent respectively. While the low rate for Yemen is due to its high level of mortality, the rate for Lebanon is the result of a relatively low crude birth rate. Most of the remaining member countries have rates close to 3 per cent per annum implying a doubling of the population in less than 24 years.

The substantial internal, and international migration in the ECWA region has greatly affected the rates of growth of cities, districts, and some member countries. As a result of the rapid expansion of employment opportunities in the Gulf area and the consequent influx of migrant workers, population growth in that area is extraordinary; 6 per cent for Kuwait, 8.5 per cent for Qatar, and 11.1 per cent for the United Arab Emirates. Such a rapid growth has serious repercussions on the society's ability to respond to the basic needs of its members including housing, education, and medical services. The consequence of this migration on the countries of origin in terms of the loss of professional and skilled workers are not less serious.

In conclusion, ECWA countries^{1/} cannot be considered over populated. Hence, the question of population growth and fertility is not perceived. As a main concern in the region.^{2/} Rather, internal and intraregional migration and the consequent spatial maldistribution of the population and the swelling of urban areas represent the major population issues facing the majority of these countries.

^{1/} Except for Egypt.

^{2/} Only few ECWA countries have some sort of population policy. While Bahrain and Saudi Arabia strongly advocate continued population growth, Iraq and Kuwait have accepted officially or tacitly a limited form of family planning.

E. MANPOWER DEVELOPMENT AND EMPLOYMENT GROWTH

The Second Development Strategy has called upon developing countries to formulate their national employment objectives so as to absorb an increasing proportion of its working population in modern-types activities, and reduce significantly unemployment and under-employment. It has also called for the orientation of their education programmes to serve development needs.

Most of ECWA countries were able to make considerable progress toward these objectives as is reflected in the overall growth of employment, reduction of open unemployment, and in relative improvement in the sectoral, educational and occupational structures of employment and the labour force.

The growth of employment between 1970 and 1975 was above world levels in the oil economies. Available statistics show an average annual growth rate of between 4.4 per cent (Kuwait) and 6.6 per cent (Saudi Arabia). Estimates for Saudi Arabia put this rate at about 9 per cent in the period 1975-1980. In the non-oil economies the average annual growth rates of employment since 1970 has also ranged between 3.1 per cent (the Syrian Arab Republic) and 3.7 per cent (Jordan).

Although published statistics are thought to under-estimate the size of open unemployment, they nevertheless give some indication of the extent of this unemployment.^{1/} According to these statistics unemployment rates fell in Iraq from 7.6 per cent in 1965 to 5.9 per cent in 1975; in Jordan (East Bank) from 7.3 per cent in 1961 to 2.1 per cent in 1975; in Kuwait from 2.8 per cent in 1965 to 2 per cent in 1975; and in Saudi Arabia from 16.9 per cent in 1970 to 4.9 per cent in 1975. Only in the Syrian Arab Republic, the ratio of open unemployment increased from 3.7 per cent in 1970 to 4.8 per cent in 1975.

^{1/} Please see statistical note in the Appendix , page .

It is believed that open unemployment is rather limited and that its rates have more or less decreased since 1970 in the majority of ECWA countries. The main cause of this is the oil boom and the consequent growth of the intraregional labour migration. During the 1970s hundreds of thousands skilled and semi-skilled workers migrated from the non-oil to the oil-economies.

Important changes in the sectoral distribution of employment took place in several member countries. For example, the share of the service sector grew enormously in Jordan, from 38.6 per cent in 1961 to 57.2 per cent in 1975; in Kuwait from 65 per cent in 1965 to 74.5 per cent in 1975; and in Saudi Arabia from 40 per cent in 1970 to 44 per cent in 1975. While the share of agricultural employment remained more or less stagnant in Iraq, and the Syrian Arab Republic (about half of total employment), it fell in Saudi Arabia from 40.4 per cent in 1970 to 28 per cent in 1975 and in Jordan (East Bank) from about 38 per cent in 1961 to 33.4 per cent in 1975. The ratio of employment in the secondary sector went up in Iraq, the Syrian Arab Republic and particularly Saudi Arabia. It fell sharply, however, in Jordan from 23 per cent in 1961 to only 9.4 per cent in 1975 and in Kuwait from 33.9 per cent in 1965 to 23 per cent in 1975. This evolution confirms in general the trend toward the creation of modern-type activities as recommended in the Second Development Strategy.

The educational structure of the labour force is a very important indicator of the educational expansion among the working population and of the technological potentialities of this force. To a large extent, the more and higher educated the labour force is, the higher the level of labour productivity and the propensity to absorb and adapt to new technologies. While scanty information are available for other countries in the region only Kuwait and Syrian Arab Republic have reasonably accurate data on the educational structure of the labour force. Table 1 for Kuwait a drop of illiterates and those with less than primary education in the labour force against a substantial increase in the other categories particularly holders of intermediate education and University graduates. The table shows for the Syrian Arab Republic a similar evolution but with a sharper drop in the number of the illiterates (from 48.9 per cent to 33.6 per cent) in the labour force against a sharp rise (almost doubling in five years) of the holders of intermediate education certificates, secondary education certificates and university graduates in the labour force.

Table 1. Educational Structure of the labour Force

	<u>K u w a i t</u>		<u>Syrian Arab Republic</u>	
	1970	1975	1970	1976
Illiterate	36.5	33.8	48.9	33.6
Less than primary	32.3	24.8	30.3	31.9
Primary	8.3	10.9	12.2	17.3
Intermediate	6.2	9.2	2.7	5.2
Secondary and post secondary	10.9	13.1	4.2	8.3
University	5.6	8.2	1.7	3.7
Not specified	0.2	-	-	-
Total	100.0	100.0	100.0	100.0

Source: 1. Kuwait, Planning Board, Population Census, 1970 and 1975; Chapter I.
(In Arabic).

2. Syrian Arab Republic, Statistical Abstract, 1974 and 1978.

- Negligible.

Meanwhile, the occupational structure of the labour force is an important indicator of its skill level and technological abilities. It provides a yardstick of the technical qualifications of the national manpower. The occupational distribution of the labour force by major groups of occupation in accordance with the International Standard Classification of Occupation is shown in Table 2 for both Kuwait and Syrian Arab Republic.

Table 2. Occupational Structure of the Labour Force

	<u>K u w a i t</u>		<u>Syrian Arab Republic</u>	
	1970	1975	1970	1975
Professional, technical and related workers	10.5	13.7	4.6	4.5
Administrative and management workers	0.7	1.0	0.4	0.1
Clerical and related workers	11.6	12.5	4.0	5.2
Sales workers	8.7	7.9	7.0	8.9
Service workers	23.7	25.7	4.5	1.7
Agriculture workers	1.6	2.5	47.8	49.9
Production and related workers	39.6	34.7	27.8	27.3
Worker not classified by occupation	0.2	-	0.1	-
Unemployed	3.4	2.0	3.8	2.4
Total	100.0	100.0	100.0	100.0

- Source:
1. Kuwait, Planning Board, Population Census, 1970 and 1975; Chapter I. (In Arabic).
 2. Syrian Arab Republic, The Annual Statistical Bulletin of Ministry of Labour and Social Affairs, 1976, published October 1977.

The most important occupational feature of the labour force in Kuwait is the high proportion of the professional and technical workers: 10.5 per cent in 1970 and 13.7 per cent in 1975. Conversely, the ratio of the administrative and managerial workers is very low, although it improved considerably between 1970 and 1975. In other words, while Kuwait's labour force is much endowed with high level manpower (though mostly imported) the balance between the professional and technical, on the one hand, and the managerial and administrative categories of manpower, on the other hand, is upset.

Table 2 also shows that the high level manpower including professional, technical, managerial and administrative groups remain relatively limited in the Syrian labour force. Between 1970 and 1975 the ratio of the professional and technical group remained almost constant showing no improvement. Considering

the growing flows from educational institutions of Syrian professional and technical group one would **expect** a substantial growth in the share of this group in the labour force. Its stagnancy, however, between 1970 and 1975 is explained by the migration of a large number of these professionals to the oil-economies and/or to the industrialized world.

Available statistics for some ECWA countries such as Kuwait and Saudi Arabia give the impression of high growth in labour productivity in the 1970s. This growth is more likely due to capital and technology factor than a result of changes in the qualitative composition of the labour force.

Available **data** for the non-oil economies such as Iraq, Jordan and Syrian Arab Republic show the average annual growth rate of labour productivity to be about 4 per cent between 1960 and 1975. This relatively **high** rate of growth is explained by increases in labour productivity in mining and manufacturing resulting perhaps mainly from the introduction of high technology. In these countries, labour productivity in agriculture remained during the same period either stagnant (Iraq) or improved slightly (3 per cent in Jordan and 2 per cent in the Syrian Arab Republic per annum).

Although labour force statistics are still very scanty and tentative they do indicate significant improvement in the educational and occupational composition of the labour force which must have affected the growth of labour productivity over the past ten to fifteen years.

Other important changes which have taken place in some countries of the region relate to women's participation in the economic activity. Official data in Jordan, Kuwait and the Syrian Arab Republic show that between 1970 and 1975 the participation rate of the females has about doubled. Syrian data show that a high correlation exist between the level of education attained and the ratio of female participation. In particular, those women who have obtained vocational and technical diplomas have a very high participation rate (93 per cent). Such evidence supports the view that the extension of the education among the females will enhance women's demand for employment. Consequently, an accelerated labour supply is likely to develop in the next decade, partly because of women's massive entry into the labour market, at least in certain member countries. Therefore, future demand for labour will have to be **considerably** increased in order to absorb the increasing supply of female labour.

Notwithstanding the increased emphasis by ECWA governments on employment aspects in their development plans, employment is still not considered as a major goal of development and an objective in its own right. Very few projects, if any, stress the creation of jobs. Employment generation is still viewed as a by-product of these projects. The lack of national employment promotion strategy is unjustified.

Meanwhile, the development of manpower, through education and training, is still inadequately related to the countries' economic and social development plans. The impressive educational expansion, that took place in the past ten years, was accomplished along an autonomous course of action dictated by the social demand for education rather than by the specific economic and social requirements of the development process. This, of course, has resulted in structural imbalances between occupational supply and demand for labour.

The proportion of the inactives among the population remains very high by international levels. Conversely, the average crude activity rate for the region is below 25 per cent and in some countries below 20 per cent of the total population. Not only these ratios are very low compared with the average ratio in the developing countries, but in some countries of the region, particularly the oil-producing countries and Jordan, they even declined over time. The high percentage of youths in the population and the low rate of females' participation in economic activity are not the only explanations of the high percentage of **inactives**. The "discouraged worker" phenomenon particularly among the female population, is yet another factor responsible for this situation.

The problems of employment and poverty are of course closely related and overlapping. Low activity rates imply high dependency ratios. In the ECWA countries, for every active person there are at least three inactives, including children and other incapacitated persons. This ECWA ratio is, by international standards, very high and contribute to the low living standards of the households. Added to the low levels of returns from work, particularly in the rural areas, it constitutes a major cause of poverty.

The low activity rate is also attended by widespread under-employment. While open unemployment ratios are low, under-employment is rife in the rural areas and in the "informal sectors" of the cities. While disguised unemployment

prevails in the rural areas, low-productive and low-income forms of under-employment are the most widespread in these sectors of the urban areas. It is estimated that no less than one third of the declared employed are in fact under-employed.

In reality, the growth of employment, as reported by official statistics does not reflect a real employment growth in terms of added jobs opportunities resulting from specific labour demand. This is particularly true of employment growth in the rural areas and the "informal sectors" of the urban areas where growth is believed to be highly over-stated as a result of the vague employment situation whereby disguised unemployment and various other forms of under-employment overlap with employment.

Inter-sectoral, interregional (within the country) and inter-occupational mobility of labour are characterized by certain rigidities which are responsible for the co-existence of labour shortages and labour surpluses at almost all levels. While labour shortages are, for instance, acutely felt in the construction sector in every ECWA country, unskilled and, sometimes semi-skilled labour, are under-employed in the agricultural sector and in many less-developed areas. Very high wage differentials between construction and other economic sectors did not fully resolve the problem of labour transfer from low productivity to high productivity economic sectors. Cultural, social and psychological factors are still very strongly affecting the mobility of labour.

While a general shortage of skills is believed to prevail in every ECWA country, the shortage of at least some skills is more a result of inadequate deployment and utilization of available personnel than of a short supply on the national level. Therefore, the problem is not only one of increasing the right flows from the educational and training institutions but also of planning and co-ordinating the means of implementing the adequate distribution and utilization of manpower.

Manpower input being one of the major factors affecting the pace of development in the ECWA region, greater efforts are needed both from policy and technical points of view to develop and improve the utilization of this key development factor. Manpower development and employment promotion should be the central goals and not merely a by-products of the development process. Their strategies should be set up on a national level, taking into consideration the

requirements of the region. Regional co-operation in this field is essential. Needed machinery to plan, co-ordinate and supervise country policies should be set up at the regional level.

F. SCIENCE AND TECHNOLOGY

The trend in the region has been towards the turn-key mode of international technology transactions. This pattern has been common to member countries, but with differences in the degree of dependency on foreign technological inputs.

The use of patents by the ECWA countries in technology transfer has been marginal. Information on patents and their administration in the region remains very limited. With the possible exception of Egypt, the ECWA countries have not undertaken systematic in-depth collection, classification and analyses of patent data required for assessing the operation of the international patent system. Several countries (Democratic Yemen, Oman, Saudi Arabia, United Arab Emirates and Yemen) do not have, as yet, patent laws, though some of them grant protection through the registration of patents granted abroad. Nor have member countries, with the exception of Jordan, Lebanon and the Syrian Arab Republic, signed the Paris Convention, currently being revised with a view to safeguard the interests of the developing world.

The importance and role of technological information in development is, among others, reflected in a country's information infrastructure and the use it makes of available flow-channels. A review of the situation^{1/} in this respect in the ECWA region reveals a lack of arrangements for the effective handling of information in general, and technological information in particular. This is reflected in the poor information infrastructure in

^{1/} ECWA. Draft feasibility report on establishing a regional documentation centre at ECWA for the economic and social sciences. November 1976 (Unpublished document); and a study and assessment of information resources in selected developing countries of the ECWA region (E/ECWA/NR/2).

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most countries and the marginal use of, and linkage with, international information services and systems. The problem stems mainly from the lack of identified information needs.

Most ECWA countries rely heavily on consulting firms, particularly foreign ones, as a basic channel for technology transfer. At present there are only a few local consulting firms which undertake such functions. Most of the Arab consulting firms operate as commission agents for foreign firms, working on project identification and appraisal. Preparation of feasibility studies, engineering designs and project management are confined to very few Arab firms.

Nearly all member countries have established a central planning machinery. However, none of the central planning machineries have a unit dealing with science and technology for analysing and integrating scientific and technological inputs into sectoral plans. A number of countries, however, have initiated action to remedy the situation.

The ECWA region, excluding Oman, has 523 scientists/engineers per 100,000 inhabitants, thus occupying a middle position among the developing regions.^{1/}

The shortages are much more pronounced at the technician level. Normally, a technician/scientist ratio of 2:1 is used for developing countries

^{1/} In 1976, the corresponding ratio was 80 for Africa, 1,000 for Latin America, 125 for Asia (excluding Japan), 2,875 for the developed countries and 800 for all Arab countries. (See, Conference of Ministers of Arab States Responsible for the Application of Science and Technology for Development, Rabat, 16-25 August 1976, SC-76/CASTARAB/1, p.4.).

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countries. Few, if any, ECWA countries have reached this target.^{1/} The low technicians/engineers ratio (1:12) confirms the particular need for this manpower category whose education, training and salary structures have long been neglected in the region.

The role of R&D institutions in technology transfer has not been fully appreciated by member countries. Although a number of governments in the region have devoted some resources to build up R&D capabilities, the utilization of such capabilities does not always appear to be in the right direction. Much of the R&D efforts are not related to technology and/or product development capability.

Expenditure on R&D in Jordan in 1976 was estimated at 0.4 per cent of GNP. The sectoral distribution of R&D expenditures revealed the minor role played by the production sector.^{2/} in undertaking R&D projects. Furthermore, the type of research projects carried out in Jordan reflected the composition of available expertise. Sixty per cent of the projects completed in 1976 were in the field of social sciences and humanities. Fundamental research, experimental development and applied research accounted for 28, 5 and 67 per cent, respectively of project research undertaken.

^{1/} The number of technicians per 100,000 inhabitants in six ECWA countries (Iraq, Jordan, Kuwait, Lebanon, Qatar and Yemen) in 1976 was 255. This compares with 125 (Africa), 1,475 (Latin America), 135 (Asia, excluding Japan), 4,800 (developed countries), and 150 (Arab countries) (Ibid).

^{2/} This sector accounted for 7 per cent of R&D expenditures, compared to the public sector and the Royal Scientific Society (63 per cent), and the Higher Education Establishment (30 per cent).

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In Egypt, more than 20,000 scientists and engineers with Masters or Doctorate degrees are involved in R&D activities. Expenditure on R&D was estimated at 0.83 per cent of GNP in 1976, of which the share of the production sector was only 4 per cent, higher education 26 per cent and the services sector (including government agencies) 70 per cent. Official figures indicate that expenditure on applied research constitutes 50 per cent of total R&D expenditure, compared to 32 per cent on experimental development and 18 per cent on basic research. Egypt is planning to increase national R&D manpower to 1000/million inhabitants and R&D expenditures to 3 per cent of GNP within the next ten years.

In the Syrian Arab Republic, the Government is planning to increase the number of personnel engaged in scientific and applied research to 500/million inhabitants, and to expand the technician category to achieve a scientist-engineer/technician ratio of 1:3.

In Iraq, expenditure on R&D stood at 0.3 per cent of GNP in 1974. The current development plan aims at increasing the ratio of technicians engaged in scientific research from 0.4 technicians per 10,000 inhabitants in 1975 to 9 technicians per 10,000 inhabitants, to reverse the scientists/technician ratio from 2:1 to 1:2, by 1985.

In Saudi Arabia, the number of students majoring in the natural sciences and applied sciences at Saudi universities increased at the annual rates of 35.6 per cent and 30.8 per cent, respectively, between 1970 and 1975. It has been estimated by the World Bank that out of the total manpower requirements of Saudi Arabia the demand for scientific and technical personnel is likely to increase from 5.3 per cent in 1976 to 6.7 per cent in 1980, and further to 8.3 per cent in 1985. It is estimated

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that between 80-85 per cent of scientific and technical manpower requirements are likely to be met by foreign personnel; the number of expatriate technicians and scientists is accordingly expected to rise from 70,000 in 1976 to more than 160,000 in 1985.

In Kuwait, the Ministry of Planning has estimated that technological progress accounted for 10 per cent of the growth in domestic product between 1970 and 1975. Excluding the oil sector, this contribution is likely to rise to 15 per cent, reflecting the important role played by technological progress in sectors like transport and petrochemicals. Despite significant increases in the number of registered students at both technical schools and universities, technical manpower shortages remain a serious impediment to the economic and social development of Kuwait.^{1/}

The International Development Strategy has set up a target rate for R&D expenditure of 0.5 per cent of GNP by the end of the decade. Except for Egypt, none of the ECWA countries have reached this target. Indeed, few countries are planning to reach it in the near future. The World Plan of Action for the Application of Science and Technology to Development has set up a target of 200 scientists/engineers per one million inhabitants to be engaged in R&D at the end of the current decade. Again with the notable exception of Egypt, none of the ECWA countries for which data are available appears to have attained this target.

^{1/} The magnitude of the problem is illustrated by a forecast of the Ministry of Planning which shows that technical manpower requirements in the year 2000 will be 167,500 whereas supply is not likely to exceed 67,500.

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As the current decade draws to a close, the efforts of member countries in the domain of science and technology appear to converge on the following issues:

- (a) The need for taking appropriate measures to integrate science and technology in the planning process. This requires the establishment and/or strengthening, within the planning machinery, of a central body to identify scientific and technological requirements. Other institutional arrangements such as R&D centres and universities, consulting engineering and design services will have also to be promoted for the implementation of national science and technology plans and the formulation of appropriate policies.
- (b) The increasing use of scientific methods in planning, organization and management.
- (c) Efforts to develop and strengthen educational facilities at all levels in order to increase the stock of scientists and engineers and to promote R&D.
- (d) Closer regional co-operation in selecting, transferring, adapting and developing appropriate technology.
- (e) Strengthening of regional institutions dealing with science and technology, establishing or strengthening national and regional centres for the transfer of technology, and development of regional technical training institutions.
- (f) At the international level, more technical assistance and unconditional aid to strengthen the region's technical capabilities and promote appropriate institutional developments in science and technology.

G. TRANSNATIONAL CORPORATIONS IN THE ECWA REGION

The growing importance of transnational corporations^{1/} (TNCs) on the international economic scene has prompted the world community to consider steps to monitor, examine and regulate their international operations^{2/}. The need for international action has been felt by both host and home countries of these TNCs. Various resolutions and declarations have been proposed at the international level by several United Nations agencies. Work on international rules and regulations including codes of conduct, standards for accounting and reporting and, a declaration on TNCs and social policy has been undertaken by these agencies.

Many difficulties are encountered in the analysis of the role and operations of transnational corporations in the ECWA region over the last decade. These difficulties arise, inter alia, from lack of information and regional research, measurement problems, unquantifiability of many variables including certain social costs and benefits and the reluctance of transnational corporations to release information they view as strategic and therefore restricted. Due to the absence of quantitative information, an attempt has been made in this section to assess the role of transnational corporations in the development of the region in qualitative terms.^{3/}

^{1/} There is no universally accepted definition of transnational corporations. However, one definition reads as follows: "enterprises which own or control production or service facilities outside the country in which they are based. Such enterprises are not always incorporated or private, they can also be co-operative or state-owned entities". See the Report on the Impact of Multinational Corporations on Development and International Relations. A United Nations Publication (Sales No. E.74.II.A.5), p. 25.

^{2/} The Commission on Transnational Corporations and the Centre on Transnational Corporations were established by the United Nations in 1974 to serve as a focal point within the U.N. system for the full range of issues relating to Transnational Corporations.

^{3/} The United Nations pronouncements on the new international economic order may be taken as terms of reference for such an assessment.

The activities of TNCs in the ECWA region have traditionally been in the field of oil. Their role in the non-oil sectors such as construction, trading, banking and tourism is, however, expanding. In the first half of the 1970s, two significant changes have taken place in the climate for foreign investment in the region. First, the operations of the TNCs in the oil economies have been bolstered by the large development programmes in these countries which are desperately in need for technical and managerial skills. Secondly, some non-oil economies which had maintained restrictive policies on foreign investment began to liberalize such policies in order to attract foreign funds and technology. Through special privileges and concessions including guarantees against expropriation, tax holidays and the repatriation of profits and capital, ECWA members have by now gone a long way to attract TNCs to participate in their development efforts.

The involvement of TNCs in the region has been mainly in the form of joint ventures. With the exception of some cases where TNCs operate through fully owned subsidiaries, most of the countries have enacted a 49 per cent limit on foreign equity participation. In response to the emphasis on 51 per cent domestic ownership as a means to prevent foreign control^{1/}, TNCs are increasing their use of a wide variety of non-equity arrangements. Some TNCs have been actively seeking management contracts which seem to be more beneficial to them in view of the demonstrable success of this approach.^{2/} Examples of management contracts in the region include the running of hotels, the execution of construction projects and even the management of banks.

^{1/} The International Monetary Fund considers ownership of 25 per cent of the equity capital as evidence of direct control. See Transnational Corporations in World Development; A Re-examination, 1978 p. 166. A United Nations publication. Sales No. E 78 II A.5 E/C.10/38.

^{2/} Globally, the trend of non-equity arrangements is accelerating while that of foreign direct investment is declining. Ibid., pp. 68 and 73.

In the Gulf oil-countries, foreign oil companies have continued to operate in spite of the large scale nationalization of the oil industry. Through non-equity arrangements, involving sometimes very complex combinations of provisions such as the supply or leasing of plants or certain inputs, technical assistance, co-production, co-marketing and distribution of oil, these companies have been able to maintain and even expand their role. However, because of the secrecy that surmounts these arrangements, an assessment of the involvement of TNCs in the area is not feasible. Incidentally, the patterns of oil joint-venture arrangements seem to be followed in the new industrial projects.

Licensing and franchise activities of TNCs have also increased in the region. In a number of countries including Kuwait, joint ventures have concluded management contracts which vest the functional control with the foreign partner. This could mean the exercise of discretion over the operations of the firm including input mix, budgets, organization, corporate strategy, pricing, marketing and staffing.

Preliminary information on TNCs' activities in the region show limited investment in the manufacturing sector. In the last few years a large number of contracts covering construction, engineering, technology management and services have been awarded to transnational corporations, in both oil and non-oil countries. The significance of the new role of TNCs in these fields is reflected in the promulgation of many laws and regulations to govern their operations.

Some ECWA countries have expressed concern over negative aspects of these operations. In Saudi Arabia, for example, it was cited that TNCs had been grossly inflating their prices for Government contract, practicing price fixing and actually indulging in collusion and attempted bribery. As a result, new and much more stringent regulations have been introduced.

A significant development during the 1970s has been the sharp growth in the role of international banks in the region as a result of the large financial resources from oil revenues. In view of the limited and new experience of the region's financial institutions in handling the sudden financial wealth, it was an opportune time for financial transnationals to deepen their involvement in managing and rechanneling the bulk of this wealth.

Lebanon war until its civil strife which erupted in 1975, the main centre of operation for transnational banks, 73 of which had representation in Beirut. Recently, however, the Gulf has become a cluster area for transnational financial institutions. By the end of 1977, Bahrain, for example, emerged as the region's centre for offshore banking units with some 33 such units and total assets of about \$ 16 billion. At the end of August of the same year there were 33 foreign banks with 222 branches operating in the United Arab Emirates, which compares with only 20 local banks and 67 branches.

The countries of the region lack a comprehensive legal and regulatory framework to govern the operations of transnational corporations. Bringing together scattered laws and regulations which cover relevant import and exchange control, patents and trademarks, transfer of technology, foreign investment, etc.. would enhance the ability of these countries to deal with transnational corporations. As the activities of TNCs can greatly influence the domestic markets of the host countries, their entry into these markets should be evaluated in terms of their impact, on, inter alia, employment opportunities, labour training, technology transfer, capital inflow, export earnings and import substitution. Greater attention should also be given to price and quality considerations and to the long-term impact on economic and social development. Host countries may further consider, if they have not already done so, dealing with smaller and more flexible transnational corporations as well as with those based in developing countries such as Brazil, India, South Korea and Taiwan.

In their dealings with transnational corporations, ECWA countries should try to work in closer co-operation. Intraregional co-ordination of regulations and policies would strengthen their bargaining power and reduce rivalry among themselves in attracting TNCs' investment.

H. STATISTICAL DEVELOPMENTS

Despite the lack of well-developed statistics in most ECWA countries, steady development has been a common feature of almost all their statistical organizations in the seventies. The pace at which statistical development has proceeded varied widely from one country to another depending on historic, political, economic and social developments of the countries concerned. Some ECWA countries did not even exist as sovereign states, before the seventies, and hence had no statistical organizations of their own. Statistical organizations of other ECWA countries date back to the early nineteen forties.

Bahrain, Qatar and the United Arab Emirates become independent in the seventies. Qatar still has no national statistical organizations; scanty statistics are scattered in reports published by different Ministries and Departments. In Bahrain, the Directorate of Statistics developed progressively since 1972 and expanded its activity to publish an annual statistical abstract. A family budget survey was conducted and social statistics were published. However, no significant work in the area of national accounts was undertaken. A study on the reorganization of the Directorate is currently underway.

The Central Statistical Office of the United Arab Emirates was established in 1973 with bilateral technical assistance from Egypt. Population and agriculture censuses were conducted in 1975. In the area of national accounts, major activities relating to all the Emirates have recently been undertaken. The National Statistical Department of the Sultanate of Oman was also established in 1972. It has been receiving technical assistance from the United Nations and Britain. It produces a few publications including a statistical yearbook. A population census is currently being conducted.

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The Statistical Department in Yemen was established early in 1972 under the Central Planning Organization. The activities of the Department have been related to a population census, family budgets, an industrial survey and more recently to national accounts.

Statistical activities in Democratic Yemen developed progressively in the early seventies to include the areas of population and foreign trade. However, they still lack greater coverage and sophistication. A mission from the Kuwaiti Fund for Arab Economic Development is presently working at reorganizing the Central Statistical Organization. The UN System of National Accounts is being introduced and preparations are underway for the publication of a statistical yearbook.

Among the more developed national statistical organizations in the region is the Central Statistical Office in Kuwait. It covers a broad range of statistical activities and issues, quality statistical publications in the areas of population, industry, foreign trade, prices and national accounts. Kuwait is also the headquarters of the Arab Planning Institute which, in co-ordination with the Arab Institute for Training and Research in Statistics, Baghdad, offers some training in statistics.

Another national statistical organization that has developed rapidly during the seventies is the Central Department of Statistics of the Kingdom of Saudi Arabia. Agriculture and population censuses were conducted in the early seventies and have been published. Studies have also covered the industrial sector as well as prices and cost of living surveys.

The Jordanian Department of Statistics, which has been in existence before the 1970s, has expanded its statistical activities. A training centre has been very active in supplying the country and other member countries with much needed trained personnel. Field studies particularly in agriculture have been undertaken. National income accounts estimates were recently published.^{1/} Consumer prices surveys and a population census are planned.

^{1/} In co-operation with ECWA which has also contributed to the development of statistics in other member countries.

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The national statistical organization of Iraq started early in the nineteen forties and had progressively developed into an integrated, well organized and adequately staffed Central Statistical Organization by the close of the sixties. The Organization has a training centre that supplies it with well-trained staff. The Organization issues publications in all principal areas of Statistics. Its national accounts statistics are well developed. Studies during the seventies have been conducted in many areas of statistics including population, agriculture and industry. A population census was conducted in 1977.

The Arab Institute for Training and Research in Statistics, which has its headquarters in Baghdad, has been very active, during the past few years, in training personnel for the Arab States, though not all areas of statistical training are covered.

The Central Bureau of Statistics in the Syrian Arab Republic has grown progressively to a relatively advanced level in the region in terms of coverage and availability of information. The expansion of the economic role of the public sector has increased and improved the Bureau's information source base. A population and an agricultural censuses were conducted early in the 1970s. In addition, a number of surveys have been carried out on various aspects of the economy. Special efforts have been directed at producing an improved set of national accounts.^{1/} Finally, the Bureau operates a training Centre which attempts to co-ordinate its activities with similar centres in the region.

In Lebanon, the collection and analysis of statistical data including manpower surveys, national accounts estimates and agricultural marketing information were progressing rapidly in the early nineteen seventies. Unfortunately, the civil disorder since 1975 has halted these activities.

^{1/} See footnote on previous page.

Despite progress made throughout the seventies in the national statistical systems, statistical services in the region still suffer from various deficiencies in terms of coverage, timeliness and standardization. Time series are usually short and permit only limited analyses. In addition, publication delays on available statistics are long and statistical series lack necessary standardization and comparability within member States and with the international community. For example, in the area of labour force, manpower and employment, as well as public expenditures and revenues coverage is limited in scope and published material is inappropriate for national and regional economic analyses. As to population statistics, there remains a shortage of reliable statistical data for much of the region. While one of the ECWA countries has never had a census, three others have yet to conduct a census during this decade. In addition, only few countries have a properly operated and sufficiently comprehensive civil registration system.

Also, national accounts estimates at constant prices are published only by Iraq, Syria, Saudi Arabia and the YAR while the new United Nations System of National Accounts is applied only in Jordan, Kuwait, Saudi Arabia, United Arab Emirates and Yemen. New subjects such as environmental statistics hardly exist in the ECWA region.

In the field of foreign trade, inconsistencies have been observed in some instances, regarding data reported in different statistical sources of an individual country. Moreover, the different trade classification systems^{1/} followed by the different countries pose a problem to the preparation of studies on the regional level. In addition, there is the problem of reconciliation and overlapping of fiscal years arising in part from the use in some member countries of the lunar year which is approximately 10 day shorter than the Gregorian year.

^{1/} Some ECWA countries follow the Brussels Tariff Nomenclature classification in their foreign trade statistics while others follow the Standard International Trade Classification. Also some countries deal with general trade while others deal with either domestic or special trade.

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The ability of many ECWA countries to produce reliable, efficient, timely and comparable statistics on a regular basis has so far been constrained by the ad hoc approach to statistical data collection, studies and surveys, as well as by the shortage in statistical expertise. Remedial efforts should include the establishment of effective and durable statistical infrastructures with permanent survey-conducting machinery capable of covering such fields as household income and expenditure, employment, productive activities, conditions of housing, water supply, nutrition, health, education and access to related services. These requirements are only partially fulfilled by the existing capabilities in the statistically more advanced ECWA countries and are hardly present in the statistically less advanced ECWA countries. The former countries may require some help in strengthening their existing systems. The latter, however, need extensive and long-term external support before they can achieve self-reliance in this field. Finally, the strengthening of national and regional training facilities, the increase of "on the job" training and the holding of crash training programmes are also required for the advancement of the vital function of statistical reporting.

III. SECTORAL DEVELOPMENTS

A. AGRICULTURE (AND FISHERY AND FORESTRY)

Review of major development:

1. agriculture

a) Total production^{1/}

The region's total agricultural production in 1978 stood at a record-high level, as shown in Appendix Table 1. Although it was only 1.6 per cent higher than the 1976 performance, it meant a sharp recovery from the setback suffered in 1977.

As seen from Table III-1 total agricultural production in the region increased at an average annual rate of 2.5 per cent during the 1969/71-1978 period.^{2/} This is only slightly higher than the 2.3 per cent per year achieved during the sixties. This reveals the apparent failure in the ECWA region to meet the suggested IDS target for agricultural output of 4 per cent.

^{1/} In the ECWA region, the importance of agriculture as an economic activity differs greatly from one country to another. Not only are agricultural resources distributed very unevenly, but they are also exploited with varying degrees of intensity. This, largely explains the skewness in the structure of the region's aggregate agricultural output. In 1978, more than 75 per cent of agricultural output originated in only three countries, namely the Syrian Arab Republic (36 per cent), Iraq (26 per cent) and Yemen (14 per cent). Saudi Arabia and Lebanon contributed 10 per cent and 8 per cent respectively of the region's total agricultural output.

^{2/} The growth rates in this table and tables 2, 3 and 4 have computed from a series of FAO production index numbers. It is noted that the series used is different from those published in the past. National average producer prices (1969-71) have been used as weights for computation of aggregate production of each country instead of regional wheat-based price relatives (1961-65 averages) applied to each country of the region. The production data used for the computation of index numbers are now, with very few exceptions, primary commodities. More details may be found in FAO, Production Yearbook 1977, Vol. 31, Rome, 1978, p.3. As producer prices are not available for the small Gulf States, the regional total is only the sum of the countries specified in the table.

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Table III-1. Annual Change of Total Agricultural
Production in ECWA Countries Selected
Period (exponential trend)
Per cent)

Country	1961/65-69	1969/71-78	1978 over 1977
Iraq	6.3	- 1.1	21.1
Jordan	-7.7	- 3.8	-
Lebanon	2.7	- 0.7	3.0
Syrian Arab Republic	1.7	7.7	8.1
Democratic Yemen	2.1	2.7	-
Saudi Arabia	-2.5	3.4	0.1
Yemen	-0.3	1.5	0.1
ECWA region	2.3	2.5	7.7

Source: Computed on the basis of FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1978.

The regional growth rate being the composite result of the achievements at the national level widely conceals different country experiences. The excellent growth performance of agricultural production registered in the Syrian Arab Republic (an average annual growth rate of 7.7 per cent) is matched by the distressing downward trend in the other countries of the Fertile Crescent, particularly Jordan and Iraq.

The encouraging performance of Syrian agriculture was not at all unexpected, as in the early seventies the Government undertook corrective action and decided on remedial measures to remove a number of constraints and anomalies hindering agricultural progress.^{1/}

^{1/} See, Past developments and growth prospects in the agricultural sector of Syria, in UN (UNESOB), Studies on Selected Development Problems in Various Countries of the Middle East 1971, New York, 1972, pp. 47-48.

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Continued emphasis on small farm development and improvement of the general operating conditions of farmers augurs well for further growth of the sector. The performance of agriculture in Iraq during the seventies is a reflection of the full impact of decades of mismanagement of agricultural resources, compounded by increasingly serious labour shortages and complex problems resulting from the restructuring of the agricultural economy. In the medium-term, steady and rapid growth of agricultural production in the Syrian Arab Republic and Iraq heavily depends on the successful implementation of large-scale land reclamation and development projects in irrigated areas.

Unresolved structural problems continued during the seventies to plague Jordanian agriculture, which never quite recovered from the loss of the agriculturally important West Bank. The agricultural sector did not follow steady growth pattern, instead production declined and the level of output in 1978 was 20 percent below the average for the years 1969-71. The problems faced by Lebanese agriculture were of a different kind. The civil war during the years 1975-76 resulted in considerable destruction in the poultry industry, a severe reduction of livestock and the disruption of supply and marketing channels. Despite continued instability, Lebanese agricultural output at the end of the decade still stands at a slightly higher level than in 1970. This can only be attributed to the adaptability of Lebanese farmers.

During the period under review, Democratic Yemen, Saudi Arabia and Yemen attained moderate progress (2.7 percent, 3.4 percent and 1.5 percent, respectively). The beginning of the decade was the starting point for intensive efforts geared towards the gradual modernization of their agricultural economies to accelerate the

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increase in domestic production. Although the approaches used and the means at their disposal differ greatly in the three countries, none of the countries succeeded during the seventies in a radical departure from the historical growth performance.

In the small Gulf countries, agricultural production increased at a steady rate of 4 to 5 per cent per annum, as a result of considerable efforts to establish small-scale modern enterprises in various subsectors.

i) Food and non-food production

Cotton, tobacco and coffee are the main non-food crops grown in the ECWA countries. Their relative importance in the region's total agricultural production is limited. Nevertheless, crop improvement and development programmes focused on these crops until the early seventies. In the non-oil exporting countries, exports of cotton in particular, supplied the badly needed foreign exchange to finance development activities. However, the continued faltering growth performance of agricultural production in the region, together with the intense food crisis of 1972-74, had an impact on modifying existing agricultural policies. Priorities were reversed and efforts to increase food production were intensified. As shown in Table 2, the region's non-food production virtually stagnated, while food production increased at an annual average rate of 2.7 per cent during the seventies.

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Table III-2 Index numbers and annual change of food, non-food and agricultural production in the ECWA region, selected years.
(1969-71 = 100)

Item	1970	1975	1976	1977	1978 ^{a/}	Annual percentage change	
						1969/71-1978 ^{b/}	1978 over 1977
Food production	94	116	125	118	128	2.7	8.5
Non-food production	99	100	104	100	105	0.1	5.0
Agricultural production	94	115	124	117	126	2.5	7.7

Source: ECWA, based on FAO, ICS printouts of production index numbers, December 1978 (unpublished)

a/ Preliminary

b/ Exponential trend

In this regard two country situations need to be singled out. In the Syrian Arab Republic, there was only a slight increase in non-food production (1978 production was 11 per cent higher than the level of the base year), whereas food production leaped forward rapidly. The former may be explained by the successful achievement of changes in land use allocation. The area under irrigated cotton was gradually reduced in favour of irrigated wheat and to some extent sugarbeet. Higher cotton yields resulted in keeping cotton output stagnant, while wheat output from irrigated lands increased significantly. However in future years, major planned increases in output of strategic commodities may not be possible in view of land allocation problems in irrigated areas. Indeed, increases in output have been planned on the basis of the achievement of large land development schemes in the Euphrates Valley, which, because of complex problems may only materialize much later than scheduled. Problems faced include high gypsum content of soils, salinity, socio-economic problems related to farm organization and settlement and, the inflation of land development costs.

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In Yemen, non-food production in 1978 was 172 per cent higher than in the base period compared to only 15 per cent for food production. The past performance may be explained by two facts; namely, in the early seventies the country was self-sufficient in food, and the first land development and improvement efforts focussed on areas where cotton is the major cash crop. However, in recent years the emphasis has shifted dramatically to food production as food gaps developed and widened rapidly due to slow progress in food production, population growth, increasing per capita income and growing consumer expectations.

The annual change in per capita food production serves as a useful indicator of the strength of a country's agricultural economy and the trend of its food security position. Increases in food production should at least match the increased demand of a growing population. Ideally, food production in the ECWA region should increase annually by at least 4.5 per cent to meet demand from population growth and higher income, and to undercut price inflation which eventually may disrupt economic growth in the non-agricultural sectors. Even larger increases are necessary to provide nutritionally more adequate diets. As may be gauged from Table 3 below, the developments experienced in the seventies are far from encouraging. In the ECWA region, food production per capita actually decreased during the seventies at a rate of 0.7 per cent per year compared to annual improvements of 0.4 per cent in the Near East region. The marked improvement in per capita food production in the Syrian Arab Republic contrasts sharply with the alarmingly sharp decline registered in Jordan, Iraq, Lebanon and Yemen. In Jordan and Yemen, the allocation of large amounts of foreign export earnings to pay for food imports has severely constrained development activities.

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Table III-3 Index numbers and annual change of per capita food production in selected ECWA countries.

(1969-71 = 100)

Item	1970	1975	1976	1977	1978 ^{a/}	Annual percentage change	
						1969/71- 1978 ^{b/}	1978 over 1977
Iraq	99	70	83	71	84	-4.3	18.3
Jordan	79	74	75	63	61	-7.0	-3.3
Lebanon	99	91	86	84	83	-3.4	-2.2
Syrian Arab Republic	88	139	158	141	147	5.7	4.3
Democratic Yemen	92	110	108	102	98	0.2	-3.9
Saudi Arabia	103	100	86	90	88	0.4	-2.3
Yemen	85	108	98	93	91	-1.6	-2.2
ECWA region	93	98	103	94	98	-0.7	4.3

Source: ECWA, based on FAO, ICS printouts of production index numbers, December 1978 (unpublished)

a/ Preliminary

b/ Exponential trend

ii) Crop and livestock production

Crop and livestock production in the region take place in two distinct sectors, involving physically separated activities and different kinds of operators. The perceived trends of production are highly correlated as the cyclical variations of both subsectors are very much intertwined. Instability remained the overriding characteristic and major weakness of crop production, particularly cereals, during the seventies. Unpredictable weather conditions rendered crop production programmes ineffective in various countries, specially in Jordan and Iraq. The excessive fluctuations registered in crop production of the various countries depressed the overall rate of growth during the seventies, see Table 4.

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Table III-4 Average annual growth rate of crop and livestock production in the ECWA countries, 1969/71-1978 ^{a/}
(per cent)

Crop Production		Livestock Production	
<u>Above regional average</u>		<u>Above regional average</u>	
Syrian Arab Republic	8.5	Syrian Arab Republic	6.1
Saudi Arabia	4.7	Jordan	3.6
Democratic Yemen	3.3		
<u>Average ECWA region</u>	<u>2.6</u>	<u>Average ECWA region</u>	<u>3.3</u>
<u>Below regional average</u>		<u>Below regional average</u>	
Yemen	1.1	Democratic Yemen	2.7
Lebanon	-0.2	Yemen	2.6
Iraq	-2.3	Saudi Arabia	2.3
Jordan	-4.9	Iraq	2.4
		Lebanon	-1.0

Source: ECWA, based on FAO, ICS printouts of production index numbers, December 1978.

^{a/} Exponential trend.

Worst results were achieved in cereal production. Although 1978 was a good year the output of cereals in the region was only 18 per cent above the level of the base period (the average rate of growth was negative at -0.1 per cent per year). Substantial progress, however, was made in increasing the production of oil crops and fodder crops. The region's production of oil crops increased at an average annual rate of 4.6 per cent, while production increases of fodder crops were much higher.

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In several countries of the region, the fluctuations in livestock output during the seventies were greatly reduced compared to those experienced in the sixties. The livestock industry achieved a growth rate of 3.3 per cent per year during the seventies. Above average results were recorded in the Syrian Arab Republic and Jordan. Enhanced stability in the livestock sector stemmed from the effective precautionary measures taken against the recurrent droughts. Moreover, the increased relative importance of the modern sector, especially the poultry subsector, had a stabilizing effect on the industry.

Crops

Cereals constitute the major commodity group in crop production, occupying in any given year over 85 per cent of the region's cropped area and being an important source of food and income for the region's farmers. The success or failure of cereal harvests is highly correlated with the amount and distribution of rainfall during the planting and growing seasons. Weather conditions in the sowing season are of extreme importance as they are determinants of the cereal area sown under rainfed conditions, which still provides the bulk of output. As may be seen from Table 5, cereal yields did not improve during the seventies and, hence, did not contribute to production increases. In 1978, a record 7.6 million hectares produced 6.5 million tons of cereals, a very good crop after the poor 1977 crop of 4.6 million tons, but 1.75 million tons below the all-time high harvest of 1972. Iraq and the Syrian Arab Republic each managed a 2.5 million ton cereals harvest, and another 1 million tons were produced in Yemen. The region's production of cereals is shown below in Table 5, and more detailed in Appendix table 2.

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Table III-5 Area, yield and production of wheat, coarse grains, rice and cereals in the ECWA region, selected years.

(Thousand hectares, kilograms per hectare, thousand tons, per cent)

Crop		1961/65 average	1969/71 average	1976	1977	1978 a/	Annual percentage change	
							1969/71- 1978 b/	1978 over 1977
Wheat	A	3 046	2 793	3 402	2 646	3 438	2.6	29.9
	Y	776	776	994	843	950	2.6	12.7
	P	2 365	2 168	3 381	2 231	3 265	5.3	46.3
Coarse grains	A	3 580	2 884	3 402	3 178	3 998	4.2	25.8
	Y	855	893	877	669	707	-2.9	5.7
	P	3 062	2 576	2 983	2 127	2 828	1.2	33.0
Rice	A	88	98	53	64	121	2.7	89.1
	Y	1 660	2 764	3 112	3 139	2 983	1.0	-4.9
	P	145	270	165	201	360	3.7	79.1
Total cereals	A	6 713	5 775	6 857	5 888	7 557	3.4	28.3
	Y	830	868	952	774	854	-0.2	10.3
	P	5 572	5 013	6 529	4 559	6 453	3.2	41.5

Source: ECWA, based on FAO, ICS printouts of production, December 1978.

a/ Preliminary

b/ Compound

Note: P = production; Y = yield; A = area harvested.

The comparison of growth performance of wheat versus coarse grains, more specifically barley, confirms the absolute priority accorded to food crops over feed and industrial crops in the various ECWA countries during the seventies. However, continued emphasis on wheat production in areas of average and below average rainfall (up to 300 - 350 mm) is questionable as, all conditions being equal, barley production in these areas has produced superior yields and higher net returns than wheat production. Furthermore, increased feed availability would encourage integration of crop and livestock activities.

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The increase in wheat production in the ECWA countries during the period under review is the combined result of changes in cropped areas and yields, see Appendix table 3. The yield effect stems from improved cropping under irrigated and assured rainfall conditions, while most of the area expansion took place in rainfed lands. The latter implies that more barley production was pushed onto lands with marginal rainfall, as evidenced by the decreasing yields of barley, Appendix table 2. The successful implementation of the cereals production strategy adopted in the Syrian Arab Republic is significant in the sense that it aims at expanding and concentrating wheat production in areas of reasonably assured rainfall and in irrigated areas, leaving the less favourable areas of up to 250 mm of rainfall exclusively for barley production. Moreover, the emerging trend in the two Yemens is shifting areas under millet and sorghum to wheat production in order to stall and reduce the rapidly growing wheat deficit. Urbanization is causing a shift in consumption patterns from millet and sorghum to wheat.

As observed from Appendix table 2, production of maize increased at a very high rate during the seventies (though less pronounced in recent years), exclusively as a result of an expansion in the cropped area. The perceived development took place in response to the dramatic increase of demand for poultry feed in the ECWA countries.

Rice production, which is almost exclusively confined to Iraq, recovered quickly from the severe decline suffered in the first half of the seventies due to water supply problems. In 1978, a record crop, of 358,000 tons, was harvested. The envisaged development of rice production in the Syrian Arab Republic failed to materialize as it is tied up with land development and improvement in the Euphrates valley.

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The region's production of major pulses, industrial crops, vegetables, and fruits are presented in Appendix table III-4. During the seventies, very good production performances were registered for potatoes, vegetables (particularly tomatoes), pulses and selected fruits (apples, citrus fruits, olives). Much of the expansion in production took place to meet urban demands and to cash in on profitable export opportunities, mainly within the ECWA region. Intensive production of vegetables, a profitable venture, developed in the periphery of the cities of all ECWA countries. Glasshouses and plasticulture are being introduced or expanded in many countries of the region (Gulf and Fertile Crescent). As a result of determined efforts of the governments, and in response to very favourable market conditions, fruit production expanded rapidly. Potato production doubled during the seventies in Iraq, the Syrian Arab Republic and Yemen.

As pointed out above, production of non-food crops - cotton, tobacco, coffee - stagnated during the seventies. As for other industrial crops, namely sugarbeet and cane and vegetable oil crops, there was moderate to good progress. However, the good progress achieved was far below the very high plan expectations. In several ECWA countries, governments were forced to revise their agro-industrial plans and often had to make alternative arrangements for the supply of raw agricultural materials to agro-industrial enterprises.

Livestock production

The neglect of livestock problems and livestock development potential in various ECWA countries radically changed around the mid-seventies. Considerable budgetary allocations were earmarked to this subsector, which spurred investment activities and boosted production performance. Greatly increased demand from urban populations led governments to develop capital-intensive modern enterprises, particularly

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in the poultry sector, and to some extent in the dairy sector, see table III-6. In all, there was moderate, but continuous expansion of livestock production during the seventies. The expansion of production has been most perceptible in the small countries of the Gulf, as production started from a small base.

c Table III-6 . Livestock production in the ECWA region, selected years.
(thousand tons)

Commodity	1961/65 average	1969/71 average	1976	1977	1978 a/	Annual percentage change	
						1969/71- 1978 b/	1978 over 1977
Fresh milk (total)	1 502	1 494	1 884	1 912	1 934	3.3	1.2
Indigenous red meat	229	252	305	301	307	2.5	2.0
Poultry meat	35	71	94	109	113	6.0	3.7
Eggs	43	72	89	108	109	5.3	0.9

Source: ECWA, based on FAO, ICS printouts of production, December 1978.

a/ Preliminary

b/ Compound

As seen above, the output of poultry meat and eggs grew at high rates in the ECWA countries and prospects for the growth of the sector remain excellent in view of the existence of a large unsatisfied market.

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As shown in Appendix table III-5, increases in the number of dairy cattle, though considerable, remain far below the planned target. The building up of sizable dairy cattle herds of exotic breeds in various ECWA countries often relates to ambitious projects to establish modern dairy industries and satisfying urban demand for fresh milk. In this connexion, it is noted that many dairy development projects face serious problems of management and of maintaining high yield performance standards. Per unit production costs of modern dairy enterprises in the ECWA countries often render operations economically inefficient. However, governments have persisted in their efforts and during the seventies, there has been good progress in cow milk production (4.2 per cent per year), compared to milk production in the sheep and goat sector, mainly kept under conditions of traditional livestock farming (2.4 and 2.0 per cent per year, respectively).

The rate of production of red meat (2.1 per cent per year) and mutton and goat meat (2.7 per cent per year) during the period under review, reflects the complex problems faced in raising the yields per animal (on average, 110 to 125 kg carcass weight for cattle and, 14 to 18 kg for sheep and goats). Stock numbers in most countries have already reached the upper limit and should be reduced in order to maximize efficiency of operations and to restore the ecological balance in a number of countries. In this connexion, improved range management and the establishment of stratified production systems for the sheep/goat sector are essential. In general, extremely poor feeding and management conditions, rather than limitations imposed by genetic factors, are responsible for the very low productivity level. The low rates of reproduction, survival and productivity could be raised (even without genetic improvement) simply by taking advantage of modern nutrition and management techniques.

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b) Trade in agricultural output

The share of agricultural trade in total trade with regard to both exports and imports, has been falling continuously over time. (Appendix tables III-6 and III-7). This is consequence of the impact of the dramatic developments in the oil sector in the fall of 1973, on the one hand, and of the disappointing growth performance of agricultural production, on the other hand.

As a result of these developments, agricultural exports paid for only 18 per cent of agricultural imports in 1977 compared to 36 per cent in 1970. However, each country's situation is different as observed from Appendix table III-6. The oil exporting countries do not face financial problems in this respect. As for the non-oil economies, Lebanon and Jordan managed to maintain in 1977 the level of the beginning of the decade (47 and 33 per cent, respectively), while the Syrian Arab Republic agricultural exports still paid for 75 per cent of agricultural imports in 1977 (compared to 145 per cent in 1970). However, in Democratic Yemen and Yemen the capacity of agricultural exports to pay for agricultural imports was barely 5 per cent in 1977 compared to 11.3 and 26.4 per cent, respectively for the two countries, in 1970.

As shown in table III-7 below, the performance of the region's major export commodities (except for cotton, tobacco and all other items with low unit value) has been poor during the seventies. Except for oranges and various other fruits and vegetables of lesser importance, the exports of which more than doubled, the export volume of other commodities decreased. As seen from Appendix table 8, higher unit values resulted in a trend rate of 13.4 per cent for agricultural export earnings. The 26.7 per cent increase in agricultural export earnings in 1977 was again largely due to higher commodity prices, particularly of cotton and apples. The 1977 export volume of agricultural commodities in the region stagnated, except for pulses which reached 70.4 thousand tons in 1977.

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Table III-7. Volume of major agricultural exports in the ECWA region, selected years.

(thousand tons)

Commodity	1961/65	1970	1975	1976
Cotton lint	134.6	142.4	108.8	125.5
Dates	273.3	361.8	281.4	302.5
Oranges, tangerines and clementines	70.2	127.2	252.6	272.0
Tobacco	4.4	11.5	9.7	9.1
Apples	58.1	65.4	88.0	61.3
Pulses	97.1	47.5	29.4	31.9

Source: ECWA, based on FAO, ICS printouts of agricultural trade, December 1978.

i) Agricultural exports

In the region as a whole, agricultural exports represented only 1.2 per cent of total export trade in 1977 compared to 12.3 and 5.1 per cent in 1961/65 and 1970, respectively. It is only in Yemen, Jordan, the Syrian Arab Republic and Lebanon that the share of agricultural exports in total exports continues to assume significant importance. Moreover, at present, the share of the latter three countries account for more than 75 per cent of the region's agricultural exports.

ii) Agricultural imports

The region's agricultural imports increased at an average rate of 28.3 per cent during the 1970-77 period, reaching US\$ 4,285 million (representing 11.7 per cent of total imports, Appendix table III-7). Increases, much above the region's average, were reported for the United Arab Emirates, Yemen, Oman and Iraq. The increase in 1976 and 1977, however, 11 per cent for each year, reflecting a decrease in the prices of certain key food commodities. The small Gulf States and Saudi Arabia

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accounted in 1977 for about 50 per cent of total agricultural imports, a share which remained fairly constant during the past decade. Saudi Arabia imported one quarter of the region's agricultural imports.

The large increase in the volume of sugar and wheat and wheat flour imports in 1977 indicates growing demand and attempts at taking advantage of the temporary decrease in commodity prices. The steep increases in coffee and tea prices and moderate increases in the price of meat, generally failed to check the volume of their imports into the region.

As seen from table 8, the region's major agricultural imports are exclusively essential commodities. Imports of wheat, wheat flour and rice amounted to US\$ 935 million in 1977. The region's wheat imports (3.5 million tons) for the first time surpassed the level of output in 1977. Another striking change is the very sharp increase in the imports of red meat (fresh, chilled and frozen) and white meat, (fresh chicken) compared to live animals. Red and white meat constituted 14.2 per cent of total agricultural imports in the region in 1977 compared to only 4.0 per cent in 1970 (Appendix table 9).

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Table III-8. Volume, unit value and value of major agricultural imports in the ECWA region, selected years.

(Thousand US dollars, US dollars per ton, millions of US dollars)

Commodity		1961/65	1970	1975	1976	1977 ^{a/}
Wheat and wheat flour (wheat equivalent)	Vol	1 011.1	1 902.0	2 246.4	2 859.9	3 509.8
	UV	68	69	207	202	176
	V	68.6	131.0	465.8	578.3	618
Rice	Vol	308.4	417.1	498.6	780.8	771.4
	UV	153	167	522	443	412
	V	47.3	69.7	260.3	345.7	317.9
Sugar (raw equivalent)	Vol	647.2	705.9	924.4	1 074.9	1 417.2
	UV	98	90	732	468	305
	V	63.4	63.2	677.1	508.8	432.6
Red meat (fresh, chilled and frozen)	Vol	8.0	35.2	149.6	215.2	258.5
	UV	662	702	1 296	1 296	1 408
	V	5.3	24.7	193.9	278.9	363.9
White meat (fresh chickens)	Vol	3.8	16.7	89.7	165.3	189.9
	UV	684	645	1 118	1 178	1 283
	V	2.6	10.8	100.3	194.7	243.8
Live animals	V	48.3	58.9	118.3	119.2	136.1
Milk-condensed, dry and fresh	V	16.4	33.3	140.7	186.5	221.6
Tea	Vol	33.4	49.3	50.6	79.0	73.6
	UV	1 015	833	1 717	1 519	2 178
	V	33.9	41.1	86.9	120.0	160.3
Coffee green	Vol	21.2	23.9	26.6	23.7	26.9
	UV	688	772	1 399	2 129	3 626
	V	14.6	18.4	37.2	50.4	97.5
Vegetable oils	V	12.4	18.8	94.6	85.5	-
Oranges, tangerines, clementines	Vol	76.5	180.9	340.9	388.6	405.7
	UV	89	112	166	187	219
	V	6.8	20.2	55.6	72.6	89.0

A Source: ECWA, based on FAO, ICS printouts of production and trade, December 1978.

^{a/} Preliminary

Note: Vol = volume; UV = unit value; and, V = value.

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2. Fisheries

Fisheries constitute a major and valuable resource in the ECWA region, particularly in countries situated in the southern half of it, where fish is one of the few available natural resources. The development of the industry in these countries is likely to contribute greatly to economic diversification and growth, the expansion of productive employment and the establishment of export industries.

During the seventies, the region's nominal fish catch increased moderately reaching 499.0 thousand tons in 1977, a mere 0.6 per cent of the world catch, (table 9). Fishing is of prime importance in Oman and Democratic Yemen where development of the fisheries sector holds considerable potential. Both countries have in their territorial waters very rich fishing grounds, namely in areas of the Western Indian Ocean and the Gulfs of Aden and Oman.

Table 9. Nominal fish catch in the ECWA countries and major fishing areas, 1970, 1976 and 1977
(Metric tons)

Country	1970	1976	1977 ^{a/}	Major fishing areas
Bahrain	1 500	4 084	4 837	Gulf lying between Iran and Arabian Peninsula
Democratic Yemen	120 000	152 600	161 700	Western Indian Ocean ^{b/}
Iraq	32 100	28 283	26 101	Gulf lying between Iran and Arabian Peninsula
Jordan	100	49	31	Red Sea
Kuwait	3 900	4 691	4 691	Gulf lying between Iran and Arabian Peninsula
Lebanon	2 300	2 500	2 500	Eastern Mediterranean Sea
Oman	180 000	197 984	197 984	Western Indian Ocean ^{b/}
Qatar	1 500	2 700	2 733	Gulf lying between Iran and Arabian Peninsula
Saudi Arabia	21 700	23 300	18 400	Red Sea, Gulf lying between Iran and Arabian Peninsula
Syrian Arab Republic	1 300	1 951	1 951	Eastern Mediterranean Sea
United Arab Emirates	40 000	64 400	64 400	Gulf lying between Iran and Arabian Peninsula
Yemen	7 600	16 500	17 500	Red Sea
ECWA Region	412 000	499 042	502 82^e	

Source: ECWA, based on FAO, Yearbook of Fishery Statistics: Catches and Landings, 1977, volume 44, Rome, 1978.

^{a/} Preliminary

^{b/} Including the Gulfs of Aden and Oman.

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About 95 per cent of the present catch consists of marine fish, mainly of the pelagic species such as sardinella and anchovy, of which large concentrations have been identified. The remainder of the 1977 catch consists of 18.7 thousand tons of freshwater fish (mainly from Iraq) and 3.2 thousand tons of crustaceans, mainly from Kuwait (533 tons), Qatar (933 tons) and Saudi Arabia (1,600 tons). In areas where several national and international fishing fleets share the same waters, the absence of fishery management has led to drastic reduction of catch of sea food, especially shrimp fisheries (in the Gulf). The catch of crustaceans of Kuwait and Saudi Arabia peaked at 2,000 tons and 6,100 tons, respectively, in 1973. The same situation is most likely to develop in the near future in the Northwestern Indian Ocean where sardine fishery is now being subjected to intensive fishing operations.

Despite the fact that small-scale fisheries provide the bulk of fish food consumed in the region, the majority of fisherman is not given the proper attention to improve their performance. Inadequate or limited craft, fishing gear and techniques have kept individual fishing productivity at a low level. In addition, except for the export of fish marketing facilities and conditions are still poor. It is vital that an intensive development programme be implemented, to combine modest improvements in craft fishing gear and techniques with the establishment of small landing facilities and improved systems for the collection, distribution and marketing of fish.

Development of large-scale commercial operations, particularly of demersal fish resources, has been largely neglected as efforts have concentrated on the exploitation of certain marine resources such as shrimps, sardines and anchovies. This may be explained by the absence of reliable statistical information on the fisheries industry, especially on the potential of fish stocks and their seasonal and annual variation. The latter information is essential for a sound programme of capital investment and management, including conservation of resources.

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Incomplete information on pelagic stocks and scarcity or absence of information on demersal resources, particularly in waters bordering the countries of the Gulf and Arabian Peninsula, has inhibited investment planning for the development of fishing operations or of related infrastructure such as shipyards, cold storages, fishing gear, processing plants and other marketing facilities.

The critical importance of fish survey and stock assessment may, for instance, be gauged from the 1966-72 survey conducted off the coast of Democratic Yemen. The Gulf of Aden survey revealed that approximately 7,750 square miles of trawlable fishing grounds can give a maximum sustainable annual yield of 80,000 tons of demersal fish and a further 240,000 tons of pelagic fish species. It is on the basis of these stocks that Democratic Yemen is successfully implementing a substantial investment programme for fisheries development and for a fish meal and oil industry.

During 1975-76, a pelagic fish assessment survey of the North Arabian Sea, the waters of which extend from Somali Coast to the Indo-Pakistan border, revealed large concentrations of small pelagic fish along the northeast Somali coast, the east coast of Democratic Yemen, the southeast coast of Oman and the south coast of Pakistan, corresponding to a sustainable annual yield of 0.7 to 1.1 million tons and a population of 0.3 to 1.4 million tons of demersal fish along the southeast coast of the Arabian Peninsula. A regional fishery survey and development project was initiated in 1977 for the waters lying between Iran and the Arab Gulf states and is due to be completed by 1980, at a cost of US\$ 7 million dollars.^{1/}

^{1/} FAO, Fisheries development in the Near East region with particular emphasis on fishing areas bordering the Gulf and Arabian Peninsula, Near East Regional Office, March 1978, p.12

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3. Forestry

Uncontrolled cutting, burning and overgrazing have depleted natural forests and destroyed ranges to the extent that they only cover a small percentage of the region's land area. Forests and ranges alike are generally degraded, poorly managed and unproductive.

Forestry production data for the ECWA region are given in table 10. Several ECWA countries are non-wood producing and thus import all their wood product requirements. In the other countries, forestry production is very small, generally of low-quality woods, and falls far short of domestic needs.

During the present decade, production of wood-based panels stagnated and roundwood production regressed, while the production of sawnwood increased at a rate of 4.7 per cent per year during the 1970-77 period. A significant development has been the establishment and rapid development of a paper and paper board industry the production of which increased at the rate of 21.0 per cent per year during the 1970-77 period.

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Table III-10. Forestry production in the ECWA region,
lected years
(thousand cubic meters, thousand metric tons)

Item <u>a/</u>	1961/65	1970	1975	1976	1977 <u>b/</u>
<u>Thousand cubic meters</u>					
Sawlogs and veneerlogs (C)	6.6	9.0	16.0	19.0	17.0
Sawlogs and veneerlogs (NC)	23.6	26.0	32.0	30.0	29.0
Other industrial roundwood (NC)	37.8	69.0	71.0	62.0	51.0
Fuelwood (C)	4.0	3.0	3.0	3.0	3.0
Fuelwood (NC)	108.8	135.0	127.0	125.0	125.0
<u>Sub-total roundwood</u>	180.8	242.0	249.0	239.0	225.0
Sawn wood (C)	10.1	25.1	27.0	31.0	31.0
Sawn wood (NC)	8.1	12.7	19.0	21.0	21.0
<u>Sub-total sawn wood</u>	18.2	37.8	46.0	52.0	52.0
Veneersheets	0.1	0.3	0.3	0.3	0.3
Plywood	41.6	44.9	46.7	44.7	47.7
Particleboard	4.2	20.4	17.8	21.3	18.8
<u>Sub-total wood based panels</u>	45.9	65.6	64.8	66.3	66.8
<u>Thousand metric tons</u>					
Printing and writing paper	-	-	8.0	12.0	9.0
Other paper and paperboard	3.2	12.7	34.1	34.1	40.1
<u>Sub-total paper and paperboard</u>	3.2	12.7	42.1	46.1	49.1

Source: ECWA, based on ICS forestry production file supplied by FAO, Forestry Department.

a/ C = coniferous; NC = non-coniferous

b/ Provisional.

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In order to reduce the wood shortage, a resurgence of interest is witnessed among the ECWA countries in forestry development, more specifically in irrigated industrial forest plantations of the fast-growing species, such as eucalyptus and poplars. ~~Sizable~~ plantations for wood production were initiated in the Syrian Arab Republic (over 1,000 ha per year in recent years; in 1976, 1,260 ha) and in Iraq, where by the end of 1978 about 20,000 ha had been established with considerable success. Under the present five-year plan, Iraq aims at expanding plantations by 5,000 ha in rainfed areas and 4,000 ha in irrigated land.

In several countries, there was also increased tree planting ~~view of~~ environmental considerations. In this regard, the developments in the smaller Gulf countries are to be noted, particularly in the United Arab Emirates where extensive areas (an estimated 7,000 ha by end 1977) were afforested along highways. Such heightened concern about the environment is evident from the expanded activities to combat desertification and to rehabilitate marginal lands in most ECWA countries.

4. Production requisites

Intensive use of various agricultural supplements - improved seeds, machinery and implements, fertilizers and, pesticides - assumes critical importance in ensuring successful agricultural production in the ECWA countries.

The labour outflow from agriculture towards other economic activities necessitated increasingly extended use of agricultural machinery and implements particularly in the Syrian Arab Republic, Iraq, Jordan and Yemen.

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The increased mechanization of agriculture in the ECWA region is reflected in a sharp reduction in the ratio of arable land per agricultural tractor and in the average harvested area of cereals per combine harvester, see table 11. As observed, it is only in Lebanon and Democratic Yemen that the ratio of arable land per tractor approaches that of the more developed countries. The availability of adequate numbers of tractors is important, but it is their efficient use which should be emphasized. The latter requires a well-established infrastructure for maintenance and repair throughout the rural areas. In general, these facilities are inadequate in all ECWA countries.

Fertilizer consumption in the ECWA countries increased appreciably during the seventies (for example, nitrogenous fertilizers increased by an average rate of 11 per cent per year. In 1976, the increase reached a level of 33 per cent). Nitrogenous fertilizer consumption and average per hectare application in major producing countries are shown below in table 12. Except for Lebanon, the amounts used remain low and much remains to be done to encourage more intensive farming and to create the appropriate conditions for increased application of fertilizers.

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Table III-12. Consumption of nitrogenous fertilizers and average per hectare application in major producing countries, 1970 and 1976.

(Nutrient tons, kilogrammes per hectares)

Country	Total consumption		Application per hectare of arable land	
	1970	1976	1970	1976
Democratic Yemen	-	1 000	-	6.6
Iraq	12 000	35 000	2.5	6.9
Jordan	1 000	4 000	0.9	3.4
Lebanon	19 000	18 000	79.2	75.0
Saudi Arabia	1 000	6 000	1.3	5.8
Syrian Arab Republic	26 000	43 000	4.6	8.2
Yemen	-	3 000	-	2.0
ECWA region	60 000	112 000	4.2	7.7

Source: ECWA, based on FAO, ICS printouts of agricultural production, December 1978.

In this connexion, it is important to note that the ECWA countries have built up a production capacity for nitrogenous fertilizers considerably in excess of local needs. The region's nitrogenous fertilizer production reached 498,000 nutrient tons compared to only 162,000 nutrient tons of domestic consumption in 1976, leaving a surplus of 336,000 nutrient tons for export. The ECWA countries do not manufacture potash, while phosphate production and consumption virtually offset each other (at 46,000 tons in 1976).

As may be seen from Appendix table 11, exports of agricultural requisites (value terms) of the ECWA countries consist of fertilizers, while the imports of agricultural requisites are mainly composed of agricultural machinery and, to a lesser extent, pesticides.

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Table III-11. Number of selected agricultural machinery and the average area of operation per unit of machinery, 1970 and 1976.

(Numbers, hectares per unit)

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Country	Tractors		Harvesters		Arable land per agricultural tractor		Harvested cereals area per harvester	
	1970	1976	1970	1976	1970	1976	1970	1976
Democratic Yemen	1 050	1 200	7	12	119.0	126.7	6 714.3	5 666.7
Iraq	14 000	21 000	3 900	5 200	346.7	242.9	535.1	414.2
Jordan	2 758	3 914	143	200	410.4	300.2	853.1	840
Lebanon	2 500	3 000	60	90	96.0	80.0	966.7	644.4
Saudi Arabia	620	830	160	300	1 290.3	1 253.0	1 981.3	950.0
Syrian Arab Republic	9 031	18 567	1 455	2 146	625.7	283.3	1 289.3	1 308.5
Yemen	500	950	...	...	2 880.0	1 600.0	6 714.3	5 666.7
East region	30 468	49 477	5 725	7 948	468.1	293.4	1 029.3	862.7

Source: ECWA, based on FAO, ICS printouts of agricultural production, December 1978.

Table III-12. Consumption of nitrogenous fertilizers and average per hectare application in major producing countries, 1970 and 1976.

(Nutrient tons, kilogrammes per hectares)

Country	Total consumption		Application per hectare of arable land	
	1970	1976	1970	1976
Democratic Yemen	-	1 000	-	6.6
Iraq	12 000	35 000	2.5	6.9
Jordan	1 000	4 000	0.9	3.4
Lebanon	19 000	18 000	79.2	75.0
Saudi Arabia	1 000	6 000	1.3	5.8
Syrian Arab Republic	26 000	43 000	4.6	8.2
Yemen	-	3 000	-	2.0
ECWA region	60 000	112 000	4.2	7.7

Source: ECWA, based on FAO, ICS printouts of agricultural production, December 1978.

In this connexion, it is important to note that the ECWA countries have built up a production capacity for nitrogenous fertilizers considerably in excess of local needs. The region's nitrogenous fertilizer production reached 498,000 nutrient tons compared to only 162,000 nutrient tons of domestic consumption in 1976, leaving a surplus of 336,000 nutrient tons for export. The ECWA countries do not manufacture potash, while phosphate production and consumption virtually offset each other (at 46,000 tons in 1976).

As may be seen from Appendix table 11, exports of agricultural requisites (value terms) of the ECWA countries consist of fertilizers, while the imports of agricultural requisites are mainly composed of agricultural machinery and, to a lesser extent, pesticides.

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Appraisal of major developments in agriculture during the seventies.

An appraisal of developments in the agricultural sector during the seventies indicates that the 1972-74 world food crisis, with its dramatic impact on food prices accompanied by rapid increases in the price of oil, profoundly affected agriculture in the ECWA region.

Persistent food crisis forced a shift in the sectoral emphasis of development objectives and strategies. Although attention is still mainly focused on industrialization, higher priority is also being given to agricultural projects at both country and regional levels. Indeed, the the uncertain prospects for long-term food supplies, and the increasing food import bill created serious official interest in food problems. The concern is further justified by the fact that agriculture continues to be the important source of livelihood in most ECWA countries.

Although oil price increases largely eased financial constraints on agricultural development in the oil exporting countries and through its spillover effects in the other ECWA countries, the consequent economic boom stretched the absorptive capacity of several countries to its limits and created serious strains in various other factors. Moreover, despite large increases in state revenues, very little of the oil receipts has "trickled down" to the farm level providing farmers with the required capital.

The need to achieve substantially higher growth rates in agricultural production still remains an overriding preoccupation. The trend of agricultural output observed during the decade is disturbing as per capita food production has persistently fallen, eroding further the region's precarious food security position. Despite emphasis on food production, the output of major staples fell short of planned targets. To set a commonly used annual agricultural growth target of 7 per cent or more in the countries of the region is not only unrealistic but also diverts planners' attention from the conception and formulation of agricultural plans and programmes with feasible targets.

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During the period under review, agricultural output increased at lower rates than population, resulting in the decline of the income of rural population. Necessary measures are needed in areas that affect the level and distribution of income at the rural level. These include the structure of economic incentives, the allocation of investments, and the creation of special institutions and programmes to increase the productivity of the rural poor and opportunities for their employment. The quest for accelerated rural development in the ECWA countries stands out as a major issue as the decade draws to a close.

Increasing sector and resource productivity

Unlike Asia, growth in agriculture output in the ECWA region has not been stimulated by the application of improved methods and technological innovation. During the next decade, the exploitation of these and other factors need to be seriously considered in order to increase productivity. The implementation and completion of the important land reclamation and development schemes (e.g. in Iraq, the Syrian Arab Republic, Jordan, Yemen) along with effective research and extension services ought to be given a new sense of urgency.

During the nineteen sixties and seventies, extension of the cropped area and increases in the number of animals rather than yield was the basic approach to growth in agriculture.^{1/} This approach has resulted in low agricultural productivity.

^{1/} Horizontal expansion, whether in terms of cropped area or stock numbers, has reached its limits and in several countries reductions may be beneficial for improvements in the performance of the agricultural economy.

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Table 13. Value added and arable land and land under permanent crops per economically active person in agriculture in the ECWA countries, selected years.

	Value added per economically active person in agriculture (U.S. dollars)			Arable land and land under permanent crops per economically active person in agriculture (hec.)		
	1966	1970	1975	1966	1970	1975
Iraq	433.2	515.4	830.4	4.65	4.44	4.38
Jordan	404.7	307.8	562.8	6.80	2.53	2.48
Lebanon	882.3	1 077.9	2 444.5 <u>a/</u>	2.51	2.56	3.13 <u>a/</u>
Syrian Arab Republic	433.4	426.1	1 050.6	7.91	6.97	5.88
Kuwait	3 733.3	2 500.0	5 900.0	0.17	0.15	0.20
Oman	...	331.6	388.5	0.32	0.30	0.27
Saudi Arabia	143.4	161.2	1 054.1	0.35	0.46	1.88
Democratic Yemen	...	132.7	346.7	....	0.57	0.61
Yemen	...	124.4	177.7 <u>b/</u>	...	1.11	1.08

Source: ECWA, based on information from national sources and FAO, ICS printouts 1977 (unpublished)

a/ 1973.

b/ 1974.

An increase in per capital income (table 13) in agriculture is directly dependent upon labour productivity, the present level of which is very low.^{1/} The variance in agricultural labour productivity among ECWA

^{1/} Agricultural incomes, derived from farm activities in future years, will be increasingly supplemented by income gained from off-farm activities. Data for the first half of the decade show that improvements in real income proved to be small, and in several countries there were decreases. The per capita agricultural income earned in 1975 in the ECWA countries ranges from as high as US\$ 1,553 in Kuwait to an absolute low of US\$ 47.6 in Democratic Yemen (in 1972).

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countries themselves and between them and the developed countries is largely accounted for by differences in technical inputs and human resources. The limited role of research and development of human resources in agriculture is clearly reflected in the declining share of investment allocations envisaged under the development plans for these purposes. Thus, it has been difficult to raise agricultural output per farm worker where the number of workers dependent on farming for employment has increased faster than other inputs such as capital and technology. The exceptions were Lebanon and Saudi Arabia where farm employment dropped sharply in relative and absolute terms (in Saudi Arabia, also the cultivated area increased considerably). Such a situation has been extremely distressing in countries already suffering from unfavourable man-land ratios especially those in the southern half of the region.

Although value added per cultivated hectare improved in varying degree in the countries of the region during the past decade, in real terms improvements in land productivity have been minimal. Countries with significant improvements were Bahrain, Qatar and the Syrian Arab Republic (table 14).

Trend in low productivity principally stems from failure to use modern inputs such as high-yielding varieties of seeds, fertilizers and yield-increasing technologies which are scale neutral. Hence, efforts should be intensified to promote the general adoption of yield-increasing technologies wherever promising potential exists while movements of relative input-output prices in the economic application of modern technologies are kept under close scrutiny.

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Table 14. Aggregate crop yield per hectare of cultivated land, selected years.
(each unit represents the value of one ton of wheat in the Near East region)

Country	1966	1970	1975
Iraq	1.01	1.16	1.00
Jordan	0.74 ^{a/}	1.42	1.61
Lebanon	5.11	4.94	5.70
<u>Syrian Arab Republic</u>	0.73	0.78	1.36
<u>Bahrain</u>	12.83	14.32	17.98
<u>Kuwait</u>	137.86	151.95	95.49
Oman	3.42	3.75	4.22
<u>Qatar</u>	13.86	17.82	23.51
<u>Saudi Arabia</u>	2.73	2.21	2.12
Democratic Yemen	2.76	2.59	2.63
Yemen	1.34	1.10	1.50

Source: ECWA, based on information supplied by FAO, Statistics Division.

^{a/} East and West Bank .

With regard to the livestock sector, high productivity standards were attained in cow milk production in the smaller Gulf Countries (Bahrain, Kuwait, Qatar). The increasingly better performance achieved with the small herds of high grade stock (Friesian), exclusively kept for dairying, confirms irrefutably their superior productive and reproductive efficiencies, provided high standards of feeding, management and disease control are maintained. However, such developments are limited to the special circumstances prevailing in the remunerative markets of the Gulf region. Relatively good results were also achieved in Lebanon, the Syrian Arab Republic and Jordan. High grade breeds have been imported and husbandry methods have been improved with efforts concentrated on areas of high dairy potential (Jordan valley, irrigated areas in the Syrian Arab Republic) to supply the large urban markets with dairy products.

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Meat production, from indigenous animals, is very low, amounting to 100 to 120 kg, for cattle and 14 to 18 kg for sheep and goats. The same set of basic problems hindering milk production also confront meat production. Extremely poor feeding and management conditions, rather than limitations imposed by genetic factors, are responsible for low productivity in meat. Weight increases of 50 per cent were proven feasible using indigenous stock on feed conversion programmes in Lebanon and the Syrian Arab Republic. The economic feasibility of meat production depends principally on the meat-feedstuffs price ratios; hence, there is a need to monitor developments on domestic and international markets.

The pursuit of higher labour productivity in agriculture requires adjustments in agricultural planning and policies. In the past two decades, governments have seldom succeeded in striking a satisfactory balance between quick yielding and slow maturing projects that will build the long-term agricultural potential of the economy. Increased farm investment allocations and better implementation of development schemes (namely, drainage networks, local irrigation systems and on-farm irrigation development), production projects, and research and extension programmes should be given highest priority.

Present development plans already show a lesser bias towards major irrigation programmes and recent strategy is more favourable to relatively quick-yielding investments and intensive methods (especially in the two Yemens and Jordan Table 15). However, unless the imbalance between investments designed to generate technological advances in agriculture and to build physical infrastructure is further corrected, the low returns to physical infrastructural investment will persist in the ECWA countries.

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Table 15. Subsectoral and functional distribution of agricultural investment in current development plans of selected ECWA countries.

(Per cent of total)

Country	S u b s e c t o r s				Total
	Irrigation	Crop and livestock production and services	Fisheries ^{a/}		
Democratic Yemen	53.8	15.0	31.2		100.0
Jordan	66.0	34.0	-		100.0
Oman	34.7	30.2	35.1		100.0
Syrian Arab Republic	81.7	16.6	1.7		100.0
Yemen	50.9	43.0	6.1		100.0

Country	F u n c t i o n a l				Total
	Infra-structure ^{b/}	Development schemes ^{c/}	Production and supporting services	Re-search training, extension & surveys	
Democratic Yemen	43.0	35.6	16.7	4.7	100.0
Jordan	38.9	38.8	20.0	2.3	100.0
Oman	...	...	...	...	...
Syrian Arab Republic	19.3	74.9 ^{d/}	4.9	0.9	100.0
Yemen	33.4	45.0	13.7	7.9	100.0

Source: Compiled by ECWA from on-going analysis of agricultural development plans.

^{a/} The major part of the investment allocation is of an infrastructural nature.

^{b/} Dams and buildings.

^{c/} Land reclamation and land development.

^{d/} Comprises mainly comprehensive development of the Euphrates Valley area.

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Similarly, the building up of organizational and institutional infrastructures has been grossly neglected in agriculture. Obviously, while decision-making related to overall agricultural development may continue to be effected at the central government level, agricultural centres should be made the locus for all operational activities in which decision-making is most effectively carried out at the regional or local level. Decentralization of the management of the agricultural sector is, therefore, in order.

Directly productive projects are heavily concentrated in the modern sector while the traditional and small scale farming sector has remained unattended-to, thus exacerbating rural poverty. Apart from the provision of basic rural infrastructure, direct government intervention in the form of strong incentives is needed to raise farm productivity and farm family incomes, thereby drawing traditional farmers into the development process.

There is also a clear need for adjustments in agricultural policies. Deficiencies in policies taken during the seventies are deeprooted deriving essentially from a tendency to view the agricultural sector as a source to support the development of the rest of the economy. In the non-oil exporting countries, the agricultural sector is an important source of revenue (e.g. production tax, export tax, tax per head of livestock) and foreign exchange. Cheap agricultural labour has supported industrialization programmes in both oil and non-oil economies. In the oil-exporting countries, except Iraq, agriculture had, for too long, been considered as a marginal sector. Attempts were made to offset such policy bias through a number of ad hoc measures. It should be noted, however, that incentives involving cheap agricultural credit, subsidized fertilizer and some degree of price support for certain crops have become increasingly difficult to sustain as they impose heavier fiscal burdens.

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Problems and prospects in selected priority areas during the coming decade:

Food supply management: Food security has become a cause for concern at the highest policy-making levels. The severe instability of agricultural production and the increasing reliance on imports to balance the region's food deficit in key commodities call for a major effort to improve food supply management in all countries of the region. Improved functioning of the national food systems becomes imperative in the following areas irrespective of the kind of system prevailing:

Firstly, crop production, particularly of cereals, needs to be stabilized. Not only is there serious instability of rainfed production. Moreover, available evidence reveals that in the past years irrigated wheat production has not had a stabilizing effect on total output.^{1/} To reverse the present situation, it is necessary to closely monitor world commodity and farm input prices, ensure the timely availability of modern inputs, and maintain crop flexibility in the light of market conditions.

Secondly, due to growing unpredictability in international grain markets, with concentration of exportable surpluses in fewer countries, there is urgent need to increase the size of national buffer stocks. Several countries have already taken measures in this regard, but in most cases, there is no clear reserve stocking policy. As all governments are heavily committed to subsidizing major food commodities, this consideration assumes particular importance in stabilizing the cost of these programmes (especially so in the non-oil exporting countries).

1/ ECWA, A Study of National and Subregional Food Security Planning: The case of wheat in the Syrian Arab Republic, Beirut, April 1978, pp.16-19
Apart from the fact that irrigated wheat contributed only a relatively small portion of total wheat production, the coefficient of variation for irrigated wheat production was found to be higher than the corresponding coefficient for rainfed production - thus, no stabilizing effect can be expected. Moreover, the yield of irrigated wheat was found to be highly correlated with the yield of rainfed wheat, along roughly similar path.

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Thirdly, even with efforts to raise domestic food production, increased food aid or other forms of concessional aid, which will enable the countries to purchase food, will be required particularly in the two Yemens and Jordan. Food aid planning, extending over a number of years with a better integration of food aid into the country's food system is badly needed.

Agricultural pricing policy: The emphasis in agricultural pricing policy has, invariably, been placed on low food prices for urban consumers, involving heavy subsidization of key food commodities. This situation has usually been at the expense of farmers. Farm prices were kept low, and provided little or no incentive to boost production.

As such, there is definitely a case for fixing incentive farm prices for key commodities which may remain subject to fixed retail and/or wholesale prices. For other commodities, a minimum guaranteed farm price should be enforced. New arrangements may involve price support or subsidization of farm and input prices. However, subsidization of farm and input prices should not be pursued per se, as it provides only marginal benefits for the small farmers and farmers operating under unfavourable environmental conditions. Therefore, new approaches providing incentives to stimulate production efforts are necessary.

The setting of incentive farm prices will require particular action in the capital-deficit ECWA countries with the view to changing the present uniform system of low food prices which benefits all consumers. Food subsidies should be applied more selectively and aim at assisting specific groups.

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Mechanization: The acute labour problems in agriculture, particularly at peak periods (planting, weeding and harvesting), have resulted in increased demand for mechanization. In view of the drift of the rural population to urban areas, there does not seem to be a conflict between rural employment needs and farm mechanization in the ECWA countries. Properly applied mechanization should become one of the most important means for increasing the income of those engaged in agriculture, to relieve them of their present drudgery and also to make farming a more attractive proposition for young people.

One of the main problems in rapid mechanization that needs immediate solution, deals with training in the proper operation and maintenance of farm tractors and machinery. Proper training in the utilization of agricultural implements and machinery for high quality performance in tillage and harvesting has been particularly difficult to arrange. An ambitious training project started operation in Iraq late in 1978, and efforts on a much smaller scale are underway in a few other countries of the region. Shortage of skilled operators and mechanics at the regional level further reduces efficiency owing to excessive amount of "down time" taken on equipment maintenance and repair.

Conditions in the region permit extensive development through mechanized systems of rainfed farming. However, in good rainfed and irrigated areas, private farms are usually small holdings on which economically feasible mechanization is difficult. Therefore, properly organized and laid out co-operatives and state farms are usually better suited to mechanization and the governments are justified in giving priority to the mechanization of such units.

The problem of small sizes of field and land fragmentation has increasingly brought into focus the need for studying the feasibility of land consolidation and pooling. Improvements in the scale of operations has great potential for increasing productivity of farm enterprises.

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Feed availability: The major obstacle, in efforts to accelerate livestock development in the ECWA region, is the absence of adequate and reliable supplies of food. The vulnerability of sizeable modern poultry industries, dairying enterprises and intensive fattening stations reinforces the urgency of securing concentrated feeds, and fodder from irrigated and good rainfed land, particularly those grown in rotation with the existing cropping patterns. At present, a few countries in the region manage to satisfy, from domestic production, approximately three-quarters of the total feed demand. In the modern sector, notably the poultry industry, there has been, however, nearly a total reliance on imports.

Any rapid expansion in fodder production in the 1980s, will require measures that will encourage farmers to introduce changes in the cropping patterns. The large expansion of fodder crop production on irrigated lands is conditioned by successful implementation of irrigation projects and, more so, by the policies adopted in connexion with the cropping system including the introduction of forage crops in rotation with cereals on good rainfed lands. Vigorous efforts are also needed to promote proteinaceous crops and to better utilize by-products such as oilseeds, sugarbeet and cane tops, molasses, vegetables and crop residue as protein and energy-rich products for livestock feeding.

To ensure the adequacy and reliability of feed supplies under improved cropping patterns, the price relationship between cereals and livestock products will be crucial. Indeed, in all countries continuous monitoring of feed/livestock product prices needs to be initiated and policy measures on volumes, quality, storage and distribution to be decided upon. A viable, industrialized livestock feeding sector will only emerge if there are sufficient economic incentives to develop animal production in the region. A greater commercialization of the livestock economy itself would make price incentives easier to apply and production targets quicker to achieve.

B. INDUSTRY (Manufacturing)

Just as ECWA countries widely vary in the level of economic development, availability of natural resources, and size of population, they differ in the level of development of their manufacturing sector. However, irrespective of differences they all share the desire for enhancing the role of manufacturing in the economy. Naturally, the problems faced, the strategies and policies pursued, and the type of industries sought, differ among them.

The increase in the direct allocation for industrialization as well as the increased oil revenues have helped expand the manufacturing sector rapidly. Table 1 shows that in the period 1970-1976, all ECWA countries succeeded in achieving remarkably high growth rates in manufacturing output (represented by gross value added at current factor costs). Even in the relatively more industrialized ECWA countries (Iraq, Syrian Arab Republic and Jordan) the growth rates were well above those attained in the previous period, 1960-1970.

Table 1. Average annual rate of growth of gross^{1/} value added (current factor costs) and employment in manufacturing in ECWA countries, 1960-70 and 1970-76.

(Percentages)										
Gross value added	Dem. Yemen	Iraq	Jordan	Kuwait	Lebanon	Oman	Saudi Arabia	Syria	U.A.E. (Abu Dhabi)	Yemen
1960-1970	n.a.	8.2	7.9	11.0	8.2	n.a.	11.9	8.0	n.a.	n.a.
1970-1976 ^{2/}	23.8	22.5	8.1	32.9	25.3	56.9	27.7	18.6	37.9	27.9
<u>Employment</u>										
1960-1970	n.a.	6.6 (64-70)	6.9 (66.70)	n.a.	n.a.	n.a.	n.a.	14.3 (67-70)	n.a.	n.a.
1970-1976	3.1	6.7	8.2	-5.1	n.a.	n.a.	2.4	7.3	41.0	1.3

Source: ECWA, based on various national sources and U.N. monthly economic bulletin. Kuwait estimates for 1966-67 is taken from reports presented to the Fourth Conference on Industrial Development for the Arab States.

^{1/} For Democratic Yemen and Syrian Arab Republic the figures represent net value added.

^{2/} For Lebanon, the figures cover 1970-73 only.

Note: The extremely high values for U.A.E. is the result of small base values. For example, 4,000 employment in 1970 and 32,000 in 1976.

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Growth rates, being sensitive to base year values are inefficient criteria for comparative analysis. Therefore, for each country, changes in the share of manufacturing in the GNP and GDP in 1970 and 1976 were calculated. GNP as well as GDP is used because some oil producing countries have substantial factor income payments abroad, and some non-oil producers are the recipients of large remittances. The measurements are also presented first with the oil sector included and second with it excluded to have a clearer picture of the changes.

The share of gross value added in manufacturing in both GNP and GDP, did not show any significant increase between 1970 and 1976. (table 2). Only in Oman and Yemen the share marginally increased. In United Arab Emirates, it remained stagnant; in Jordan and Lebanon it declined marginally and in the Syrian Arab Republic the decline was even greater. In the oil exporting countries, Iraq, Kuwait and Saudi Arabia, the decline was due to the increase in the denominator (GNP or GDP), following the quadrupling of oil prices. To some extent this was also true for Syrian Arab Republic and Jordan, the recipients of large intraregional aids. When, for the oil countries, the measurement is made for the non-oil GDP, in four out of the ten countries covered (Jordan, Kuwait, Lebanon and United Arab Emirates), the ratios remained more or less stagnant. In Bahrain, Saudi Arabia, and Syrian Arab Republic, they declined. Only in Iraq and Yemen they marginally increased. In Bahrain, Democratic Yemen, Iraq, Kuwait, Saudi Arabia and United Arab Emirates the shares were amplified by the large output of oil refineries. When the latter is excluded the relative importance of the manufacturing sector in the non-oil GDP in these countries became much lower and, with the notable exceptions of Bahrain^{1/} and Democratic Yemen, the recorded increases in the share much smaller.

To conclude, while in absolute terms ECWA countries achieved substantial expansion in manufacturing, in relative terms this expansion was, in the majority of cases, below that recorded for the economy as a whole. This is partly because more emphasis was put on the fast growing non-commodity producing activities.

^{1/} Mainly due to the growing importance of aluminium smelting

Table 2. Share of manufacturing (inclusive and exclusive of petroleum refineries) in GNP and GDP (inclusive and exclusive of oil extraction sector)

(percentages)

ECWA Countries	1 9 7 0			1 9 7 6		
	Manufacturing % of GNP <u>1/</u> (1)	Manufacturing % of non-oil GDP (2)	Manufacturing (exclusive of oil re- fineries) % of non- oil GDP (3)	1	2	3
Bahrain	50.2	67.7	3.5	42.4	59.7	13.8
Democratic Yemen	25.2	25.3	3.1	7.6	7.6	6.4 ^{a/}
Iraq	11.2	13.9	9.7	7.0	15.2	10.8
Jordan	11.7	12.3	n.a.	11.4	11.8	n.a.
Kuwait	5.0	17.4	2.5	4.8	17.2	n.a.
Lebanon	16.0	16.6	n.a.	15.7	16.3	
Oman	0.2	0.6	n.a.	2.5	0.9	n.a.
Saudi Arabia	12.1	18.3	4.7	5.0	15.6	2.6
Syrian Arab Republic	12.4	12.7	n.a.	7.8	7.8	n.a.
United Arab Emirates (Abu Dhabi)	0.6	1.5	n.a.	0.6	1.5	n.a.
Yemen	3.9	3.9	n.a.	5.4	5.5	n.a.

Source: ECWA, based on national sources

1/ GDP for Bahrain, Democratic Yemen and Syrian Arab Republic.

a/ 1975 figures.

In terms of employment the performance of the manufacturing sector in the region has been more modest. The ratio of total employment in manufacturing to the actively employed in the economy remained unchanged between 1970 and 1976. Against an average annual rate of growth of 19.7 in the gross value added in manufacturing, employment in manufacturing grew during the same period at an annual rate of 3.5 per cent only.

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Nevertheless, in terms of both output and employment, but especially the former, the growth of manufacturing compares very favourably with that of other regions.

The analysis suggests that there has been a marked gain in labour productivity in manufacturing. The gross value added per employee in 1976, was higher by nearly 194 per cent over its 1970 level, an average growth rate of about 20 per cent per annum. This implies that the region has been generally opting for technologies with high productivity and high capital intensity.

Data concerning composition of manufacturing could be obtained only for few countries, as shown in table 3. By and large, these data indicate the early stage of industrialization of the countries in the region, although some structural changes seem to be taking place. For example, in Iraq, Syrian Arab Republic and Jordan, the prevalence of food, textiles and non-metallics is evident. In at least Iraq and Jordan the first and the last group lost some ground in 1976. The share of non-metallics declined in Iraq and Jordan, but increased in Syrian Arab Republic. This, in addition to the temporary decline in the share of chemicals in Syrian Arab Republic, may have been the direct result of the 1973 war. But in all three countries, the shares of metal products, fabricated metal and machinery have risen. Kuwait and Saudi Arabia began their industrialization efforts relatively more recently. Their manufacturing is very much dominated by oil refining which is still rising in Saudi Arabia. Yemen is only beginning its industrial development. Large expansion is planned in this country for textiles and non-metallics.

Changes in the relative importance of ECWA countries in manufacturing are shown in table 4. These were measured by the share of the gross value added in manufacturing with oil refineries excluded. Between 1970 and 1976 while the shares of Iraq, Lebanon, Syrian Arab Republic and Saudi Arabia remained dominant, they declined in 1976 except for Iraq where the share marginally increased. Kuwait and Jordan seem to have exchanged their relative position, similarly Democratic Yemen and United Arab Emirates. Yemen recorded a remarkable improvement.

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Table 3. Shares of major manufacturing divisions in the gross value added of the manufacturing sector

ISIC	(Percentages)											
	Iraq ^{1/}		Jordan		Kuwait		Saudi Arabia ^{2/}		Syria		Yemen	
	1976	1977	1968	1975	1968	1972	1968	1974	1968	1976	1975	
31 Food, beverages and tobacco	30.8	21.6	20.2	20.1	4.3	12.0	22.7	9.6	30.1	10.4	n.a.	34.7
32 Textiles, wearing apparel and leather	22.8	24.3	14.8	19.9	-	-	7.1	1.0	37.9	57.8	n.a.	14.4
33 Wood, wood products and furniture	2.7	4.0	5.2	3.5	1.5	12.2	10.3	1.0	4.8	8.7	n.a.	
34 Paper, paper products, printing and publishing	2.2	2.9	4.6	2.9	1.0	4.4	4.7	7.6	1.1	2.3	n.a.	14.1
35 Chemicals	21.1	22.1	24.5	25.4	87.5	52.5	3.6	34.2	11.3	-18.9 ^{a/}	n.a.	
36 Non-metallic mineral products	13.6	8.5	19.4	10.8	3.0	8.4	23.8	27.2	6.5	11.3	n.a.	11.9
37 Basic metal industries	1.6	5.3	2.4	3.8	2.3	6.6	6.1	1.3	1.3	5.8	n.a.	
38 Fabricated metals, mach. & equipment	5.2	11.2	7.2	11.3	0.4	2.7	19.4	13.1	6.1	21.8	n.a.	24.9
39 Other miscellaneous	-	-	1.7	2.2	-	1.1	2.4	4.1	0.9	0.8	n.a.	
3 Total manufacturing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	n.a.	100.0

Source: ECWA, based on national sources.

1/ Excluding minor industries and repair industries.

2/ Excluding oil refineries.

a/ The negative share is explained by the price fixing policy of the final products which resulted in the value added being below the value of intermediate consumption.

Table 4. Share of ECWA countries in the gross value added (exclusive of oil refineries) in manufacturing in ECWA region

(Percentages)

	Dem. Yemen	Iraq	Jordan	Kuwait	Lebanon	Oman	Saudi Arabia	Syria	U.A.E.	Yemen
1970	0.01	27.9	6.5	2.1	24.8	0.001	11.8	24.3	0.003	0.01
1976	0.6	30.5	6.6	8.6 ^{a/}	21.3 ^{b/}	0.6	10.8	16.4	1.4	3.1

Source: ECWA, based on national sources.

a/ Figures include oil refining.

b/ 1977 figures.

Prospects of manufacturing in the region: available data on investments in manufacturing give a bright picture (table 5). For example, the 1975 actual investment in manufacturing in Iraq, Syrian Arab Republic, United Arab Emirates and Yemen together amounted to about ten times the 1970 level. The ratio of both actual and planned investment in manufacturing to total investment seems to have increased.

Table 5. Actual and planned investment in manufacturing in ECWA countries in 1970, 1975, 1976-1980.

(Million US dollars and percentages)

	Dem. Yemen	Iraq	Jordan	Kuwait	Oman	Saudi Arabia	Syria	U.A.E. (Abu Dhabi)	Yemen
<u>Actual investment in manufacturing</u>									
1970		119.0					15.6	6.4	1.6
1975		730.0					426.4	317.6	12.9
Manufacturing as % of total investment, 1970		23.9					6.0	0.3 ^{a/}	3.8
Manufacturing as % of total investment, 1975		28.4					28.6	23.8 ^{a/}	6.6 ^{b/}

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Table 5. contd.

(Million US dollars and percentages)

	Dem. Yemen	Iraq	Jordan	Kuwait	Oman	Saudi Arabia	Syria	U.A.E. (Abu Dhabi)	Yemen
<u>Planned investment^{1/} in manufacturing</u>									
Average annual during 1976-80	6.5	4,312.7	102.0	835.8	65.3	5,651.2	536.0	1,083.0	87
Percentage of total planned investment	14.2	36.8	22.1	n.a.	8.3	9.3	19.2	38.0 ^{c/}	12.

Source: ECWA, based on official statistics and country development plans.

1/ Figures are at base year prices.

a/ Manufacturing including construction.

b/ Manufacturing including mining and quarrying and electricity and water.

c/ Pertains to industry as a whole.

Note: In Democratic Yemen and Abu Dhabi the plan periods are 1974-1979 and 1977-1979 respectively.

Another facet of this promising picture is indicated by the planned rates of growth for output in manufacturing. Available data show that planners have decided to upstage the role of manufacturing by increasing its share in GDP. This can be clearly seen (in tables 6 and 7), both from the higher planned growth rates compared with the GDP, and from the increase in the relative weight of the sector in GDP. In Iraq and Saudi Arabia, the indications are that the shares will increase. There is ample evidence that some countries (Iraq and Syrian Arab Republic) are now going for a broadly based intermediate and heavy industry. Iraq, for example, intends to raise the output of fertilizers by 90 per cent and cement by 37 per cent. It also is planning to establish a number of industries in the field of metallurgy, agricultural machinery and engineering. In Syrian Arab Republic, despite the large planned expansion, in consumer goods, textiles and food, the development of chemical products, paper products and consumer durable are emphasized. This, generally, also applies to the rest of the countries in the region. It is relevant at this point to

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mention that partly because they are the receivers of oil royalties and partly because most of the basic and strategic industries require large investment, most governments in ECWA countries have played a key role in industrial development. In some, notably, Iraq, Syrian Arab Republic and Democratic Yemen, the role of public sector is emphasized as a policy course. The private sector, however, has played an important role in Jordan, Lebanon, Oman, Saudi Arabia and Yemen. The planners in these countries expect the private sector to play a greater role in manufacturing during the plan period 1976-1980.

Table 6. Actual^{1/}(1970-1976) and planned^{2/}(1976-1980) growth rates for GDP and gross value added in manufacturing, in selected ECWA countries.

(Average annual percentages)

Actual & planned rates	Iraq		Jordan		Oman		Saudi Arabia		Syria		Yemen	
	1970-1976	1976-1980	1970-1976	1976-1980	1970-1976	1976-1980	1971-1976	1976-1980	1970-1976	1976-1980	1970-1976	1976-1980
GDP	8.0	16.6	2.2	11.9	39.8 ^{a/}	6.3 ^{b/}	11.1	10.2	10.4	12.0	6.7	8.2
Manufacturing	14.5	18.0	8.1 ^{a/}	26.2	56.9 ^{a/}	2.8	11.7 ^{a/}	14.0 ^{c/}	11.4	15.4 ^{d/}	11.6	11.9 ^{d/}

Source: ECWA, based on official statistics and country development plans.

1/ Growth rates are computed from series at constant prices.

2/ All planned growth/are at base year prices.

a/ Growth rates are computed from series at current prices.

b/ The planned growth rate for the whole period.

c/ Manufacturing in the non-oil sector.

d/ The planned annual growth/rate in the industrial sector.

Table 7. The planned share of manufacturing in GDP^{1/} over the plan period 1976-1980, in selected ECWA countries.

(Percentages)

Share of manufacturing in GDP	Iraq	Jordan	Oman	Saudi Arabia	Syria	Yemen
1976	15.2	15.6	1.2	15.6	22.4 ^{a/}	5.8 ^{a/}
1980	n.a.	28.3	7.2	n.a.	26.2 ^{a/}	6.9 ^{a/}

Source: See table 6.

1/ For Iraq, Oman and Saudi Arabia it is non-oil GDP.

a/ The share of the industrial sector in GDP.

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The objectives of industrialization in ECWA countries have, with a varying degree of emphasis, been to diversify the structure of the economy, by reducing dependence on mining in the oil countries, and on agriculture in countries like Jordan and Yemen; employing more people in commodity producing sectors; and reducing balance of payment deficits in non-oil countries. The strategy employed has been a combination of first import substitution and second export promotion.

Efficient planning for manufacturing, underlines the importance of such factors as structural inter-dependence, market limitation, supply bottlenecks, regional co-operation and the presence of suitable institutional and policy apparatus. In a number of plans, Jordan, Saudi Arabia, Yemen and Iraq, due emphasis has been put on enhancing the role of financial and industrial institutions in manufacturing development. The plans of these countries stress the importance of standardization and quality control. Pricing policy as an operating tool has been suggested in at least two plans, namely, of Iraq and Jordan. Industrial estates, and merger of small industries are also indicated as means for further industrial expansion.

But there is no allowance for regional co-ordination in the plans. Duplication of projects which already exist in other countries is a common place. Moreover, none of the plans, excluding Jordan, has a built-in strategy for promoting exports. And none spells out its policy for achieving Arab Industrial co-ordination.

The region's manufacturing will for some time be beset with the problems of excess capacity; shortage of skilled labour, technicians and managers; distorted wage-price relations; and ill-distribution of industries within the countries. In addition to lack of regional co-ordination in the plans, they also manifest inadequate awareness of the consequences of these factors on the implementation of the plans. There is also a lack of appreciation of the negative effects of regional competition, for skilled labour and technicians, on the domestic cost and price structure.

It is, therefore, difficult to ascertain how much of the planned growth in manufacturing would be achieved. A large expansion in infrastructure (including industrial infrastructure) and supporting activities would have to be carried out if the planned growth is to be realized. Availability

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of investment funds admittedly would help to mitigate difficulties. Nevertheless supply bottlenecks and obstructions to implementation have been abound in the recent past, Therefore, sustained efforts will have to be made to improve supply condition, infrastructure, organization and public administration. Effective training programmes, and technology centres will have to be established and enlarged. Policy measures will have to be constantly reviewed and assessed with the aim of creating a congenial atmosphere for the successful functioning of decision-makers.

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C. NATURAL RESOURCES AND ENERGY

1. Water Resources

The demand for water resources has been increasing throughout the ECWA region under the impact of rapid socio-economic development. Current exploitation patterns, however, are having adverse effects on the quantity and quality of water resources with serious implications for the longer-term development prospects of the region.

Many of the ECWA countries have recognized the urgent need to develop, conserve and manage water resources. During the last decade, some countries began planning the allocation of their limited water resources among various users, and to formulate medium and long-term water policies and guidelines for the exploitation, utilization and management of these resources.

At the national level, tremendous efforts have been made to inventory and administer available and potential water resources. In spite of all the work already carried out, however, the countries are far from achieving an integrated management of their water resources. In some countries, such as Jordan, Oman, Syrian Arab Republic and Yemen, steps were taken to unify and centralize national water institutional arrangements. In other countries, various water-related institutions still exist independently.

Several countries (Iraq, Jordan, Oman, Saudi Arabia and United Arab Emirates) are making critical assessment of legislation, regulations, customs, and other measures of control related with resources. These reviews are intended to streamline and improve the scope of legislation with respect to water resources development and the quality control.

National water policies have been formulated in some countries of the region. Jordan, for example, established a national water master plan early in 1977. Kuwait has also formulated a national water policy. In Oman, a draft statement on a national water policy has been prepared whereas in other countries such as Iraq, Saudi Arabia and the Syrian Arab Republic, the issue is still under consideration.

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Within the past few years, the ECWA region has experienced a rapid increase in demand for skills related to water resources development and management. In all countries surveyed, a serious shortage of skilled manpower in water related fields was revealed. This shortage of scientific and technical personnel is undoubtedly the main bottleneck holding back progress in this field.

Education and training in the water resources field is being recognized as a vital need in the ECWA region. Several universities have incorporated into their curriculum courses related to the various aspects of water resources. The Water Resources Development Centre in Kuwait, for example, offers a technician's degree in the theory and operation of desalination plants. Technicians' training in water related fields is also offered in Iraq, Jordan, Saudi Arabia and the Syrian Arab Republic. Other countries, such as Democratic Yemen, have specialized training in soil and water analysis and irrigation.

Planning for manpower requirements especially those at the managerial and senior staff levels is undertaken in very few countries of the region. Many more training centres, both regional and national, are needed to satisfy training needs. However, various research programmes are planned or are underway throughout the ECWA region.^{1/}

^{1/} Presently, Saudi Arabia has an Agricultural Research Centre in Riyadh and a Marine Sciences Institute in Jeddah. The College of Science at Jeddah will conduct studies on water pollution, fisheries development, water resources development and on meteorology through the period 1975-1980. A research programme is also to be established for environment and water resources in 1978-79 at the University of Petroleum and Minerals in Dhahran. Iraq has a Foundation for Scientific Research which deals with water related research. Also underway in Iraq is a new Irrigation Water Research Centre. Other water related research is underway at university level. Qatar has similar research activities underway at university level. Kuwait has a Water Resources Development Centre which promotes programmes for research. Also located in Kuwait is the EUROARAB Institute for desalination. In the United Arab Emirates and in Kuwait the FAO maintains an agricultural experimental farm to conduct research programmes related to water and agriculture. Several research centres exist in Democratic Yemen. These are located at Al-Code, Saion and Hauta as part of the Nassar College of Agriculture.

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Actual knowledge of national water resources availabilities varies from one country to another in the ECWA region. Considerable savings in investment and efforts could result from co-operating in the development of shared water resources as some river and groundwater basins extend beyond national boundaries.

An example of such regional co-operation is the joint investigation of land and water resources in the Hammad Basin,--shared by Iraq, Jordan, Saudi Arabia and the Syrian Arab Republic-- which started in 1974 under the sponsorship of the Arab Centre for Studies of Arid Zones and Dry Lands (ACSAD). The joint Egyptian Sudanese Nile Basin Committee is another example with a long history. It is hoped that a similar Syrian-Iraqi Committee could be established for the rational development and management of the Euphrates Basin.

A Council of the Ministers of Agriculture for the Gulf States and the Arabian Peninsula^{1/} was established, early in 1977, to undertake water resources development, management and conservation. The Council also deals with coastal area development, environmental protection and agricultural development.

Assessment of water resources activities vary greatly in reliability, adequacy and extent from one country to another within the ECWA region. In Iraq, Jordan, Lebanon and the Syrian Arab Republic, such activities began to be undertaken seriously in the 1960s. Recent assessment programmes have been carried out by various consulting firms under the leadership of the United Nations Development Programme and specialized agencies in many

^{1/} With Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates as members.

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countries of the region; including Democratic Yemen, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates and Yemen.

Programmes pertaining to the measurement of basic water data from networks of meteorological, hydrological and hydrogeological stations and the collection, processing, storage and publication of basic hydrological data, were undertaken in recent years in many countries of the region. The latest techniques have been employed in some countries to analyze water data and to assess water resources.^{1/}

Desalination of sea water to produce fresh water for household use is well developed in the Gulf states, particularly in Saudi Arabia. The desalination projects in the Kingdom started around the middle of the 1960s. But the major thrust came during the present decade. By the end of this decade, total production of desalinated water will approximate 500 million gallons per day. In the meantime, studies are being conducted to determine whether natural or desalinated water resources are more suitable to supply long-range urban needs.

The following table illustrates the capacity of desalination plants in the region.

Table Capacity of desalination plants in operation and under construction (Mcm/y)

Country	In Operation	Under construction	Total
Bahrain	8.3	24.7	33.0
Kuwait	102.9	66.4	169.5
Oman	2.6	—	2.0
Qatar	10.4	18.6	29.0
Saudi Arabia	17.8	128.8	146.6
United Arab Emirates	2.0	..	..

Source: E/ECWA/NR/CONF.3/2, p.24.

^{1/} Such techniques as isotope analysis, groundwater modelling (analogue and digital) geophysical prospecting and remote sensing were used in water related investigations in some basins in Iraq, Jordan, Saudi Arabia and the Syrian Arab Republic.

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In reviewing the overall situation relevant to community water supply and waste disposal in the ECWA region, improvement in services was observed in several countries since the appraisal of the situation in 1975.^{1/} However, the services provided remain inadequate.

Recently, community water supply and sewerage projects have been given great attention. They were being financed totally or partially by various United Nations specialized agencies or other funds engaged in such projects in the ECWA region.

In the majority of countries for which development plans are available allocations for water resources development vary between 3 and 35 percent of the total planned expenditure in the public sector (Table).

Table Water related expenditure in current development plans
(Millions of national currency units; percentages)

Country	Plan duration	Total planned expenditure	Allocations for water resources development	per cent
Jordan	1976-1980	76.5	9.74	12.7
Oman	1976-1980	1356	44	3.0
Saudi Arabia	1975-1980	95610	34064	35.0
Syrian Arab Republic	1976-1980	94166	9769	18.0
Yemen	1976/77- 1980/81	23616	1317	5.6

Source: National development plans.

^{1/} E/ECWA/NR/CONF.3/WP.4.

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2. Mineral resources

During this decade, considerable progress towards developing mineral resources has taken place in the region. The degree to which this has been affected depended on solid mineral potentials, availability of capital and national technological capabilities. The most favoured countries in these respects are Egypt, Iraq and Saudi Arabia. A second group of countries comprises Jordan, Lebanon and the Syrian Arab Republic which enjoy, with the exception of the latter, fair mineral prospects and technological expertise, but have rather moderate financial resources. Oman, the United Arab Emirates and the two Yemens form a third group, having fair mineral potentials but very limited technological capabilities. A last group, including Kuwait, Bahrain and Qatar have negligible prospects for solid minerals.

Saudi Arabia has made impressive progress both with respect to basic geological investigations and mineral exploration. A suitable institutional infrastructure has been built up, employing a large number of professional staff, of which some 60 per cent are Saudis. These are supplemented by expatriates and by technical services contracts with foreign geological establishments and specialized companies. Four national universities, two of which have been established in this decade, provide specializations required in this sector.

Mining legislation was codified in 1973 and has been undergoing revision since then. Mining regulations have been drafted in accordance with the Mining Code.

Following the improved geological mapping of the country, a very extensive mineral exploration programme was embarked upon during the decade, while systematic mapping at more detailed scales continued. Total allocations for mineral resources development rose from SR 263.8 million in the first development plan (1970-1975) to SR 777.4 million in the second plan (1975-1980).

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The present contribution of the mining sector (excluding oil) in Saudi Arabia's GDP is negligible, amounting to some \$ 50 million or 0.12 per cent, and is derived from quarrying. This contribution is expected to double by the end of the current development plan. It is also expected that the country will start exporting minerals in the 1980s, Gold deposits are likely to be the first to be exploited, followed by phosphate and iron ore.

In Iraq, an appropriate institutional infrastructure for developing the country's mineral resources has been set up under the State Organization for Minerals. It is noteworthy that almost all the professional staff of the Organization are Iraqi nationals. Measures have been taken in the mid-decade, with the assistance of UNESCO, to raise the standards of the Organization's professional staff, which has not only grown rapidly but also has a relatively young age. The country now has adequate higher educational facilities for providing the mineral sector with the required specialists. Some concern has even been expressed about the number of geologists becoming too large in the early 1980s relative to the country's needs.

Basic geological mapping of the country at 1: 100,000 scale has made considerable progress during the decade. The original plan to execute this programme in 15-20 years was revised downward in 1975 to be completed around 1983. Extensive mineral exploration has also been carried out, especially of sulphur in Mishraq areas and phosphate desposits at Akashat in the Western Desert. Prospects for metalliferous mineralization were also investigated in the northeastern part of the country.

The principal mining development in Iraq has been the extraction of sulphur by the Frasch method from the Mishraq deposits, which started in 1972 with an output of 250,000 tons per annum; in 1978 it was expected to reach 700,000 tons and in 1980 it is planned to amount to about 1 million tons. Nearly all of the sulphur produced is exported. The rock phosphate

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deposits at Akashat are being prepared for exploitation, due to start in 1980, with an initial annual output of 3.4 million tons, to rise up to about 7 million by 1985. The rock phosphate will be processed in a fertilizer plant now under construction at ElQaim with a capacity designed to match the output of the Akashat mine. A 600,000 tons per annum solar salt recovery plant from sea water, located at Fao, is also under construction and is due for completion in 1981. Its output will be used for domestic consumption, mainly for industrial applications. In 1978 three new cement plants, with a total capacity of 3.1 million tons per annum have been brought on stream, increasing total current Iraqi cement production to 5.1 million tons a year.

The pace of development of Egypt's mineral resources was rather limited during the first half of the current decade. In recent years, however, mineral exploration and development activities have been stepped up. Progress appears to have been greatest in the mining of phosphates which is planned to rise from 700,000 tons annually in 1971 to approximately 9 million tons by 1982. This large increase (7 million tons per annum) will come mainly from the newly developed Abu Parthur deposit in the Western Desert. Annual production of iron ore from the Bahariya deposit is to be increased from 1 to 3.5 million tons. Similarly, the already large production of various industrial minerals notably salt, sodium sulphate and manganese is also expected to be increased substantially. It should be pointed out that Egypt has the most advanced geological establishment in the ECWA region as well as higher educational facilities for training mining specialists.

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In Jordan, the development of mineral resources has made substantial progress in recent years. This has been helped by the Government's determined policy and the existence of the Natural Resources Authority. Other favourable factors included the availability of national professional cadres and an earlier codification, in the 1960s, of mining legislation. In 1974, a Department of Geology was established within the Faculty of Sciences of the Jordan University.

The most notable progress has been in the development of the country's principal mineral resources, viz., phosphate rock deposits and extraction of potash from the Dead Sea brine. In 1978, exports of beneficiated phosphate rock reached 2 million tons. Total output of the run-off-mine phosphate rock is planned to rise up to about 6 million tons a year in 1980/81. Besides, a phosphate fertilizer plant is under construction at Aqaba and is due for completion in 1980. It will have an annual capacity of 330,000 and 600,000 tons, for production of phosphoric acid and of triple super and ammonium phosphates, respectively. Extraction of potash from the Dead Sea is expected to start in 1982 with an initial output of 300,000 tons to rise, four years later, to 1.2 million tons of potash plus 50,000 tons of magnesium and 30,000 tons of bromine.

Other developments being carried out in Jordan include the expansion of production of Portland cement, from 600,000 tons a year at mid-decade to 2.3 million tons by 1980; execution of a feasibility study and pilot-plant testing on exploitation of copper ore deposits in the Fanan area; and investigations in the Zerqa Ma'n area of the potential for generation of geothermal energy. Exploitation of other industrial minerals in the country is being conducted by the Public Mining Company, established especially for this purpose in 1975. In the current development plan (1976-1980) a provision has been made of JD 145.5 million for mineral resources development, constituting 63.5 per cent of the total allocation for mining and industrial project.

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The current development plan (1976-1980) of the Syrian Arab Republic allocates SL 450.8 million for basic geological investigations and mineral exploration (excluding oil and gas) during the plan period. Another 45.3 per cent of the total of SL 11,012.9 million allocated to the Ministry of Industry is also for mineral-based industrial projects. A reorganization was effected in 1977 in the Ministry of Petroleum and Mineral Resources to expedite development of the country's mineral resources.

The principal mineral commodity in the Syrian Arab Republic has been portland cement, the production of which has risen from 848,000 tons in 1973 to about 1.4 million tons in 1977 and is planned to reach 4.5 million tons by 1980. Another major development has taken place in the mining of phosphate rock, where output, after having expanded from 112,000 tons in 1972 to 857,000 tons in 1975, fell to 425,000 tons in 1977, although capacity stood at 1.35 million tons.^{1/} Output is planned, however, to rise again to 2.5 million tons by 1980, and the rock will be subjected to beneficiation. About 800,000 tons of the upgraded phosphate will be processed into triple superphosphate in two fertilizer plants due for completion in 1980, one at Homs and the other at Deir el Zoor, with annual capacities of 450,000 and 250,000 tons, respectively. Investigations are being made to assess the possibility of utilizing local low-grade iron ore from the Zabadani deposit, through the construction of a pelletizing plant with an annual capacity of 1.5 - 2 million tons, in the iron and steel mill at Hama which has an annual capacity of 1.1 million tons and the construction of which is now at an advanced stage.

^{1/} This drop was caused by the poor P₂O₅ grade of the unbeneficiated phosphate rock and the resulting marketing difficulties.

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It should be noted that professional cadres in the sector are all Syrian nationals. Geologists are trained by the Department of Geology of the Damascus University. Attention is drawn to the dramatic increase in the number of students enrolled in the first year of geology in 1978 which reached 500, including 30 non-Syrian students, compared with 60 and 40 students in 1977 and 1976, respectively. This is important in light of the country's requirements which are estimated at 20-25 geologists a year.

The contribution of the mineral sector to the process of development in Lebanon has been rather limited, mainly because mineral occurrence basically is limited to building minerals only. These have been extensively quarried for local use and developed for the production of Portland cement.

In Yemen, development of the mineral sector is limited to quarrying and processing of building minerals and the production of Portland cement. Exports of salt from the Salif mine ceased early in the decade because of their uncompetitiveness on the international market. The mine itself and the facilities for transportation to, and reloading at the Hodeida Harbour have been modernized since, and the mine's capacity increased from 250,000 to 5 600,000 tons annually. Mining of salt was resumed on a small scale (60,000 tons) in 1977 but marketing prospects are not promising. The present level of production of Portland cement in the country is about 60,000 tons a year, but it is being expanded so as to reach 1.25 million tons annual in the early 1980s to meet domestic requirements. A mixed company, in which the Government and the Arab Mining Company are the main shareholders, has recently been formed to undertake quarrying, processing and exportation of industrial minerals. An agreement was concluded in 1978 with a foreign firm to execute a detailed evaluation of the Al-Hamura copper deposit, located near Taiz.

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Other important developments include the reorganization of the former Oil and Mineral Resources Authority, the codification of the mining legislation in 1975, and the establishment, in 1974, of the Department of Geology within the Faculty of Science of the Sana'a University.

A vigorous mineral exploration programme has been implemented during the current decade by Democratic Yemen. At the beginning of the 1970s virtually no mineral prospects, other than building minerals and salt, existed. The extensive exploration activities over past few years have resulted in the identification of a number of promising localities of copper, titanium, iron, uranium and thorium, rare earths and geothermal sites. Follow-up investigations of these findings are in hand. Although the coverage of the country's territory with basic geological mapping, is far from adequate priority is being given to direct mineral exploration.

Democratic Yemen produces salt and some building materials. In 1970, 75,500 tons of salt valued at \$ 0.3 million, were produced in evaporation pans near Aden; in 1974, output amounted to 34,300 tons valued at \$ 0.5 million. This industry, however, does not have any good growth prospects due to the unfavourable international market for salt. Three modern brick and tile plants are in various stages of establishment.

The mineral sector in Democratic Yemen operates within a well-organized institutional infrastructure, but only a limited number of national specialists, who have studied abroad are serving it. Legislation on mineral exploration was enacted in 1973, and that on the organization of the national geological survey in 1976. The prospects for a further successful development of the sector appear to be very promising.

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In Oman, a promising start in the development of the country's mineral resources has been made during the decade in the preparation of the Sohar copper deposits for mining and smelting^{1/}; these are due to go into operation in 1981 with an annual production capacity of 20,000 tons of refined copper. Another mineral likely to be developed in the next few years, but still under investigation, is chromite. Other prospects lie in deposits of anthracitic coal, manganese, asbestos and various building minerals. A contract has already been concluded with foreign firms for producing lime-silica bricks (36 million pieces per annum) and quicklime and slaked lime (30,000 tons annually). Also a one million ton per annum Portland cement plant is being constructed at Muscat by the Oman Cement Company with the participation of the Kuwait Cement Company. The latter will be taking 500,000 tons a year of the plant's clinker production for grinding in its plant in Kuwait, while the remaining output will be for domestic consumption.

In the United Arab Emirates, the potential for mineral development is rather limited, being confined to the mountainous northern part of the country. No mining legislation has yet been enacted as there had been no need for it. A mineral survey of the northern parts of the country, conducted in 1977, located some occurrences of copper, chromite, talc and building stones, warranting more detailed follow-up investigations. The main utilization of local building minerals is, however, in the production of Portland cement. Four cement plants are in operation producing approximately 1.5 million tons annually. This is to be increased to reach 2.5 million per annum by 1980.

^{1/} A mining safety code, intended to monitor the Sohar mining operations, is being drafted.

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In Kuwait, Bahrain and Qatar, mineral development has been confined mainly to quarrying of aggregates and rocks for crushed stone. A cement grinding plant, with an annual capacity of 1.35 million, operates in Kuwait, using imported clinker. In Bahrain, only fine aggregates, limestone and dolomite are worked for crushed stone. In Qatar, 250,000 ton per annum cement plant is in operation. Furthermore, a solar salt recovery plant from sea water has recently been established.

The development of the mineral resources sector in the ECWA region has received active support from several international and regional organizations. The most active in this respect has been the Industrial Development Centre for Arab States, which has been organizing every three years, since 1972, the Arab Conference on Mineral Resources, the last of which was held in Rabat in April 1977. The Rabat Conference adopted a resolution to establish an Arab Organization for Mineral Resources, which has yet to be implemented.

The Conference of Ministers of Arab States Responsible for the Application of Science and Technology to Development (CASTARAB), held in Rabat in August 1976, adopted, inter alia, several recommendations on advancement of basic geological investigations in the Arab world. One of these recommendations, relating to the preparation of a geological map for the Arab region, was referred to the Arab Educational, Cultural and Scientific Organization (ALECSO) with a view to convening a preparatory meeting of those responsible for preparing geological maps in the Arab world, in order to establish a technical secretariat for putting the recommendation into effect. A first meeting to this end was convened in November 1977.

The Council of Arab Economic Unity sponsored the establishment of the Arab Mining Company in 1975, with a total subscribed capital of KD 120 million. The Company is concerned with the development of the mineral potential in all Arab countries, but it is to give preference to projects

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in the least developed members. The Company's involvement in the ECWA region has been so far through financial participation in the Dead Sea potash recovery (25 per cent), the phosphate fertilizer plant at Aqaba (10 per cent) and in a joint company with the Yemen Government for the exploitation of industrial minerals (35 per cent).

3. Energy

It is hard to over-dramatize the importance of oil as a source of energy. World oil consumption increased ten-fold since 1940, four-fold since 1955 and nearly doubled since 1965. Oil accounts today for more than half the world's energy requirements, compared to 25 per cent a quarter of a century ago.

Its relative cheapness and comparative advantage over coal in terms of versatility, clearness and accessibility triggered off the demand for oil in the 1940s and early 1950s. Later on, the downward trend in the real price of oil (by over 60 per cent between 1958 and 1970) led to considerable increases in oil-intensive investments and to waste. This, coupled with an unprecedented growth of the world economy, generated high rates of growth in demand for oil. The trend was not reversed after the quadrupling of oil prices in 1973-1974. The failure of most energy conservation measures, considerable delays and downward revisions in nuclear energy programmes, and a very slow progress in the development of other energy alternatives, led governments in the main oil-consuming countries to realize that their plans to shift away from oil as the major source of energy would take much longer than was originally anticipated.

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Oil resources and consumption are not evenly distributed among nations. The developing countries have most of it (78 per cent) while the industrialized world consumes most of it (85 per cent). Saudi Arabia, for example, possesses 24 per cent of world proven reserves accounts for only a quarter of one per cent of world oil consumption. At another extreme, the United States owns less than 5 per cent of reserves but accounts for some 30 per cent of world consumption. This situation of imbalance has worsened over the years and has gradually forced a growing interdependence of nations in the energy field. Internationally traded energy (measured by world imports of commercial energy) reached 2.3 billion tons of oil equivalent (toe),^{1/} in 1973, compared to 0.9 billion toe in 1963, with oil accounting for 90 and 86 per cent of these amounts, respectively. Traded oil represented 69 and 56 per cent of world oil output in 1963 and 1973, respectively, and mainly consisted of crude petroleum (80 and 70 per cent, respectively).

Two groups of countries have emerged as the leading partners in the world oil trade system, namely, the countries of the Organization of Petroleum Exporting Countries (OPEC), the main exporters, and members of the Organization for Economic Co-operation and Development (OECD), the main importers. During 1970-1977 (excluding 1975, which was a recession year), the former were responsible for 87-88 per cent of world crude oil exports, while the latter accounted for 81-82 per cent of world crude oil imports.

^{1/} One toe is defined as 10 million kilocalories. All primary and derived oil and gas fuels are expressed in terms of the quantity of crude oil which gives the same amount of heat and hydroelectricity in terms of the amount of oil which would be needed to produce the same amount of electricity in existing conventional thermal power plants.

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The five ECWA countries, members of OPEC, accounted in 1976-1977 for 54 per cent of the Organization's crude exports, compared to 42 per cent in 1970, and this upward trend is likely to continue. This gives these countries considerable weight within OPEC.

At the beginning of 1978, the region accounted for 47 per cent of world proven recoverable crude oil reserves. More than 85 per cent of the remaining reserves in super-giant fields^{1/} around the world like in the region. During the past 25 years, cumulative regional crude production represented only 22 per cent^{2/} of the gross additions to proven reserves in that period (323 billion barrels), which resulted in reserves increasing from 52 billion barrels in 1953 to 304 billion barrels in 1978.

Fifty years have now passed since the first barrel of crude was commercially produced in the region (Iraq, 1928). During the first 25 years of production, the region accounted for only 4 per cent of world output. This percentage jumped to 23 in the past 25 years when production rose at an average annual rate of 9.2 per cent, as against 6.3 per cent for the rest of the world. Moreover, the region's annual production has been, as of 1976, larger than the cumulative output of the first 28 years of production, approaching 6 billion barrels or 27-28 per cent of the world total. The cumulative output of the past 7 years (1971-1977) exceeded all that the region had ever produced before (37 billion barrels). The region's reserves

^{1/} Super-giant fields are defined as fields with remaining proven reserves of more than 10 billion barrels. There are 6 such fields in the world, 4 of which are in the region.

^{2/} The corresponding percentage was 46 for the world outside the ECWA region.

...? .../

to production (R/P) ratio declined consistently from 114 to 1, in 1957, to 70 to 1, in 1967, and 50 to 1, in 1977, whereas the ratio for the rest of the world stood in 1977 at its level of 1957 (21 to 1).

In the last three years, the region provided the world with 46-47 per cent of its crude import needs, as against less than 38 per cent in 1970. OECD countries have been absorbing since 1973 about 80 per cent of the region's crude exports. The OECD area's dependency on the region's crude has been gradually increasing from 40 per cent (of total crude imports) in 1970 to nearly one-half in 1977.^{1/}

In contrast with its key position in the international crude oil scene, the region is responsible for only 2-3 per cent of world output of refined products. Primary refining capacity stood at 2.1 million barrels per day (b/d) at the beginning of 1978, compared with a crude producing capacity of about 21 million b/d. Moreover, the region's refinery output has been steadily declining since 1970, reflecting a parallel reduction in the exports of petroleum products, but this downward trend is likely to be reversed in the near future.

Saudi Arabia occupies a central position among the oil-producers in the region. More than one-half of the region's proven oil reserves lie in Saudi Arabia making it the country with the largest reserves in the world. It is also the second largest crude producer and the first exporter and is considered as the world's "residual supplier". Saudi Arabia is expected to provide 40 per cent of the net oil import demand of the world outside OPEC countries in the late 1980s, as against 28-30 per cent during 1977-1980.

^{1/} The United States and Japan provide striking examples of this increased dependency. The region accounted in 1977 for 31 per cent of the United States crude imports, compared with 13 per cent in 1973. Japan's dependence increased from 41 per cent in 1971 to more than 60 per cent in 1977.

.../

The region's total primary energy requirements (TER) increased between 1970 and 1975 by an average annual rate of 8.6 per cent, as against 8.9 per cent for gross domestic product (GDP). The GDP elasticity of TER averaged 0.96 during the period, compared to 0.71 for the OECD area. This reflects the need for greater energy demand growth in a developing region than in a highly industrialized area to achieve a given economic growth rate. A comparison with the 1960s shows a significant drop in the region's elasticity from an average of 1.43 during 1960-1969. This is probably due to increased activity in the region as a result of higher oil revenues since 1971, which manifested itself more particularly in non-energy intensive sectors.^{1/} This phenomenon is also reflected in a decline of TER per unit of GDP, whereby the amount of energy required for each \$ 1,000 of GDP dropped from 1.66 toe in 1970 to 1.59 toe in 1974. A similar trend is observed for the industrialized world,^{2/} though the underlying causes are different, including the effect of energy-saving measures.

Concerning the primary fuel distribution of TER, oil accounted for 60 per cent of the total in 1974-1975, compared with 66 per cent in 1970 and 82 per cent in 1960. This relative decline is mainly due to the growth in the use of natural gas in the region, the share of which in TER increased from 17 per cent in 1960-1962 to 33 per cent in 1970 and 38 per cent in 1974-1975. Primary electricity was responsible for 2 per cent of TER in

^{1/} In fact, value added in 1975 in those sectors (construction, services, government, etc.) was 67 per cent higher than in 1970, as against only 36 per cent for agriculture, mining and quarrying and manufacturing combined.

^{2/} For the OECD area: 1.49 toe in 1970, 1.43 toe in 1974 and 1.38 toe in 1977. For the United States: 1.60 toe in 1970, 1.53 toe in 1974 and 1.46 toe in 1977.

.../

1975 as against 1 per cent in 1970, and consisted solely of hydropower, in Lebanon, the Syrian Arab Republic and, as of 1972, Iraq. As for solid fuels, the three countries mentioned used negligible quantities of imported coal. The region is not endowed with coal resources, but there are indications of occurrences in a belt of Jurassic sediments running across Saudi Arabia through the two Yemens.^{1/}

The energy transformation sector (electricity generation and refineries), which absorbed 28 per cent of TER in 1970, accounted for less than one quarter in 1974-1975. This is mainly because refinery output, and consequently refineries' own fuel use and losses, decreased during the period under review. The rest of TER went to gross final consumption in the form of petroleum products (63 per cent in 1974-1975 against 72 per cent in 1970), natural gas (31 and 24 per cent, respectively) and electricity.

The region produced 23 billion kilowatt-hours (kwh) of hydro and thermal electricity in 1975, implying an average annual growth of 16.7 per cent since 1970. Hydropower represented 8-9 per cent of total electricity generation in 1974-1975, compared with 10 per cent in 1970. Other primary electricity sources (nuclear, solar, geothermal) are being investigated. Per capita electricity generation, in thousand kwh, increased from 0.1 in 1960 to 0.3 in 1970 and 0.6 in 1975. Finally, total generating capacity stood at nearly 7 thousand megawatts (MW) in 1975 as against about 3 thousand MW in 1970.

Total primary energy production rose by an average annual rate of 12.5 per cent between 1970 and 1974, reaching 16.5 million barrels per day of oil equivalent (b/toe)^{2/} before dropping to 14.9 million b/doe in 1975.

^{1/} Exploration is underway in Democratic Yemen.

^{2/} 1 b/doe is equal to approximately 50 toe.

The share of crude oil in the total decreased slightly from 98 per cent in 1970 to 97 per cent in 1973-1975. The remainder consisted of natural gas, natural gas liquids (NGL) and hydroelectricity, in that order.

Net exports of energy (including bunkers) from the region averaged almost 96 per cent of primary energy production during the period reviewed, and consisted entirely of crude oil and petroleum products. The share of the latter (refined products and natural gas liquids) in the total fell from 14 per cent in 1970 to 7 per cent in 1974-1975. The balance was accounted for by crude oil exports.

D. TRANSPORT AND COMMUNICATIONS^{1/}

During the seventies, it became apparent to the countries of the ECWA region that in the absence of a modern and efficient transport and communications network, bottlenecks will develop impeding, or at least delaying, the achievement of development goals and targets. While future tasks remain great, considerable efforts were exerted in this area during the current decade. Port facilities, for example, have been greatly expanded and improved to remedy the heavy port congestions which resulted from the tremendous import boom. Due consideration has also been given to the expansion of road networks as evidenced by rapid growth and improvement. Countries operating railway systems have made substantial investments in the extension and improvement of their networks. A clear endeavour was made to render existing transport systems more efficient by the introduction of new transport technology such as containers, roll-on/roll-off ships and larger and highly automated bulk carriers.

Transport

Total length of paved all-weather roads in the ECWA region increased from 28523 kms in 1970 to approximately 42052 kms in 1976/77. The largest increase was in Saudi Arabia - where about four-fifths of the road projects included in the first development plan were implemented - followed by the Syrian Arab Republic, Iraq and Oman.

^{1/} See Appendix on related statistics.

.../

Major road projects scheduled for the remainder of this decade include the construction of 13066 kms of main, secondary and paved feeder roads in Saudi Arabia; the construction in the Syrian Arab Republic of the northern highway from Aleppo to Yaroubieh (487 kms) and the upgrading of about 700 kms on international routes to dual carriage-way and 4-lane highways, and 200 kms to 2-lane single carriage-way; the construction of 200 kms of new road from Jafr to Azrak in Jordan and the upgrading of the Jordanian/Syrian border-Amman highway; and the alignment in dual carriage-way of 4 to 6 lanes of the last 200 kms out of the 1200 kms express way linking Safwan on the Kuwaiti Iraqi border with the Iraqi-Jordanian and Iraqi Syrian borders.

Total length of the meter-gauge railway network in the ECWA region declined from 1896 kms in 1970 to 1527 kms in 1978, despite the completion of the new 117 kms Hittiya-Aqaba section in Jordan in 1976.^{1/} In Iraq, the 569 kms Baghdad-Maqi narrow-gauge section was replaced by a standard-gauge between Al-Musayab and Baghdad. The old narrow-gauge section between Al-Musayab and Maqil was taken out of operation. In the Syrian Arab Republic the standard-gauge network increased from 2470 kms in 1970 to 3526 kms in 1978 as a result of both, the construction of new sections and the replacement of narrow-gauge with standard-gauge. Further extension of this network is envisaged in the near future.^{2/}

^{1/} This reflected the abandoning of certain sections of the present network, but mostly the gradual replacement of meter-gauge railway by the more efficient and higher capacity standard-gauge.

^{2/} New sections are under construction including the extension of the Meddan-Ekbes - Homs railway by another 205 kms to link Homs with Damascus, and the Mhine - Khniefiss - Palmyra section of 175 kms which will connect the phosphate mines of Khniefiss with the port of Tartous passing through Homs; the improvement of the railway connection between Iraq and the Syrian Arab Republic, notably the construction of a new railway line following the general alignment of the Euphrates Valley and running between Deir Ez Zor and Baghdad via Abu Kamal, Ana and Ramadi which will provide an alternative route 189 kms shorter than the present line connecting Latakia with Basrah; and the possible reconstruction of the old narrow-gauge Hijaz railway.

.../

In the current decade, the expansion and improvement of port infrastructure, particularly in the ECWA Gulf countries has been the most spectacular development in the field of transport.^{1/} This large scale expansion in port infrastructure reflected inter-alia, a pressing need to resolve the problem of port congestion resulting from the sharp expansion in the volume of imports subsequent to the overwhelming rise in oil prices after 1973; coupled with a desire to improve transport facilities in the context of overall development targets and above all, the ability to finance such development.

Mediterranean ports also became heavily congested during the early seventies. The congestion at the port of Aqaba, Jordan, was relieved early in 1977 by the installation of two floating docks, and waiting time has been reduced to a minimum. While waiting time at the port of Hodeida, Yemen has already gone down to 14 days, it is hoped that with the implementation of the current development plan, it will be completely eliminated. The ports of Latakia and Tartous in the Syrian Arab Republic have had to cope with an increased volume of traffic, due to the closure of the Beirut port in Lebanon. However, with the reopening of the latter, and the expansion of the handling facilities at the Syrian ports, waiting time at the Mediterranean ports has been considerably reduced.

In 1977, the inauguration of the Arab Shipbuilding and Repairs Yard (ASRY) in Bahrain marked a major development in the field of transport. This dry dock is capable of accommodating 50 very Large Crude Carriers (VLCC's) per annum. The nearing completion of work on the Dubai Dry Dock, however, introduces a problem of excess capacity in this juncture of transport facilities within the ECWA region.

^{1/} Waiting time in the Gulf ports has almost completely disappeared and the risk of under utilization of port facilities has proliferated without much co-ordination among the countries concerned.

.../

The substantial growth in imports during the current decade has encouraged the countries of the region to expand their national fleets in an attempt to capture a larger share of the region's seaborne trade. For example among the ECWA countries the national fleets of Kuwait, Iraq, Saudi Arabia, and to a lesser extent, Lebanon, the United Arab Emirates and Qatar showed the largest expansion in terms of gross registered tons (GRT) during the seventies.

The Kuwait Oil Tanker Company (KOTC) and the Arab Petroleum Transport Company (AMPTC),^{1/} both based in Kuwait, are the most active in the field of oil transportation.^{2/} The most important enterprise in dry cargo maritime transport is the Kuwait Shipping Company (KSC) which operates regular services between Kuwait and the rest of the world. In 1977, the assets of this company which included 34 ships, were transferred to the United Arab Shipping Company (UASC), a joint venture between Kuwait, United Arab Emirates, Bahrain, Qatar, Iraq and Saudi Arabia. In January 1978, Saudi Arabia announced the creation of the National Saudi Shipping Lines, which is already operating services between Europe, the Gulf and the Red Sea. Membership in Liner Conferences has always been subject to stringent conditions and often to the unanimous approval of actual members.^{3/}

^{1/} A joint venture established by the Organization of Arab Petroleum Exporting Countries (OAPEC).

^{2/} In 1977, KOTC had a fleet of 10 tankers totalling 2.15 million tons and in 1978 it took delivery of one of 4 LNG tankers ordered previously. Despite losses incurred during 1977 - 1978, the AMPTC intends to expand its fleets of eight crude oil carriers (2.08 million tons) by the addition of 4 tankers.

^{3/} The Iraqi State Enterprise for Maritime Transport and the Iraqi Maritime Transport Company Ltd., Saudi National Lines and the UASC have memberships in several Liner Conferences which serve the Gulf, the Mediterranean and the Red Sea.

.../

Freight rates in the region, for both dry cargo and tanker, followed closely world trends, which weakened at the beginning of the decade under the impact of falling demand and rising supply. However, around the end of 1972, an increase in demand enabled the market to absorb not only new deliveries by the shipbuilding industry, but also an increasing number of recommissioned vessels. Freight rates soared to new levels throughout the middle of the decade and were reflected in the rates applied by shipping conferences operating in the region. The shipping conferences also applied significant surcharges, to a number of ports in the region experiencing acute congestion. However, with increasing oil prices and the decline in demand for crude oil, and new supertanker deliveries, tanker freight rates started to go down contrary to prior expectation.^{1/} Freight rates for dry cargo followed the same pattern as tanker rates, due to an oversupply of shipping tonnage and the rapid introduction of containerization.

Telecommunications

The increase in the number of telephones in use in the ECWA region from 669,000 in 1970 to 1,226,000 in 1976, is mostly accounted for by the Gulf countries. However, in terms of number of telephones in use per 100 inhabitant, only Bahrain and Kuwait experienced significant improvements. While Qatar, Abu Dhabi, Dubai, Ras Al-Khaimah and Oman had recently acquired earth satellite stations; Lebanon, Jordan, Bahrain and Kuwait had already been equipped with this facility since the beginning of the current decade. Despite these recent developments telephone communications within the region and with the outside world have generally remained unsatisfactory.

^{1/} Spot tanker freight rates dropped between mid-1973 and mid-1977 from world scale W210 to W30 on the Persian Gulf/U.K. Continent run, and from W185 to W60 on the Med/U.K. Continent run.

.../

Current development plans include ambitious telecommunications projects for the Syrian Arab Republic, Jordan and Saudi Arabia. The Saudi Arabian plan, for example, aims at installing 470,000 telephone lines with automatic exchanges and electronic equipment in the coming three years; a contract has already been signed for that purpose. Other plans for the ECWA region, include the establishment of a telecommunications system in Yemen, the upgrading and further expansion of the telecommunications network in Kuwait and the modernization of the telex system in Iraq.

E TRADE AND PAYMENTS

Introduction

During the period reviewed, world trade was subjected to some extreme influences. Inflation assumed alarming proportions and world-wide concern,^{1/} and the developed market economies experienced a recession of exceptional intensity in the period 1974-1975. Aside from the sharp rise in the price of crude oil, which took place in the last quarter of 1973 and at the beginning of 1974, prices of primary commodities exported by developing countries increased very sharply in 1973 and 1974.

On average, the value of world exports expanded by over one-fifth between 1970 and 1976 (Table 1). In volume terms, however, this is reduced to less than 7 per cent, reflecting the depressed demand conditions in the major trading countries after 1973. Real growth in world trade was below 5 per cent in 1974 and turned negative in 1975. The year 1977 appears also to have been a bad year for world trade, with the volume of exports growing by less than 4 per cent.

In nominal terms, the expansion in developing countries exports has been significantly higher than the world average. But in real terms, their performance has been less favourable, with growth averaging 5.6 per cent annually in the 1970-1976 period. In 1973 and 1974, the volume of exports from developing countries declined by about 2 and 3 per cent, respectively and appear to have also stagnated in 1977.

The external sector plays a central role in the economies of the Region, both as a generator of income and as a source of raw materials, consumer and capital goods and modern technology. Moreover, some countries, notably the oil-producers of the Gulf, rely heavily on expatriate workers to meet their rising requirements for various categories of labor, particularly skilled workers.

^{1/} The price index of manufactured goods exported by developed market-economy countries increased by over 60 per cent between 1972 and 1975 (see: UNCTAD, Review of International Trade and Development, 1977, TB/D/642/Add.1/Rev.1).

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Table 1. World exports by major country groupings, 1970-1977
(Percentage annual rates of change)

	1970- 76	1970- 73	1973- 76	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77 ^{a/}
<u>World^{b/}</u>										
Value	21.1	22.5	19.8	11.9	18.9	38.6	46.0	3.8	13.4	13.1
Price	13.9	12.4	15.3	6.0	7.5	24.6	40.1	8.2	1.9	8.7
Volume	6.6	9.5	3.9	6.0	10.4	12.0	4.6	-3.7	11.4	3.4
<u>Developed market economies</u>										
Value	19.1	22.0	16.4	12.1	18.4	36.7	33.1	6.5	11.2	13.5
Price	11.5	11.3	11.6	5.0	8.6	21.0	24.6	11.6	-	8.3
Volume	6.9	9.4	4.4	7.0	9.3	12.0	6.9	-4.3	11.2	4.7
<u>Developing market economies</u>										
Value	29.0	26.0	32.0	12.5	19.2	49.4	104.1	-7.3	21.6	10.1
Price	20.0	16.5	28.0	8.0	7.4	36.2	101.3	-1.9	6.1	12.1
Excl. petroleum	11.9	12.1	11.6	-	6.0	33.0	36.1	-2.1	4.2	...
Volume	5.6	8.9	2.5	4.0	11.5	11.2	-2.3	-3.1	13.9	-0.7
Excl. petroleum	7.1	8.6	3.2	3.0	12.6	10.3	-3.1	-4.0	18.5	...
<u>Centrally planned economies</u>										
Value	18.4	19.5	17.2	9.0	18.3	32.2	23.8	19.5	8.8	16.9

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

a/ Provisional.

b/ For price and volume indices, it excludes the trade of the centrally planned economies.

- = Nil or negligible.

... = Not available.

The very high degree of "openness" of the Region's economies is depicted in Table 2 which relates trade in goods and services to gross domestic product (GDP). Economic dependence measured by the share of the foreign trade sector in GDP, has even deepened since 1973.

Generally, the ratio of exports to GDP is higher in the oil-economies than in the non-oil economies. The imports to GDP ratio, meanwhile, is higher in the latter countries compared to the former.

..../

The vulnerability of the countries of the Region implied by such high and, in several cases, extreme dependence on the external sector is the more acute given the highly concentrated commodity structure of their exports and the uneven geographical distribution of their trade. This is illustrated by the overwhelming dominance of crude oil and few other primary commodities in export trade, heavy dependence on food imports, concentration of trade with the developed market economies and the paucity of intra-regional trade.

Table 2. External dependence*: trade as a percentage of total output in countries of ECWA 1971-1976

	1971-1973 (average)			1974-1976 ^{a/} (average)		
	X	M	X+M	X	M	X+M
A. Oil economies						
Iraq	40	22	62	60	39	99
Kuwait ^{b/}	77	17	94	82	22	104
Oman	62	42	104	67	47	114
Saudi Arabia ^{c/}	71	22	93	82	23	105
U.A.E. ^{d/}	101	52	153	105	51	156
B. Non-Oil economies						
Jordan	18	56	74	43	103	146
Lebanon ^{e/}	20	16	36	...	...	...
Syrian Arab Republic	22	26	48	25	39	64
Yemen ^{f/}	5	27	32	7	39	46

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

* External dependence is measured by the ratio of exports (X) and imports (M) of goods and services to gross domestic product at market/purchasers' value at current prices.

^{a/} 1974-1975 average for Iraq and Oman.

^{b/} Years beginning 1 April.

^{c/} Years ending 30 June.

^{d/} Abu Dhabi only; data for 1975-1976 are provisional.

^{e/} 1973 figures are provisional.

^{f/} Years beginning 1 July.

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A. Overall Export and Import Performance

The Region's aggregate dollar value of exports rose at an average annual rate of about 47 per cent during the first six years of the current decade,^{1/} reaching over \$73 billion in 1976 (Table 3). This phenomenal growth reflected in the main and approximated export growth developments in the oil economies. Exports of the non-oil economies increased by less than half that rate or 22 per cent during the same period.

The growth in exports was far from being evenly distributed, either overtime or among member countries. It was heavily concentrated in 1974, when exports increased by 256 per cent in the oil economies, and by 129 per cent in the non-oil economies.^{2/} Inter-country differences are illustrated by the wide spread in the rates of growth over the 1970-1976 period, with such countries as Democratic Yemen and Lebanon realizing average annual rates of only 9.3 and 12.4 per cent respectively compared with rates of between 56 and 58 per cent for Saudi Arabia, Oman and the United Arab Emirates.

The rapid expansion in the Region's exports is largely explained in terms of higher prices (Table 4), notably that of oil which rose very sharply towards the end of 1973 and at the beginning of 1974.^{3/} Also, the export unit value index of non-petroleum exports almost doubled between 1970 and 1976. The volume of exports rose modestly and reached its peak in 1973 when the index was 47 per cent above its 1970 level. The decline recorded in the following two years was only partially offset in 1976 with the index

^{1/} Compared with an average growth of 9 per cent in the nineteen-sixties.

^{2/} In 1975, the value of exports declined by 8.5 per cent for the oil economies and by 20.2 per cent for the non-oil economies. Whereas exports of the former group showed increases of 22 and 6.6 per cent in the following two years, exports of the latter stagnated.

^{3/} The increase in oil prices has uncontestedly been the most important influence affecting the Region's trade performance in the 1970s. In addition to its direct impact on the export earnings and import outlays of the oil-producing countries this development had had an indirect, but substantial, impact on the trade of other countries in the Region. The rising demand for imports, particularly consumers goods, in the oil economies was partly met from sources within the Region.

..../

Table 3. Average annual percentage change in the value of exports^{a/} of the ECWA Region, 1970-1977

	1970- 76	1970- 73	1973- 76	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77
<u>Total ECWA Region</u>	46.9	37.6	56.7	38.6	23.8	51.8	248.8	-8.9	21.3	6.4 ^{b/}
<u>Oil economies</u>	48.3	38.8	58.2	41.7	23.2	53.3	255.6	-8.5	22.0	6.6 ^{b/}
Bahrain	33.0	14.1	54.9	16.6	1.6	26.0	185.7	-1.4	32.2	20.1
Iraq	42.6	21.5	67.4	27.3	-19.4	74.8	233.6	25.7	12.0	4.2
Kuwait	31.5	26.2	37.1	35.4	18.8	25.0	186.6	-16.2	7.2	-0.4
Oman	56.1	45.3	68.5	97.2	8.9	42.8	249.1	26.0	8.8	0.4
Qatar	43.0	33.8	52.8	20.2	27.9	55.8	226.3	-10.3	22.2	-7.4
Saudi Arabia	58.2	54.7	62.0	59.1	42.4	63.8	295.2	-16.5	29.0	8.4
U.A.E.	57.7	48.5	67.9	51.7	29.6	66.5	254.8	7.6	24.2	11.2
<u>Non-oil economies</u>	21.7	20.6	22.7	1.6	34.1	28.9	129.4	-20.2	1.0	0.2 ^{b/}
Democratic Yemen	9.3	-8.2	30.1	-27.4	1.9	4.6	114.2	-22.7	33.2	...
Jordan	33.7	17.9	51.5	-5.4	43.0	21.3	187.5	2.0	18.9	22.7
Lebanon	12.4	35.9	-7.0	29.3	36.7	42.0	133.4	-48.3	-33.3	...
Syrian Arab Republic	31.8	20.0	44.8	-4.2	47.7	22.2	129.9	18.8	14.6	-0.2
Yemen	17.8	39.6	-0.6	38.6	7.8	82.2	70.4	-18.1	-29.7	43.6

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

a/ Based on the dollar value of exports with growth rates calculated on the basis of the initial and end years.

b/ Provisional.

standing at 36 percent above its level six years earlier. Non-petroleum exports appear to have done better than average. Their volume rose steadily until 1973, declined in 1974 but recovered thereafter to reach in 1976 an index number 60 per cent higher than its level in 1970,^{1/} reflecting an average annual growth of over 8 per cent.

The two major influences affecting the volume of exports from the Region have been and will continue to be the level of crude oil production and agricultural output. The volume of crude oil produced and exported remained depressed during

^{1/} The International Development Strategy sets a growth target for the volume of developing countries' exports of "somewhat more than 7 per cent".

..../

Table 4. Indices of volumes and terms of trade and purchasing power of exports, 1970-1976 (1970=100) in the ECWA Region and some neighbouring countries^{a/}

	1971	1972	1973	1974	1975	1976
<u>Exports</u>						
Unit value	125	133	175	582	602	680
Excluding petroleum	108	120	148	191	196	198
Volume	113	128	147	138	129	136
Excluding petroleum	114	138	156	123	146	160
<u>Imports</u>						
Unit value	107	116	141	187	219	223
Volume	110	129	150	209	249	309
<u>Commodity terms of trade</u> ^{b/}	117	114	124	312	274	305
Excluding petroleum	98	102	106	102	90	89
<u>Purchasing power of exports</u> ^{c/}	130	148	184	486	378	450

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

^{a/} These neighbouring countries are Cyprus, Iran and Turkey.

^{b/} Export unit value index divided by the corresponding import unit value index.

^{c/} Value index divided by the corresponding import unit value index.

the last few years and until the latter part of 1978^{1/}. In 1976, the volume of crude oil production was only 5.5 per cent above its level in 1973; and growth for 1977 was in the neighbourhood of 3 per cent. At the same time, the wide fluctuations in agricultural output have entailed a reduction in exportable surpluses in several countries.

^{1/} Supply constraints (Bahrain and Oman), and deliberate Government policies to restrain output as well as the recession and energy conservation measures in the developed market economies are among the factors which have tended to depress the level of output.

..../

Apart from these broad considerations, there were factors specific to individual country export performance. Bahrain, where crude oil output has been falling, benefited from the rapid development of aluminium exports after 1973. In Iraq, exports of refined oil products increased rapidly after 1973 and replaced dates as the country's leading non-crude oil export. However, exports of other manufactured and semi-manufactured products have been constrained by efforts to divert output to satisfy internal demand, as in the case of cement. The steady decline in Kuwait's output of crude oil, as of 1973, explains why this country's growth performance has been the lowest among the oil economies during the 1970s. Exports of fertilizers have, however, increased sharply since the start of the decade, and refined oil products have been growing in importance. Qatar's output of crude oil, which increased steadily until 1973 fluctuated thereafter and was in 1977 only marginally higher than in 1971. The value of fertilizers' exports, however, has risen rapidly in the period 1974-1976. The expansion in Saudi Arabia's production and export of crude oil has proceeded uninterrupted except in 1975, when output fell by 16.4 per cent. The shortfall was made up for in the following year and output increased by 7.3 per cent in 1977.

Jordanian exports have benefited from sharply increased phosphate prices in 1974-1975; the decline in prices in 1976 was compensated for by the larger quantities exported. Fruit and vegetable exports to Saudi Arabia and the Gulf states expanded rapidly, notably since 1974, with higher prices more than offsetting quantity shortfalls resulting from poor crops. The exports of manufactured goods have expanded at a satisfactory rate, except for cement exports which dropped sharply in 1975 and practically disappeared in 1976, as a result of increased domestic demand brought about by the construction boom. The events in Lebanon produced a sharp decline in its exports a significant portion of which has traditionally been absorbed within the Region. It is not possible to estimate how much of the lost regional market has been taken up by other member countries or to what extent this represents a permanent loss to Lebanon.

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Although the Syrian Arab Republic produces a relatively small quantity of crude oil, the steady rise in the latter's output, coupled with a sharp rise in prices, has made oil the dominant factor in the expansion of exports. Export earnings have also expanded on account of higher prices for cotton in 1973 and 1974 but fell subsequently as prices declined. Exports of phosphate have also grown in importance since 1973. However, adverse climatic conditions, together with rising domestic demand, have tended to limit the availability of exportable products. The decline in the value of Yemen's exports in 1974 and 1975 reflected the poor performance of coffee growing and rising internal demand.

The average annual growth rate of the dollar value of imports into the Region accelerated from 6.4 per cent during the first development decade to 38 per cent in the period 1970-1976, with an 83 per cent increase recorded in 1974 (Table 5).^{1/} Imports of the oil economies have expanded, on the average, more than twice as fast as those of the non-oil economies, with growth rates varying from 32 per cent in Kuwait to 84 per cent in Oman. The overall import performance of the non-oil economies has been depressed by the sharp drop in Lebanese imports in the period 1975-1976, and by the need to cut down on imports in Democratic Yemen because of inadequate foreign exchange.

The rise in the volume of imports^{2/} largely exceeded the average target of "somewhat less than 7 per cent" set out in the International Development Strategy for aggregate imports of developing countries. Its contribution to the expansion in the value of imports has been, on average, significantly greater than that of prices. It should be stressed, however, that the rise in import prices has been very substantial with the consequence of adversely affecting the purchasing power of exports and the Region's terms of trade. Whereas the value of exports increased by about nine-fold between 1970 and

^{1/} The pace of import growth appears to have slowed down after 1974 in several countries including Bahrain, Oman, the United Arab Emirates, Democratic Yemen, Lebanon and the Syrian Arab Republic. In contrast, imports were stepped up in Qatar, Saudi Arabia and Yemen.

^{2/} See Table 4.

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Table 5. Average annual percentage change in the value of imports of Western Asia^{a/}, 1970-1977

	1970- 76	1970- 73	1973- 76	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77
<u>Total ECWA Region</u>	38.4	28.6	48.9	18.1	25.2	44.0	83.5	40.2	28.3	32.6 ^{b/}
<u>Oil economies</u>	44.7	31.9	58.7	20.7	25.9	50.8	87.2	52.1	40.5	...
Bahrain	37.5	29.2	46.3	25.9	21.2	41.4	125.0	-3.4	44.0	21.6 ^{c/}
Iraq	40.5	20.9	63.2	38.6	0.5	26.8	165.2	77.8	-7.5	27.3 ^{c/}
Kuwait	32.1	19.0	46.7	4.3	22.2	32.1	47.4	54.0	39.0	45.1 ^{c/}
Oman	84.5	85.6	83.7	82.1	46.9	139.3	236.4	95.0	-5.2	20.6
Qatar	53.0	44.8	62.2	69.4	27.4	40.8	38.9	51.2	103.4	...
Saudi Arabia	51.4	40.8	63.1	16.6	39.3	71.7	47.3	45.7	102.8	...
U.A.E.	52.1	45.7	59.4	15.2	58.8	69.2	112.4	54.6	23.4	...
<u>Non-oil economies</u>	21.0	22.4	19.8	13.3	23.8	30.7	75.2	11.5	-12.1	...
Democratic Yemen	12.8	-5.2	34.3	-21.4	-5.7	14.8	137.4	-23.2	32.7	...
Jordan	33.0	21.5	45.7	16.3	24.4	23.9	47.7	50.0	39.5	35.0
Lebanon	-5.7	29.2	-31.1	19.4	25.4	44.2	63.4	-10.0	-78.0	...
Syrian Arab Republic	33.0	19.7	47.8	22.2	23.0	14.0	100.0	35.9	18.6	34.5
Yemen	52.3	54.4	49.7	4.9	135.8	52.4	55.2	54.8	39.6	153.5

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

a/ Based on the dollar value of imports; growth rates based on the initial and end years shown.

b/ Provisional.

c/ Nine months.

... = Not available.

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and 1976, the purchasing power of exports improved by three and a half times only.

The sharp expansion in the Region's imports has been made possible mainly by the overall improvement in member countries payments situations a result of oil price increases which have also benefited the non-oil economies. Rising consumption and investment demand had to be met largely through imports, given the Region's narrow production base. While the flow of imports has generally been governed by import financing ability of the non-oil economy it was constrained by the absorptive capacity of the oil economies.

Substantial transfers and sharply growing remittances from the oil economies, enabled Jordan, the Syrian Arab Republic and Yemen to expand their imports after 1973 on a scale well beyond what could have been financed from traditional sources. Short-falls in food production as well as rising demand for consumers and investment goods largely explain the surge in import demand in these countries. Rising imports were particularly facilitated by the liberal trade policies in both Jordan and Yemen and by the progressive relaxation of import restrictions in the Syrian Arab Republic beginning in 1971.

In Democratic Yemen, the level of imports has been held down by the application of strict controls on non-essential consumer goods. In the case of Lebanon, the fall in imports has been a direct consequence of the civil war which has besieged the country since 1975.

The overall trade surplus of the oil economies increased from an average of \$8.99 billion in 1971-1973 to \$48.32 billion in 1974-1976. During the same period the deficit in the non-oil economies widened from \$1.16 to \$2.43 billion (Table 6). The oil economies' surplus reached its peak in 1974, at \$53 billion, but fell down to \$42.58 billion in 1975 and \$48.99 billion in 1976. The oil economies other than Bahrain recorded uninterrupted surpluses which varied from an average of \$0.76 billion in Oman, to \$29.37 billion in Saudi Arabia, in the period 1974-1976.

The widening of the overall trade deficit in the non-oil economies after 1973 reflected mainly the trend in Jordan, the Syrian Arab Republic and Yemen

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to import heavily for development. In Democratic Yemen the deficit was held down by direct import control, while in Lebanon the decline in imports in 1975 and 1976 limited the growth in the trade deficit.

The export/import ratio in the oil economies which averaged 3.20 in 1971-1973 almost doubled in 1974 but then fell back to 3.69 and 3.20 in the subsequent two years. In the non-oil economies, the ratio remains very low at less than a half although it improved slightly after 1973 in some countries.

From the above, it may be concluded that the relationship between exports and imports, whether expressed in terms of the trade balance or the export/import ratio, has tended to approximate its pre 1973-1974 pattern.

Table 6. Trade balances and export/import ratios in ECWA Region

	Trade balance (million dollars)			Export/import ratio		
	1971-73	1974-76	1977	1971-73	1974-76	1977
<u>Total ECWA Region</u>	<u>7833.4</u>	<u>45893.2</u>	<u>40418.0^{a/}</u>	<u>2.30</u>	<u>3.23</u>	<u>2.08^{a/}</u>
<u>Oil economies</u>	<u>8993.8</u>	<u>48323.6</u>	...	<u>3.20</u>	<u>3.99</u>	...
Bahrain	-57.7	-66.0	-207.0	0.86	0.95	0.90
Iraq	734.2	4549.9	...	1.96	2.30	...
Kuwait	2315.9	7571.5	...	3.78	4.13	...
Oman	191.2	765.4	710.0	3.89	2.22	1.81
Qatar	294.2	1506.9	...	3.00	3.99	...
Saudi Arabia	4825.7	29370.6	...	4.75	6.72	...
U.A.E.	690.3	4625.3	...	2.26	2.75	...
<u>Non-oil economies</u>	<u>-1160.4</u>	<u>-2430.4</u>	...	<u>0.41</u>	<u>0.45</u>	...
Democratic Yemen	-50.3	-151.3	...	0.68	0.60	...
Jordan	-236.4	-615.2	-1197.3	0.13	0.18	0.13
Lebanon	-549.0	-680.0	...	0.40	0.51	...
Syrian Arab Republic	-251.3	-696.6	-1596.1	0.52	0.57	0.40
Yemen	-73.4	-281.3	-1029.0	0.07	0.04	0.01

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

^{a/} Preliminary.

- = Deficit.

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B. Trade Diversification

The need for a more balanced commodity and geographical distribution of trade assumes special significance in the Region in view of its very heavy dependence on the external sector and on the export of crude oil. Export diversification in the direction of manufactures, which has been the most dynamic component of international trade, appears to be the most promising course of action for the region, in order to achieve more stable and structurally balanced exports.

1. Commodity structure of trade

a) The structure of exports

The near to total dependence of export trade in the oil economies on oil accentuated further after 1973 (Table 7). Furthermore, the share of crude oil exports in oil output increased from an average of about 91,3 per cent of total output in the period 1971-1973, to 92.7 per cent in 1974-1976. Exports of refined products, however, are of vital importance in Bahrain, which imports crude oil to supplement its small domestic output to meet its refining industry needs and are only relatively important in both Kuwait and Saudi Arabia in value terms. Meanwhile, Iraq has significantly expanded its refinery capacity in recent years, and this has been reflected in a decline in the share of crude oil exported in total oil output from an average of 95.2 per cent in 1971-1973 to 92.3 per cent in 1974-1976.

Viewed against the totality of exports of the oil economies, manufactured goods (SITC 5-8) appear to be relatively significant only in the case of Bahrain and, to a much lesser extent, in Kuwait and Qatar. They appear to dominate the non-oil export trade of these three countries where their share has risen significantly since 1973, attaining about 90 per cent in the recent period. While this situation could be explained by the re-export trade it has been strongly influenced over the last few years by the expansion in the production and export of aluminium in Bahrain, and chemical fertilizers in both Kuwait and Qatar.^{1/}

^{1/} The share of products of Kuwaiti origin, mainly chemicals but also manufactured articles, such as steel pipes, and building materials, and shrimps, in total non-fuel exports rose from about 25 to 48 per cent between 1971 and 1975. In Bahrain, the share of aluminium in total non-fuel exports increased from less than 4 per cent in 1971 to about one-third in 1976. Exports of fertilizers from Qatar, which began in 1974, accounted for about three-quarters of all non-fuel exports in 1975.

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Table 7. Structure of exports^{a/}, 1971-1976
(Percentage shares; period averages)

	Manufactures (SITC 5-8)		Primary Commodities (SITC 0-4)					
			Total		Food and beverages (SITC 0+1)		Fuels (SITC 3)	
	1971- 73	1974- 76	1971- 73	1974- 76	1971- 73	1974- 76	1971- 73	1974- 76
Oil economies								
Bahrain	15.9	17.0	84.1	83.0	4.2	1.8	79.8	81.0
Iraq	1.3	0.1	98.7	99.9	2.7	0.1	94.7	99.1
Kuwait	4.0	5.2	96.0	94.8	0.9	0.4	95.0	94.3
Oman	-	-	100.0	100.0	0.5	0.2	99.5	99.8
Qatar ^{b/}	2.5	2.1	97.5	97.8	0.7	0.1	96.8	97.7
Saudi Arabia	0.1	0.3	99.9	99.7	0.1	0.1	99.7	99.6
U.A.E.	-	-	100.0	100.0	0.1	-	99.9	100.0
Non-oil economies								
Democratic Yemen ^{b/}	1.8	0.1	98.2	99.9	4.1	3.1	87.7	95.7
Jordan	25.3	20.9	74.5	79.1	41.9	30.4	0.6	0.8
Lebanon	69.7	...	30.2	...	23.1	...	0.4	...
Syrian Arab Republic	14.2	8.8	85.8	91.2	19.2	5.6	21.1	63.9
Yemen	1.1	6.3	98.0	93.3	27.4	26.3	-	-

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

^{a/} "Domestic" exports for Democratic Yemen (prior to 1972 general exports), Iraq and Jordan; "special" exports for Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the Syrian Arab Republic; "general" exports for Yemen; re-exports are excluded in the United Arab Emirates.

^{b/} Percentage shares are averages for 1972-73 and 1974-75.

... = Not available.

- = Nil or negligible.

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In contrast, the share of manufactured goods in Iraq's non-fuel exports dropped from an average of 24 per cent in 1971-1973 to 11 per cent in 1974-1976. As already noted, this contraction should be viewed, in part, against the efforts by the Iraqi authorities to divert an increasing portion of output to meet the expanding domestic demand. A striking example in this respect is cement exports which averaged \$8.9 million in 1971-1973, but were virtually eliminated by 1976 as a result of the country's large construction programmes.

With the exception of Lebanon, where the structure of exports had by the beginning of the decade already turned in favour of manufactures, the dependence of the non-oil economies on exports of primary commodities appears to have deepened in recent years,^{1/} with significant share increases recorded in Jordan and the Syrian Arab Republic.^{2/}

In the two Yemens, this situation is a reflection of the very narrow production and export base, with exports being concentrated in a handful of agricultural and animal products and, in the case of Democratic Yemen, also in fuel exports. The emergence, towards the end of the preceding decade, of crude oil as an important and rapidly expanding export item in the Syrian Arab Republic has reduced the country's relative dependence on its traditional exports, notably cotton. However, it has accentuated the country's dependence on the export of primary commodities. This trend has been further strengthened by the production and export of phosphate notably since 1973.^{3/} The increased share of primary commodities in Jordan's total exports has resulted mainly from the very rapid increase in phosphate exports, which

^{1/} In Yemen, however, the share of primary commodities in total exports fell from an average of about 98 per cent in 1971-1973 to 93 per cent in 1974-1976.

^{2/} See Table 7.

^{3/} Fuel and phosphate exports accounted, respectively, for about 64 and 1.7 per cent of total Syrian exports in the period 1974-76. It is worth noting, however, that the value of phosphate exports, which increased from LS 10.7 million in 1973 to LS 81.9 million in 1974, declined in the following two years and amounted to LS 42.5 million in 1976.

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showed an almost fourfold increase between 1973 and 1974 and maintained their high level in the subsequent two years.

The share of ~~food and beverages~~ (SITC 0+1) in the exports of the non-oil economies^{1/} for which data were available declined in importance. The drop was particularly sharp in the case of Jordan and the Syrian Arab Republic, reflecting mainly unfavourable climatic conditions and rising domestic demand.

Exports of manufactured goods have remained extremely limited in both Yemens. Moreover, their share in the exports of Jordan and the Syrian Arab Republic has fallen in recent years, from an average of about 25 per cent in 1971-1973 to 21 per cent in 1974-1976 in the former country, and from 14 to 9 per cent, in the latter.^{2/} In the case of Jordan, this is explained both in terms of faster expansion in other exports, notably phosphates, and by the sharp fall in cement exports.^{3/}

Some of the obstacles that have hindered the process of export diversification in the Region, in the direction of manufactured and semi-manufactured goods, stems from the narrowness of the industrial production base and the inward-looking orientation that the development of manufacturing industry has generally, and until recently taken. Intra-regional trade and trade with other developing countries in manufactures have consequently been limited by the similarities in, and the competitive nature of their production and export patterns.

Another major obstacle relates to the region's access to the international market, particularly in the developed market economies. The failure to penetrate these markets can, to a large extent, be attributed to the weakness of demand for the type of manufactured goods produced within the Region,

^{1/} See Table 7.

^{2/} Excluding fuel exports, the share of manufactures in Syrian exports shows an increase from 18 to 24 per cent over the same period.

^{3/} Cement exports, which reached \$12.72 million in 1974, were negligible in 1976, due to increased domestic demand and to a lesser extent to production shortfalls.

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reflecting inferior quality, poor marketing, and competition from other developing countries,^{1/} as well as to restrictive business practices and import policies in many industrialized countries.

International action to promote the export of manufactured and semi-manufactured goods from developing countries to the developed market economies, which culminated in the introduction of the Generalized System of Preferences (GSP), at the beginning of this decade, turned out to be of only marginal immediate benefit to the countries of the Region.^{2/}

For Jordan, Lebanon and the Syrian Arab Republic the conclusion of special preferential arrangements with the European Economic Community early in 1977 represented a significant improvement for their industrial exports over the community's GSP offers.^{3/} Moreover, the GSP margins are likely to be adversely affected by the outcome of the Multilateral Trade Negotiations (MTN) which are nearing completion in Geneva.

These MTN negotiations, which cover trade in both primary commodities and manufactured goods as well as tariffs and non-tariff barriers on trade, do not seem to be moving towards an outcome that will bring about a fundamental transformation in trade relationships between the developed and developing

1/ As might be inferred from the fact that virtually all exports of domestically produced manufactures are absorbed within the Region.

2/ An examination of the preferential schemes of Japan, the EEC, Finland, Norway, Sweden and Switzerland, revealed that these schemes had had very limited effect on promoting new lines of production or expanding existing industries in the ECWA countries. Only the following ECWA industries seem to have received somewhat important incentives from the GSP; travel goods in Lebanon, ammonia in Kuwait, and perhaps aluminium in Bahrain. The investment effect of the Japanese scheme on the oil refining industry in Kuwait is uncertain, and the effect of the EEC scheme on the leather and phosphoric industries in Lebanon and liquified gas in Saudi Arabia, is likely to have been relatively small. Other ECWA countries account for very small amounts of GSP trade of manufactures and the investments effect on them is nil see The Generalized System of Preferences and the ECWA Countries, (E/ECWA/MTN/SEM.1/2(a), document submitted to the seminar on Multilateral Trade Negotiations, September 1977).

3/ See footnote page .

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countries. The issues of special interest to the developing countries appear to have been largely left outside the scope of the negotiations. Moreover, the period of negotiations has witnessed a proliferation of trade restrictive measures in the developed market economies countries affecting such sectors as textiles, clothing and footwear. Thus, what began as "exceptions" to free trade could lead to the emergence and acceptance of "managed" trade if appropriate international remedial action is not forthcoming.

In line with the increased emphasis on self-reliance in accelerating the development process, and the need to translate the concept into practical arrangements, the attention of developing countries and international organizations concerned is being increasingly directed towards investigating the possibilities for establishing a system of trade preferences among the developing countries themselves. This, however, should in no way be construed as a substitute for the efforts aimed at gaining a better access to the markets of the industrialized countries which, after all, remain by far the most important trading partners of developing countries.

b) The structure of imports

The share of manufactured goods (SITC 5-8) in the import trade of the majority of member countries recorded significant increases in the period 1974-1976 as compared with the preceding three years (Table 8), which ranged between 4 percentage points in Kuwait to 12 percentage points in Jordan^{1/}. In large measure, this reflected the increased importance in import trade of machinery and transport equipment as in Iraq, Kuwait and Saudi Arabia relative to other manufactures (SITC 6+8). It is also worth noting that the general decline in the share of food and beverages (SITC 0+1) happened despite the sharp rise in the level of food imports in virtually all the countries and as a result of the acceleration in non-food imports.

^{1/} In the case of Jordan it is not possible to ascertain to what extent this shift represented a real rise or whether it was in part a reflection of improvements in classification of trade returns as is apparent from the sharp decline in the value of unclassified items (SITC 9) beginning with 1975.

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Table 8. Structure of imports in the ECWA Region, 1971-1976
(Percentage shares; period averages)

	Primary Commodities (SITC 0-4)				Manufactures (SITC 5-8)			
	Total		Food and beverages (SITC 0+1)		Total		Machinery and transport equipment (SITC 7)	
	1971- 73	1974- 76	1971- 73	1974- 76	1971- 73	1974- 76	1971- 73	1974- 76
<u>Oil economies</u>								
Bahrain ^{a/}	49.0 (19.4)	58.7 (17.5)	10.9 (17.2)	6.8 (13.5)	50.9 (80.5)	41.3 (82.4)	19.0 (30.0)	18.5 (36.9)
Iraq	28.4	22.5	21.7	17.6	71.5	77.4	31.2	40.5
Kuwait	22.9	18.2	19.9	15.5	76.5	80.5	33.5	41.5
Oman ^{b/}	37.5	20.3	30.5	12.6	58.5	69.6	29.1	38.7
Qatar	21.7	15.6	19.2	12.9	78.3	84.7	47.4	52.4
Saudi Arabia	28.9	18.1	24.8	14.5	71.1	81.4	34.8	41.9
United Arab Emirates	20.6	20.4	13.6	11.1	78.3	78.7	37.0	40.4
<u>Non-oil economies</u>								
Democratic Yemen	70.3	79.5	28.6	17.9	29.6	20.5	7.1	9.5
Jordan	38.2	37.1	29.2	24.4	48.0	60.0	17.5	28.9
Lebanon	33.2	...	18.2	...	66.8	...	23.7	...
Syrian Arab Republic	38.7	32.6	27.5	20.6	61.1	67.3	21.6	28.5
Yemen	55.5	48.6	49.4	43.7	44.2	51.3	13.1	19.5

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

- ^{a/} Figures in paranthesis give the structure of imports excluding crude oil.
^{b/} Relates to recorded imports only.

Manufactured goods generally continued to account for a larger proportion of total imports in the oil economies, compared with the non-oil economies (Table 8). Imports of primary commodities (SITC 0-4) in the first group of countries are dominated by food items, reflecting a high degree of dependence on external food supplies, self-sufficiency with respect to fuels^{1/} (SITC 3)

^{1/} It should be noted that Bahrain, Oman, Qatar and the United Arab Emirates import significant quantities of fuels - in crude form in the first country to supplement domestic production to meet its large refinery requirements, and mainly in the form of oil products in the other three countries.

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and a relatively low demand for raw materials (SITC 2+4) which in turn reflects the early stage of industrialization in these countries. The larger share of primary commodities in the imports of the non-oil economies is generally more evenly distributed among food, fuels and raw materials.

Finally, the classification of imports by end-uses may be depicted by the following country situation. The share of final consumption goods in Jordanian imports declined from an average of 46.5 per cent in 1971-1973 to 40.2 per cent in 1974-1976, while the respective shares of intermediate and capital goods increased from 19.5 to 24.3 per cent and from 20.2 to 32.6 per cent.^{1/} Over the same interval, the share of both consumption and intermediate goods in Syrian imports appears to have fallen from 23.6 to 19.5 per cent, and from 55.1 to 52.0 per cent, whereas the share of capital goods rose from 21.2 to 28.5 per cent. Available data reflect a dramatic rise in the share of capital goods in total Iraqi imports in 1976. This share attained 47.6 per cent of total imports, compared with an average of 27.6 per cent in 1973-1974. Over the same period, the share of consumption and intermediate goods declined from 21.8 and 50.6 per cent to 15.7 and 36.6 per cent, respectively. In contrast, there appears to have been only marginal shifts in the composition of Kuwait's imports over the first half of the current decade with capital goods accounting for 19.5 per cent of total imports in 1973-1975, and consumption and intermediate products for 46.9 and 32.9 per cent, respectively. ^{2/}

2. Direction of trade

Intra-regional trade has remained modest, accounting in 1976 for about 4 per cent of exports and 15 per cent of imports. On the export side, this situation is mainly a reflection of the predominance of crude oil, which is almost entirely marketed outside the

^{1/} See, however, footnote on page .

^{2/} Compared to average shares of 19.3, 46.2 and 34.4 per cent for imports of capital, consumption and intermediate goods, respectively in the period 1970-1972.

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Region. For the non-oil economies, however, the Region represents a major outlet, for their exports of manufactured goods. More on this subject is given later in this section.

A number of significant shifts in the overall geographical pattern of exports from the Region in the course of the current decade are apparent from Table 9. First, the European Economic Community (EEC), while maintaining its role as the leading export market, absorbed only 34.5 per cent of total exports in 1976, compared with 44.3 and 48.4 per cent in 1973 and 1971, respectively. Secondly, the share of Japan in total export trade rose from 13.5 per cent in 1971 to 18.9 per cent in 1976. Over the same period, the United States' share increased from 3.3 to 4.9 per cent, while the importance of exports directed to markets other than those shown increased substantially.

These developments can be traced mainly to the trends of export distribution of oil economies.^{1/} For the exports of the non-oil economies the absorption of the EEC market increased from about one-fifth to one quarter between 1971 and 1976.^{2/} Meanwhile, the already small share of exports going

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- ^{1/} The decline in the relative position of the EEC as an export market for the oil economies was general with the exception of the United Arab Emirates where the share of the EEC in total exports increased from about 22 per cent in 1971 to 39 per cent in 1976. At the same time, the United States took a larger share of the exports of Oman, Qatar and Saudi Arabia, but a significantly lower share of the exports of the United Arab Emirates. Japan increased its share in the exports of all countries, except the United Arab Emirates where its share fell from about 44 per cent in 1971 to 28 per cent in 1976.
- ^{2/} Early in 1977 the EEC concluded special preference agreements with each of Jordan, Lebanon and the Syrian Arab Republic, introducing, thereby, significant improvements in the customs treatment accorded to most EEC imports from these countries. These agreements provide for the elimination of almost all tariffs and quantitative restrictions on industrial goods and the reduction, by 40 to 80 per cent, of duties on some agricultural products of importance to the three countries. These preferences, however, remain subject to certain limitations. An obvious short-term advantage of these agreements lies in the fact that the three countries concerned can now compete on equal terms in the EEC market with other developing and developed countries already enjoying preferential access to that market. In the long-term, the agreements could help in promoting some industries in the three countries since they combine trade liberalization measures with provisions for economic, technical and financial cooperation (see: Special Preferences for ECWA countries, E/ECWA/MTN/SEM.1/2(b) document submitted to the seminar on Multilateral Trade Negotiations September 1977).

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to both Japan and the United States declined. Non-traditional markets, however, absorbed a significantly bigger share of exports in both the oil and non-oil economies. The share of exports to the centrally planned economies virtually did not change for the non-oil economies and remained negligible for the oil economies.

Despite the decline in its share, the EEC remains the leading supplier of imports for the Region (Table 9). Japan has emerged as the next largest supplier of imports from outside the Region after the EEC, having slightly surpassed the United States.^{1/} The share of the CMEA countries, however, appear to have lost considerable position with dropping from 8.5 per cent in 1971 to 4.1 per cent in 1976. Similarly, China's share, already very small, recorded some decline. EFTA's share, meanwhile, improved by close to 2 percentage points, attaining 5.6 per cent of aggregate imports in 1976, reflecting the sharp increase in imports by the Syrian Arab Republic and Saudi Arabia from that market.

While the EEC stands as the largest supplier of imports to both the oil economies and the non-oil economies, the importance of the other suppliers shown in Table 9 differs considerably as between the two groups.^{2/} Thus, Japan and the United States^{3/} are more important from the point of view of the oil economies, while EFTA and CMEA assume greater significance in the case of the non-oil economies. Moreover, the share of both Japan and CMEA in the imports of the non-oil economies has remained quite stable at 5 to 6 per cent for the former and 10 to 11 per cent for the latter. On the other hand, EFTA's share in the imports of the non-oil economies rose from 4.4 per cent in 1971 to 11.2 per cent in 1976. Over the same period, the oil economies' imports from Japan rose from 9.5 to 14.9 per cent of the total,

1/ The share of Japan in the Region's aggregate imports rose from 8.2 per cent in 1971 to 13.2 per cent in 1976; over the same interval, the share of the United States increased from 11 to 12.3 per cent.

2/ With the exception of China which has accounted for 1-2 per cent of imports in both groups.

3/ Import dependence on the United States is greater in the case of Kuwait, Saudi Arabia and the United Arab Emirates than in the remaining oil economies. For example, Iraq's imports from the United States in 1976 accounted for 5.3 per cent of the total, compared with 18.7 per cent for Saudi Arabia.

Table 9. Geographical distribution of trade in the ECWA Region,
selected years
(percentage shares)

	ECWA	EEC	EFTA	United States	JJapan	CMEA	China	Rest of World
A. Exports								
<u>Total ECWA Region</u>								
1971	5.6	48.4	2.9	3.3	13.5	0.9	0.1	25.3
1973	5.3	44.3	2.1	3.5	14.8	0.8	0.3	28.9
1976	4.2	34.5	2.2	4.9	18.9	0.8	0.1	34.4
<u>Oil economies^{a/}</u>								
1971	3.8	50.4	3.0	3.4	14.2	0.2	-	25.0
1973	3.5	45.9	2.0	3.5	15.8	0.1	0.1	29.1
1976	3.6	34.8	2.2	5.0	19.5	0.5	-	34.4
<u>Non-oil economies^{b/}</u>								
1971	32.3	19.7	1.2	1.9	2.8	11.4	1.6	29.1
1973	30.7	22.1	3.3	3.1	1.1	9.9	3.2	26.6
1976	21.6	25.6	1.7	0.8	1.6	10.0	2.3	36.4
B. Imports								
<u>Total ECWA Region</u>								
1971	13.9	35.0	3.8	11.0	8.2	8.5	1.7	17.9
1973	14.0	31.3	3.9	12.3	11.3	6.6	2.1	18.5
1976	14.8	32.4	5.6	12.3	13.2	4.1	1.3	16.3
<u>Oil economies^{a/}</u>								
1971	13.5	36.1	3.5	11.6	9.5	7.0	1.6	17.2
1973	15.0	28.6	2.8	13.9	14.0	5.1	2.1	18.5
1976	15.0	32.7	4.3	13.7	14.9	2.6	1.1	15.7
<u>Non-oil economies^{b/}</u>								
1971	14.6	32.7	4.4	9.8	5.5	11.6	1.9	19.5
1973	11.9	37.7	6.2	8.6	4.9	10.1	2.2	18.4
1976	13.2	30.9	11.2	6.1	6.0	11.0	2.1	19.5

Source: United Nations Economic Commission for Western Asia, based on data compiled from: International Monetary Fund, Direction of Trade, Annual 1971-77.

a/ Comprising Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

b/ Comprising Democratic Yemen, Jordan, Lebanon, Syrian Arab Republic and Yemen.

Definition of markets and abbreviations:

CMEA: Albania, Bulgaria, Cuba, Czechoslovakia, Eastern Germany, Hungary, North Korea, Poland, Roumania and the Union of Socialist Soviet Republics (USSR).

ECWA: Bahrain, Democratic Yemen, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.

EEC: Belgium, Denmark, France, Germany (Federal Republic of), Ireland, Italy, Luxembourg, Netherlands and United Kingdom.

EFTA: Austria, Faero Islands, Finland, Ireland, Norway, Portugal, Sweden and Switzerland.

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but only from 11.6 to 13.7 per cent in the case of the United States, while dropping from 7 to 2.6 per cent in the CMEA countries.^{1/}

C. Intra-regional Trade

Intra-regional exports fell from 5.6 per cent of aggregate exports in 1971 to 4.2 per cent in 1976, notwithstanding an average annual growth rate of over 40 per cent (Table 10). The proportion of non-oil economies exports absorbed within the Region dropped from about one-third to somewhat above one-fifth, reflecting a declining share for all countries except Yemen. The share of the oil economies in the intra-regional exports declined slightly from 3.8 to 3.6 per cent between 1971 and 1976. In contrast, the share of imports originating within the Region improved slightly, rising from 13.9 to 14.8 per cent over the same period, in line with the trend in the oil economies' imports. This, it should be emphasized, occurred against a very sharp rise in imports, particularly after 1973.^{2/}

Of the total value of exports absorbed within the Region in 1976, Saudi Arabia supplied about 35 per cent, followed by Kuwait with 23 per cent and Bahrain and Lebanon with 11 per cent each.^{3/} Saudi Arabia's exports to the Region are heavily weighted by its exports of crude oil to Bahrain. Kuwait's exports, on the other hand, have gone mainly to Saudi Arabia, though exports to Democratic Yemen, Iraq and the United Arab Emirates have also been relatively important. On the import side, Saudi Arabia has remained the main

1/ With the exception of Iraq, and to a much lower degree Kuwait, the oil economies' import dependence on CMEA countries has remained marginal. In 1976, the share of Iraqi imports supplied by CMEA countries stood at 8.8 per cent, compared with 25.9 per cent in 1971, while that of Kuwait declined from 4 to 2.4 per cent.

2/ Exports and imports among the four members of the Arab Common Market (ACM) namely, Egypt, Iraq, Jordan and the Syrian Arab Republic, which accounted for 3.5 and 4 per cent of the groups respective trade flows in 1971, dropped to 1.3 and 1.8 per cent in 1976.

3/ In 1971, the leading suppliers, in terms of value, of exports to the Region where Saudi Arabia with a share of 29 per cent, followed by Lebanon, Iraq and Kuwait with 25, 18 and 9 per cent, respectively. In 1973, each of Saudi Arabia and Lebanon accounted for about 26 per cent of total exports marketed within the Region, followed by Kuwait and Iraq with 18 and 10 per cent, respectively.

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Table 10. Intra-regional trade, share in total trade and average annual rates of change

	E X P O R T S				I M P O R T S				Trade Values, 1976 (million dollars)			
	(Percentage share)		Rate of change (per cent)		(Percentage share)		Rate of change (per cent)		Export	Import		
	1971	1973	1976	1971-1973-	1971	1973	1976	1971-1973-				
<u>Total ECWA Region</u>	5.6	5.3	4.2	42.2	47.4	13.9	14.0	14.8	44.9	52.1	2927.0	3993.2
<u>Oil economies</u>	3.8	3.5	3.6	50.3	62.1	13.5	15.0	15.1	52.0	58.1	2435.5	3338.7
Bahrain	10.7	17.1	24.4	73.2	83.5	42.5	41.8	44.3	41.0	41.2	328.7	737.5
Iraq	5.9	5.0	1.9	12.0	20.5	4.3	3.4	1.2	8.3	9.0	159.4	40.0
Kuwait	1.8	4.3	6.9	71.2	60.8	4.7	7.3	2.3	8.5	-1.3	678.0	75.0
Oman	0.4	0.4	0.2	33.4	43.0	0.3	7.9	22.0	200.5	124.0	3.8	147.1
Qatar	2.1	2.4	1.2	32.9	17.9	12.0	15.9	12.9	52.1	50.5	24.9	105.8
Saudi Arabia	4.6	3.1	2.8	47.2	62.7	20.6	21.6	23.2	64.2	68.3	1015.0	2019.0
United Arab Emirates	1.1	0.7	2.7	110.9	167.5	5.8	6.5	6.3	63.5	58.1	225.7	214.3
<u>Non-oil economies</u>	32.3	30.7	21.6	21.3	12.7	14.6	11.9	13.2	24.8	31.4	491.5	654.5
Democratic Yemen	12.8	14.8	4.4	2.0	1.5	28.5	19.7	24.9	9.5	49.0	14.7	69.9
Jordan	53.9	50.0	31.5	30.4	31.6	16.8	17.3	13.4	31.8	34.4	65.2	137.4
Lebanon	51.2	39.3	48.3	20.8	10.4	9.0	9.2	13.2	15.4	0.9	321.4	118.2
Syrian Arab Republic	15.6	17.0	8.2	23.4	13.2	15.9	12.2	11.2	30.5	52.5	86.8	265.2
Yemen	34.8	26.8	43.6	19.3	17.0	28.4	17.1	15.5	45.7	45.1	3.3	63.8

Source: International Monetary Fund, Direction of Trade, Annual 1971-77.

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market, with its share in total imports increasing from about 27 per cent in 1971, to 38 and 51 per cent in 1973 and 1976, respectively. While Bahrain maintained its share at around two-fifth, most of the remaining countries appear to have lost in relative importance as markets between 1973 and 1976.

Viewed against the fact that for some twenty years, since the early fifties, trade liberalization constituted the cornerstone of regional cooperation efforts, the performance of intra-regional trade has, indeed, been disappointing. This is more so when one considers the concerted efforts of the Council of Arab Economic Unity (CAEU) since 1964 to set up a common market among its member countries which, by 1 January 1971 had formally^{1/} resulted in the establishment of a free trade area among four of its members.

The explanations put forward for the relatively poor performance of intra-regional trade include: shortages and inadequate trade financing and payments arrangements; prevalence of and/or preference for bilateral trade and payments arrangements; institutional differences in trade organization, strong and more favourable trade relations with countries outside the Region; existence of non-tariff obstacles to trade in some countries mainly in the form of import licensing, quantitative restrictions and limitations on foreign exchange allocations; transport bottlenecks; lack of harmonization of customs nomenclature and trade formalities; and unstable political relations.

It should be stressed, however, that these factors are mainly symptoms of more deep-rooted structural tendencies and characteristics of the economies of member countries which limit the scope of intra-regional trade. The Region's potential to supply the range of products traditionally imported from other markets in the required quantities and qualities are limited by the extent of diversification and sophistication of member country productive structures. Moreover, developments, especially in the industrial field, have not proceeded along complementary lines; rather, inward-looking industrialization policies

^{1/} In practice, the free trade area came into effect in 1973 when, all tariffs on trade in manufactures, other than tobacco, were abolished.

have been dominant, leading to import substitution and to the emergence of similar manufacturing structures sustained by protectionist measures and thus restricting mutual trade.

In its efforts to overcome these obstacles, the activities of the CAEU have in recent years emphasized the establishment of joint ventures and the coordination and harmonization of the development plans of its member states. At the same time, consideration has been given to promoting intra-regional trade through the establishment of a common tariff nomenclature; the setting up of a central customs administration, establishment of foreign exchange quotas by each country to finance reciprocal trade other than that under bilateral agreements; formulation of guidelines to govern the imposition of trade restrictions under exceptional circumstances; establishment of a machinery for the settlement of trade disputes; setting up of trade centres in each others territory and facilitating importation; and participation by member countries in international exhibitions and fairs organized in their respective territories.

D. International Payments and Reserves

A country's external payments position is a function of the totality of its transactions with the outside world, involving foreign exchange receipts and outlays, and their implications for international reserves holdings. The balance of payments of a country brings together all such transactions and reflects the resulting movements in reserves. The cumulative movement of reserves overtime is reflected in turn in the country's international liquidity position. Major balance of payments flows, relating to the 1970s, are given in table 11 for oil-economies and in Table 12 for four non-oil economies.^{1/}

1. The oil economies

The oil boom has greatly affected the balance of payments of the oil-producing countries. On the one hand, it accentuated some of the already

^{1/} Lebanon was not included for lack of recent data.

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existing features, such as trade surpluses and the accumulation of reserves. On the other hand, it led to departures from the pre boom payment patterns. Sizeable transfer payments and capital outflows reflect the emergence of these countries as major aid donors on the international scene. Meanwhile, the acceleration in the growth of investment income from abroad, and the sharp rise in payments on account of factor income services associated with efforts to accelerate the pace of development represent new dimensions.

A distinctive feature of the balance of payments of the oil economies is the existence of a large trade surplus which has increased several fold since 1973. This surplus, however, has generally been tapering off or decreasing under the influence of a slower growth in crude oil production,^{1/} associated with small price increases, and a rapid expansion in the volume of imports. The decision adopted by OPEC in December 1978 to raise the price of crude oil by 10 per cent was partly a consequence of the falling surpluses.^{2/}

To an important extent, the trade surpluses have been utilized to pay for factor services rendered by non-residents in connexion with oil-related operations, but increasingly for services associated with non-oil activities.^{3/} These payments, it should be noted, have been more than offset in the case of the larger producers by returns on their international investment.^{4/} The

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- 1/ Reflecting the situation in the world oil market, deliberate production cut-backs (Kuwait) and capacity limitations (Bahrain and Oman).
 - 2/ The actual increase decided by OPEC was 14.5 per cent which was to be phased out over 1979, thus resulting in an average rate of increase for the entire year of only 10 per cent. As a result of the tight supply caused by the interruption of Iranian oil in recent months further price increases were decided by OPEC.
 - 3/ In Saudi Arabia, for example, non-oil receipts rose from \$68 million in 1973 to \$1,075 million in 1976. Remittances by expatriate labour from the United Arab Emirates are estimated to have risen from \$108 to \$290 million between 1973 and 1975.
 - 4/ Available information shows that investment income receipts have risen in Saudi Arabia from \$205 million in 1973 to \$2884 million in 1976, from \$479 million to \$1518 million in Kuwait over the same period, and from \$47 million in 1973 to \$243 million in 1975 in the United Arab Emirates. Kuwait's rapidly developing shipping industry has also been an important foreign exchange earner.

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Table 11. ECWA Oil economies: Major balance of payments flows, 1971-1977
(Millions of dollars; period averages)

	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)+(4)	(6)	(7)	(8)	(9)
Trade ^{a/} Balance (F.O.B)	Services (net)	Balance on goods and services	Transfers (net) Private	Public	Balance on current account	Capital flows Long-Short- term	Errors and omissions	SRDs allo- cation	Reserves and related items (-=increase)
<u>Iraq</u>									
1971-73	989	-474	515	2	-4	513	-101	4	-116
1974-75	4182	-1271	2911	1	-252	2660	-484	-1314	-155
<u>Kuwait</u>									
1971-73 ^{b/}	...	...	...	-102	-185	1669	-261		-25
1975-76	6230	1004	7234	-296	-508	6430	-3012	114	1
1977	5797	836	6633	-370	-807	5456	-563	-21	2
<u>Oman</u>									
1973	84	-125	-41	-41	10	-72	44	-22	-18 ^{e/}
1974-76	446	-294	152	-143	94	103	112	17	-167 ^{e/}
1977 ^{a/}	409	-220	189	-145	267	311	96	-98	-207 ^{e/}
<u>Qatar</u>									
1972-73	338	-73 ^{e/}	218 ^{f/}	...	-51	167	-122 ^{g/}		...
1974-76	1457	74 ^{e/}	1248 ^{f/}	...	-145	1103	-490 ^{g/}		...
<u>Saudi Arabia</u>									
1971-73	3707	-1648	2059	-289	-241	1529	-261	-63	-
1974-76	24200	-3850	20350	-948	-2490	16912	-6316	-433	-
1977	25729	-7547	18182	-1504	-3887	12791	-8964	-3036	1
<u>United Arab Emirates^{b/}</u>									
1972-73	938	-532 ^{h/}	406	...	-187 ^{i/}	219	-28		-83
1974-75	5062	-880 ^{h/}	4182	...	-774 ^{i/}	3408	-1331		-852

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

Notes: Figures were rounded to the nearest million; details, therefore, may not add up to totals.
SDRs = Special Drawing Rights.

- a/ Exports are valued FOB and imports CIF in the case of Kuwait (1971-73), Oman, Qatar and United Arab Emirates.
- b/ Figures for the period 1971-73 are not strictly comparable with those of 1975-77; the entry under reserves for 1971-73 relates to changes in Government assets (Central Bank and Ministry of Finance).
- c/ Includes private capital flows.
- e/ Represents investment income.
- f/ Includes private transfers.
- g/ Includes net errors and omissions.
- h/ Abu Dhabi only.
- i/ Includes private transfers.
- j/ Official transfers and loans.

trade surplus has been further eroded by transfers abroad, both private and public, particularly the latter.^{1/} In Iraq recorded private transfers appear to have been negligible, whereas in the United Arab Emirates they have generally exceeded public transfers. Oman on the other hand, has been a net receiver of public funds.

The net effect of these transactions has generally resulted in large surplus on current account, especially in Kuwait, Saudi Arabia and the United Arab Emirates. In the post-1973 period,^{2/} between 55 and 60 per cent of these surpluses have gone to augment official international reserves held by monetary authorities in Kuwait, Qatar and Saudi Arabia. Iraq, in contrast, allocated around 25 per cent of the current account surplus to reserves.^{3/} The balance, allowing for recorded net errors and omissions, has gone to finance capital outflows, overwhelmingly long-term capital in the case of Kuwait and Saudi Arabia, reflecting among other things their limited absorptive capacity.

2. The non-oil economies

The payments situation in the four non-oil economies, depicted in Table 12, continues to be characterized by the existence of large and persistent trade deficits which have widened sharply after 1973. These deficits have been given rise to by a number of developments which have their

1/ Public transfers have assumed an increasingly important role since 1967 with the commitment of Kuwait and Saudi Arabia to extend financial aid to Egypt and Jordan, and later on to the Syrian Arab Republic. Qatar and the United Arab Emirates became important aid donors beginning in 1973. The scope of public transfers has been extended in recent years to non-Arab developing countries by expanding the scope of operations of national funds, creating special funds/banks for that purpose, contributing to international efforts in this respect, and through the extension of direct bilateral assistance.

2/ Relating to 1974-75 (Iraq), 1975-76 (Kuwait) and 1974-76 (Qatar and Saudi Arabia).

3/ In 1977, additions to reserves represented around 89 per cent of the current account surplus of Kuwait compared to 6 per cent only in the case of Saudi Arabia, where a very sharp rise in private capital outflows was recorded.

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Table 12. ECWA Non-oil economies: Major balance of payments flows, 1971-1977
(Millions of dollars; period averages)

	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)+(4)	(6)	(7)	(8)	(9)
	Trade balance	Services (net)	Balance of goods and services	Transfers (net) Private	Balance on current account	Capital flows (net) Long-term	Errors and omissions	SRDs allocations	Reserves and related items
<u>Democratic Yemen</u>									
1971-73	-52	-13	-65	35	-30	14	11	2	-2
1974	-128	-14	-142	41	-100	53	25	-	24
<u>Jordan</u>									
1971-73	-189	11	-178	7	-14	20	-4	2	-6
1974-76	-491	180	-311	8	53	49	16	-	-80
1977	-976	483	-488	-3	15	177	-39	-	-186
<u>Syrian Arab Republic</u>									
1971-73	-181	114	-67	28	104	40	18	3	-121
1974-76	-596	-115	-711	50	-170	87	81	-	3
1977	-1528	136	-1392	92	-164	313	113	-	-272
<u>Yemen</u>									
1972-73 ^{a/}	-145	4	-141	108	-11	29 ^{b/}	...	1	-18
1974-1976	-292	-20	-312	361	140	36	-7	-	-202
1977	-705	-62	-767	949	302	47	34	-	-500

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

Notes: Figures were rounded to the nearest million; details, therefore, may not add up to totals.
SDRs = Special Drawing Rights.

^{a/} Years starting 1 July.
^{b/} Includes net errors and omissions.

origin in the oil boom and its aftermath. As indicated above, the sharp expansion in oil revenues has resulted in substantial financial transfers in favour of non-oil economies. At the same time, the ensuing economic boom in the oil-producing countries has attracted labour in large numbers from other parts of the Region, notably Jordan, Lebanon and Yemen thus generating sizable factor income flows into these countries.

In the case of Jordan, the trade deficit has been largely offset by public transfers, mainly from within the Region, remittances from Jordanians working in the Gulf area, and to a lesser extent earnings from tourism, enabling the country to realize a small surplus on its current account. This, together with a positive flow of long-term capital, have enabled Jordan to make modest additions to its international reserves.

In the case of the Syrian Arab Republic the services account, an important net foreign exchange earner up to 1973, became negative in the period 1974-1976. Thus accentuating the deficit in merchandise trade.^{1/} This deficit averaged \$700 million in the period 1974-1976, and attained a level close to \$1.4 billion in 1977. These huge figures have been largely offset by the sharp expansion in public transfers receipts from several oil economies. While capital inflows helped to close the remaining gap in the current account over the period 1974-1976, hardly any additions to reserves were made.^{2/} The situation was reversed in 1977 and reserves increased by \$272 million.

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- ^{1/} Reflecting mainly the sharp rise in travel expenditures abroad, the effects of the stoppage of oil flows from Iraq to the Mediterranean across Syrian territory following the dispute between the two countries in the Spring of 1976, and in payments on account of freight and insurance on merchandise, coupled with a decline in receipts on the latter account.
- ^{2/} Reflecting mainly the sharp increase in the deficit on the trade and services account in 1976, coupled with a decline in the level of financial transfers from their 1975 level, which led to running down of reserves by over \$350 million.

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Available information clearly brings out the strained payments situation of Democratic Yemen which has had to operate within the constraints imposed by the smallness of exports and a negative services account, with no apparently offsetting flows. In contrast, the other least developed member country namely, Yemen, has been able to sustain a large and widening deficit on goods and services and simultaneously make significant additions to its international reserves. In addition to remittances from Yemeni's working abroad, mainly in Saudi Arabia, Yemen has also been the recipient of substantial aid and loans, mainly from within the Region.

The strength or weakness of a country's payments position as reflected by the relationship between the internationally accepted means of payments at its disposal and its external obligations. As commonly defined, the means of payments will include gold and foreign exchange holdings by monetary authorities, reserve position with the International Monetary Fund and, as of 1970, allocations of Special Drawing Rights. In a broader sense, these means should also take account of other foreign assets (short- and long-term investments) held by the public authorities. The size of these assets in the case of such countries as Kuwait and Saudi Arabia is reported to exceed reserves as traditionally defined. Foreign exchange obligations arise mainly in connexion with payments for imports of goods and services and debt servicing. Recently, a new dimension to foreign obligations has been added. That is, foreign financial aid which has reflected the growing sense of commitment on the part of the oil-producing countries to the cause of development within and outside the Region.

A commonly used indicator to assess a country's payments position is the reserves/imports ratio. Changes in international reserves and in the reserves/imports ratios of ECWA member countries for the period 1971-1977 are given in Table 13 below.

The pace of reserves accumulation in the Region accelerated rapidly after 1973. The combined reserves of the twelve countries shown in Table 13 rose from an average of about \$5.49 billion in 1971-1973, to 31.62 billion in 1974-1976, and attained \$46.47 billion by the end of 1977. This expansion, was concentrated mostly in the oil economies whose reserves reached close to

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\$42 billion by the end of 1977. However, the overall reserves position of the non-oil economies recorded significant improvements over the same period, attaining \$4.53 billion by the end of 1977, compared with only \$1.78 billion in 1973.

Additions to reserves have not been evenly distributed whether among countries or overtime. Thus, the largest jump in the Region's reserves was recorded in 1974 when the latter increased by \$14.54 billion, followed by \$9.94, \$7.16 and \$6.76 billion in the succeeding three years. At the same time, Saudi Arabia was responsible for over two-thirds of the increment in the Region's reserves between 1973 and 1977, followed by Iraq and Kuwait with 14 and 6 per cent, respectively. Among the non-oil economies, significant additions to reserves were made by both Lebanon and Yemen. The reserve position of Democratic Yemen remains vulnerable.

Though both reserves and imports rose very sharply after 1973, the faster pace of the former has resulted in a significant improvement in the Region's overall reserves/imports ratio. For the Region as a whole, this ratio rose from an average of 0.91 in 1971-1973, to 1.51 in 1974-1976, reflecting mainly the improvement experienced by Saudi Arabia where the ratio more than doubled, to 4.2, between the two subperiods.

Striking inter-country differences in the coverage of imports by reserves can be observed from Table 13. The smaller oil-producing countries, Democratic Yemen and the Syrian Arab Republic, continued to have the least adequate reserves/imports ratio, with reserves sufficient to cover only between 2-5 months of imports at their rates in the period 1974-1976. The sharp expansion in Yemen's imports after 1973 has been associated with an even faster rise in reserves, bringing the reserves/imports ratio from 1.03 in 1973 to an average of 1.41 in 1974-1976. Both Kuwait and Lebanon experienced improvements in their reserves/imports ratio enabling them to meet import requirements equivalent to approximately 8 and 12 months of imports at the average rates prevailing in 1974-1976. Though Iraq and more so, Jordan experienced a deterioration in their reserves/imports ratios in recent years, reserves remained sufficient to cover about a year's imports at the 1974-1976 average rate in Iraq and 7 months imports in the case of Jordan.

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Table 13. ECWA's International reserves^{a/} and reserves/imports ratios, 1971-1977

	Reserves (\$ million)				Reserves/imports (ratios)	
	1971-73 (average)	1974-76 (average)	1973	1977	1971-73 (average)	1974-76 (average)
<u>Total ECWA Region</u>	<u>5492</u>	<u>31618</u>	<u>8061</u>	<u>46469</u>	<u>0.91</u>	<u>1.51</u>
<u>Oil Economies</u>	<u>4240</u>	<u>28506</u>	<u>6280</u>	<u>41943</u>	<u>1.04</u>	<u>1.76</u>
Bahrain	87	293	74	510	0.21	0.22
Iraq	978	3534	1553	6996	1.28	1.01
Kuwait	384	1661	501	2990	0.46	0.69
Oman	142	247	107	427	2.15	0.39
Qatar	42	104	76	162	0.29	0.21
Saudi Arabia	2607	21543	3877	30034	2.02	4.20
United Arab Emirates	...	1124	92	824	0.11 ^{b/}	0.43
<u>Non-oil economies</u>	<u>1252</u>	<u>3112</u>	<u>1781</u>	<u>4526</u>	<u>0.64</u>	<u>0.65</u>
Democratic Yemen	69	68	76	101	0.43	0.18
Jordan	276	444	304	678	1.02	0.59
Lebanon	695	1649	862	1961	0.75	0.96
Syrian Arab Republic	212	532	413	546	0.40	0.33
Yemen	...	419	126	1240	1.03 ^{b/}	1.41

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

a/ End of period data on gold and foreign exchange holdings by monetary authorities, reserve position with IMF plus Special Drawing Rights where applicable. For Kuwait, reserves with the Central Government are excluded and only those with the Central Bank are given.

b/ Relates to 1973 only.

F. SOCIAL DEVELOPMENTS AND HUMAN SETTLEMENTS

The problems of social development and human settlements within the ECWA region are common to most developing countries. They include poverty, unemployment, deficiencies in education and health, substandard housing, bad sanitation, urban congestion and rural isolation. These problems, while reflecting during the 1970s the changing economic conditions in the region, have been exacerbated by political instability. For example, the displacement of large number of persons has added to the already great demands for all kinds of social services.

The newly acquired financial resources from the oil sector have greatly facilitated social development efforts by freeing them from financial constraints. However, the financial ease in many member countries could not last indefinitely nor could it guarantee the success of these efforts.

Education

Educational growth, while varying from one country to another in the region, was marked by a rapid expansion in the educational systems as reflected by, inter alia, growing enrldment ratios at the various levels of education, increasing numbers of teachers, growing differentiation in the types and methods of education and the emergence of educational planning.

Expenditures on education in absolute terms rose several fold during the seventies. As a proportion of GDP, the rise was minimal. This situation is explained by the exceptional growth in GDP on account of the oil boom.

Measured in real terms, expenditures per enrolled student have increased significantly in all the countries except Jordan. Total increases over the period from 1970/71 to 1975/76 ranged between 8.2 percent and 79 percent (see table 1).

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Table 1. Expenditure on education in ECWA countries, 1970/71, 1975/76
(millions of national currencies)

	1970/71				1975/76			
	Educational expenditure	Student enrollment	Expenditure per enrolled student		Educational expenditure	Student enrollment	Expenditure per enrolled student	
			In current prices	In constant 1970 prices			In current prices	In constant 1970 prices
Bahrain	4.6	53,255	86.9	82.1	10.4 ^{a/}	63,784 ^{a/}	163.2	88.8
Democratic Yemen	2.5	...	...	...	6.4	254,614	25.1	13.6
Iraq	56.6	1,463,354	38.5	37.2	170.3	2,403,054	70.9	47.4
Jordan	6.9	390,466	17.7	17.0	14.9	577,023	25.8	13.4
Kuwait	29.9	158,951	177.0	164.0	103.2	254,121	406.1	255.1
Lebanon	152.0	1,510,220	100.6	98.9	271.0 ^{b/}	1,729,987 ^{b/}	156.6	124.8
Oman	1.3	6,950	187.1	..	13.6	55,836	243.6	..
Qatar	44.8	13,726	2,271.1	..	195.5	35,540	5,500.8	..
Saudi Arabia	667.0	545,244	1,223.3	1,170.6	3,760.0 ^{a/}	864,503 ^{a/}	5,349.3	2,095.0
Syrian Arab Republic	280.9	1,321,169	212.6	202.5	1,312.3	1,867,970	702.5	360.3
U.A.E.	62.5 ^{c/}	32,002 ^{c/}	1,901.9	..	513.5	61,857	8,301.4	..
Yemen	10.0	93,945	106.4	..	46.6	278,694	167.2	64.1

Source UN/ECWA, Statistical Abstract of the region of Economic Commission for Western Asia, 1978.
Beirut, second issue.

a/ 1974/75 data
b/ 1973/74 data
c/ 1971/72 data

(..) Indicates that the figure is not available.

A major factor in educational growth is the availability of teachers. Teacher-pupil ratios have decreased in several member countries due to the difficulty of matching trained personnel with population growth and increased enrolment. Regionally, the percentage of teachers to students at the primary level ranges from 2.6 percent in Yemen to 5.4 percent in Kuwait. In contrast, the number of teachers at the secondary level of education has progressively increased in most of the countries during the seventies. Greater resources at this level have been the result of increased university graduates. In many countries, education and public administration are the main absorbing sectors of university graduates. Generally, female participation in teaching has been rising, particularly at the primary level.

Despite increased resource availability during the seventies, physical facilities in certain areas did not keep pace with the growing enrolments. Although the number of schools and supporting material have constantly increased, in most instances, overall quantitative expansion in educational facilities has not been matched by qualitative improvement. Furthermore, school systems, teaching methods and curricula derived from European models, are in need of reorientation and restructuring.

The increased number of enrolled students at all levels is also a marked evidence of educational expansion. This trend is particularly noticed at the primary level of education. In 1977, Jordan, Kuwait and the Syrian Arab Republic nearly attained universal education at the primary level. Saudi Arabia and Yemen still had low enrolment ratios at the primary level, although significant numerical increases have been achieved. In Oman, primary education was initiated only in 1970 and junior secondary education began in 1972.

The growing proportion of female students in this enrolment expansion, is particularly significant at the primary level where females now constitute approximately one-third of enrolments. In Jordan, for example, by 1975, female enrolment had reached approximately 41 percent of total enrolments at the primary level. Also by 1976, female enrolment, accounted for 54.6 percent of the total at all levels in Bahrain, more than 50 percent in Qatar,

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45 percent in Kuwait, and 39.6 percent in the Syrian Arab Republic.

Secondary and higher education showed even higher growth rates than primary education in all ECWA countries during the Second Development Decade. Education at the secondary level includes general education, vocational education and teacher training. In the ECWA region, general education has traditionally been given priority over vocational education and teacher training. However, more recently, and under the pressure of a universal shortage in skilled technical manpower, emphasis has been placed on vocational education. In Jordan, the rate of enrolment in vocational training rose from 8.5 per cent in 1972 to 15 per cent in 1975.

The highest school enrolment ratios at the secondary level are found in Kuwait, the Syrian Arab Republic and Jordan. Female enrolment at the secondary level is substantially less than male enrolment in all ECWA countries except Kuwait.

Higher education has also expanded with the rapid growth of new universities in Democratic Yemen, Jordan, Kuwait, Saudi Arabia and the United Arab Emirates, and the increase in programmes and facilities in other countries of the region. However, there still exists an imbalance between the relatively low number of graduates in science, medicine and technological fields and the large number of humanities and law.

Illiteracy is still widespread in the region, particularly among the older age groups. The rate of illiteracy in 1975 for the region as a whole averaged 70 percent and reached in some countries as high as 87 percent

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Table 2. Illiteracy Rates by Sex in Selected ECWA Countries for Population 15 years and Over, 1975

Country	Percentage of Males	Percentage of Females
Bahrain	42	64.6
Iraq	58.5	82.8
Kuwait	32	52
Lebanon	20	44
Oman	65	98
Qatar	65	98
Syrian Arab Republic	34	76
United Arab Emirates	41.6	61.9
Yemen Arab Republic	75.5	98.4

Source: ECWA from National and International Sources.

Educational loss in terms of repeaters and dropouts, remains a neglected problem at the secondary level of education. Economic pressures coupled with an often slack implementation of labour legislation affecting the employment of children at school age, as well as the continuing predominance of early marriages for girls, have all helped to intensify the problem of school dropouts. The quality of teaching personnel and over-sized classes are some of the factors causing the relatively high number of repeaters. The high proportion of female dropouts reflects the persistent negative attitude towards female education particularly in the rural areas.

During the previous decade, education strategies in the region concentrated mainly on quantitative expansion. It was not until the second half of the present decade that the quality of education has become a major concern to education decision-makers and planners. Most governments are now attempting to develop educational systems which better express the needs, values and aspirations of their society.

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Several new trends are emerging in educational policies of most ECWA countries. They include improved availability of educational opportunities for all citizens; concern with education of the under-privileged; extension of compulsory education; linking education and economic development to determine labour requirements; the expansion of technical education and establishment of new educational information systems. Furthermore there have been some attempts to bring about changes at different levels including (a) the expansion of one-classroom schools in rural and remote areas and the implementation of new curricula and teaching methods and (b) the establishment of technical universities.

The necessity for continuous curriculum reforms and improvements in the processes of curriculum implementation has been given high priority in most ECWA countries. Some of these countries are adopting a modern scientific approach to education. They have also begun their educational reforms with carefully designed comprehensive programmes.

The status of health in the ECWA region

A general trend towards the improvement in health conditions in the ECWA region during the seventies has resulted in falling mortality rates and rising life expectancies. Contagious diseases have effectively been controlled. However, major infectious diseases such as malaria, tuberculosis, cholera and small pox remain problem areas in several countries. Chronic degenerative diseases such as cancer, diabetes, respiratory diseases and mental disorders are also assuming greater importance in the health plans of ECWA countries. Increasing urbanization and deterioration of the environment have aggravated existing health hazards by increasing communicable diseases like gastrointestinal disorders and respiratory infections. Also, over frequent and unplanned pregnancies continue to pose a major health problem in the region.

Systematic health planning within the context of national development is being practiced in most countries. In some cases, health programmes, consisting of curative and preventive components, have been formulated.

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The health sector throughout the region has been characterized by the predominance of curative units and laboratories. However, some countries have strengthened their public health institutes and established training courses. Those developments have contributed to consolidating the preventive aspects of health such as immunization, environmental sanitation and maternal and child health care.

However, the critical shortage in health personnel impedes the evolution of curative and preventive medicine. Throughout the region, the physicians/population ratio remains generally low. Ratios varied in 1976; the number of persons per doctor was 874 in Kuwait; 2689 in the Syrian Arab Republic; 3191 in Jordan; 4944 in Oman and 18,000 in Yemen. Furthermore, the unbalanced geographical distribution of health facilities at the country level is common to all ECWA countries. In Oman and the two Yemens, access to medical facilities for rural population remains virtually non-existent. In some countries like Iraq, Jordan and the Syrian Arab Republic, health planning covers both rural and urban areas.

Health plans aim at increasing trained personnel at various levels, improving the administrative structure and machinery of health services and achieving a more geographically balanced distribution of health services. They also aim at increasing public health awareness, the provision of adequate and safe water supplies, the sanitary disposal of wastes, the provision of a full range of basic health services and the control and eradication of communicable diseases.

The means available to the countries of the region for the improvement and maintenance of health conditions, have been steadily expanded and diversified the present decade. Generally, an upward trend in budgetary allocations to the health sector has been noticed.

Although training of physicians and other professional categories has greatly improved during the decade, it remains inadequate especially at the planning and execution levels. Effective training had to be compromised due to over-burdened staff and facilities. Thus, there is an urgent need for revision and innovation in training methods.

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The shortage in professional staff and the apparent unattractiveness of work in rural areas make it inevitable that services will have to be delivered increasingly by auxiliary personnel.

Many ECWA countries, such as Bahrain, Iraq, Jordan, Kuwait, Qatar and Syrian Arab Republic, have shown considerable interest in consolidating and developing further their existing public health services. The intention is to gradually develop networks of health centres and subcentres in selected provinces as the cornerstones of health services, as in Iraq and the Syrian Arab Republic. In Iraq, Jordan and the Syrian Arab Republic, there is a growing network of maternal and child health centres. In Jordan the centres have now added a family planning component. Child care is also the subject of a growing number of post-graduate training programmes for doctors.

Due to the problem of accelerating urbanization in the region, there is an urgent need for improvement in both the quantity and quality of water supply and sewerage treatment. Most ECWA countries have also shown considerable interest in pollution control, including coastal water quality monitoring programmes.

Disease control programmes are now being given greater importance in most countries. Large scale malaria eradication and control programmes in many countries of the region (Democratic Yemen, Egypt, Iraq, Saudi Arabia and Yemen) have been effective in reducing the incidence of this parasite. Moreover, in recent years, control programmes for communicable eye diseases have led to a marked reduction in the prevalent severity of trachoma especially in Iraq, Kuwait and the Syrian Arab Republic. Efforts, nevertheless, are still needed to institute further control programmes and incorporate them into basic health services.

Nutrition problems continue to confront many ECWA countries and present themselves in dietary deficiencies, poor food preservation, food wastage through bad storage and, above all, inadequate food production. The development and introduction of safe low-cost weaning food would help in preventing malnutrition in the weaning period. While Jordan and Kuwait have introduced health and

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and nutrition education into the primary school system, Iraq is dealing with the nutrition problems through its Nutrition Education and Rehabilitation Institute.

Social changes and progress in the ECWA region

In the course of transition from a traditional to a modern society, social change affecting established structures and institutions is inevitable. In this respect all ECWA countries are experiencing far reaching changes ranging from the increased integration of women and youth in the development process to the emergence of distinct social stratification.

Participation of Women

It has become evident that the full integration of women in all aspects of development is closely linked to the success of the overall development effort. This concern has become more vocal within the ECWA region because of shortages in the labour supply and the growing aspirations of educated women. Female participation rates vary from 3.5 to 18.5 percent of the total population. With the exception of work in the agricultural sector, the average activity rate of women over the age of 15 does not exceed 6 percent of total workers in that age group. This low ratio of economically active women, has its roots in high levels of fertility, unfavourable social customs, low level of education among women.

Considerable attention is now being given to female education in all countries of the region as reflected in the rise in the enrollment ratio of girls aged 6-24 at various educational levels from about 14 percent in 1960 to 25 percent in 1975. The proportion of females out of the total number of students enrolled at various educational levels has also been increasing.

Female workers in the agricultural sector constitute the vast majority of women contributing to economic activity in the countries where agriculture is a major sector. The proportion of female workers in this sector ranges between 60 and 80 percent. Excluding the oil-producing countries, the average proportion of females to total workers varies from 20 percent to 35 percent. Despite the absence of detailed statistics, it can be reasonably assumed that most female workers in the modern economic sectors are concentrated in the services (commercial and financial sectors, with only a low proportion in the industrial and commodity producing sectors.

A regional seminar on the Integration of Women in Development was held in Amman in the summer of 1978 to prepare a Regional Plan of Action for Integration of Women in Development for the ECWA region. The plan specifies action to be taken, in the areas of law and personal status, education and training, employment, family services and welfare and improving the conditions of rural and nomadic women.

The role of youth

Thus far, the role of youth in the development of the ECWA countries has been very limited. Inactive youths account for approximately 40 percent of those in the 13-19 age bracket and 50 percent of those in the 20-24 bracket. Furthermore, youths account for approximately 51 percent of the unemployed.

In the region, only Iraq and Oman have a Ministry of Youth. In all countries, however, government youth services are primarily limited to sports activities. Moreover, most administrative structures dealing with youth suffer from a lack of qualified personnel, insufficient finance, role misconception and, most important, the absence of a policy at the national level.

A limited number of programmes have been implemented, particularly in Egypt, Iraq, and the Syrian Arab Republic, to enhance youth participation in the

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development process.^{1/} However, a trend has been emerging in recent years which, under growing labour shortages, is giving increased recognition to youth as a resource.

Social classes

In almost all ECWA countries, the process of industrialization and modernization has led to the emergence of distinct social categories. Accordingly, a major preoccupation of governments has been to ensure social and economic justice among the different classes and to integrate minorities.

The emergence of an urban industrial working class, and its growing concern with social security, socialization of medicine, and syndicalism are having important social and economic impacts. Although this class is, in most countries, still in its embryonic state, its role should not be under-estimated. The growing social awareness of its members, expressed in increasing demands for socio-economic reform and greater welfare sharing, makes this class a dynamic force of change.

The rapid expansion of education in general, and higher education in particular, has been the main contributing factor to the growth of a new and distinct middle class in all ECWA countries composed of managers, technocrats, professors, writers, and doctors. This middle class is acting as a very important agent and catalyst of economic and social change.

^{1/} In the Syrian Arab Republic a programme of youth camp offers experience in afforestation, civil defence, road and dam construction and, for girls, nursing and first aid. In Iraq, the Ministry of Youth aims at involving youth in the reconstruction of society through youth centres which provide sports, vocational training, literacy courses and social welfare services. Other countries in the region have made a few attempts at involving youth in such activities. Jordan established numerous work camps, but these are mainly recreational. Kuwait also organized work camps where afforestation activities, in addition to recreational and cultural activities, were carried out.

Rural progress

Efforts to narrow down the widening gap between urban and rural areas have concentrated mainly on agricultural development. These efforts include a variety of measures such as land reform, co-operatives, agricultural credit and agricultural extension. On the whole, most of these measures have been insufficient to serve the purposes of the agricultural population.

Extension services have been limited in scope and have not covered effectively even a small proportion of the rural population. In addition, many social and environmental problems affect the potential and intended effects of agricultural extension services. These include inadequacies in extension training, poor co-ordination and communication as well as insufficient logistic support; furthermore, the low rate of literacy in rural areas continues to reduce the effectiveness of the services offered.

Over the last twenty years, several countries in the ECWA region implemented agrarian reform programmes, altering the systems of land tenure in order to stimulate agricultural development and improve social justice. However, the synchronization of rural development measures is still needed and will undoubtedly prove to be crucial during the coming decade.

Integrated rural development (IRD) is given priority with a view to improve the living conditions of the rural population, restrain rural-urban migration, reduce the widening gap between urban and rural living standards and encourage larger agricultural surpluses. Present policies and institutional and administrative structures are not oriented to rural development. For example, the current development plans of Democratic Yemen, Oman and Yemen lack a clear national policy and perspective on integrated rural development. The direct participation and involvement of the people in their own development is essential if government policies, which envisage fundamental economic and social changes in the rural areas, are to succeed.

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The use of community development techniques, which allow both government authorities and the public to participate in development has been limited. The importance of popular participation in rural development programmes and projects is, however gaining recognition, and so is the fact that communication is one of the means of obtaining that participation. Consequently, a relatively new discipline of Development Support Communication (DSC) has been developed which stresses the two way communications principle. In Iraq, the Syrian Arab Republic, Egypt, Jordan and Saudi Arabia steps have been taken to strengthen the communication component for rural development.

Social Welfare in the ECWA Region

Social welfare services of a humanitarian nature have existed for many years in all ECWA countries. During the present decade, social welfare experienced significant changes including the reinterpretation of social welfare; gradual integration into national planning; the reorientation of its programmes from remedial to developmental and the training of specialized manpower resources.

Social welfare is increasingly being interpreted as a system designed to enable individuals, families, groups or communities to cope with changing conditions and to ensure their effective participation in the development process.

The social welfare sector is a mixture of three distinct programmes: (i) programmes for the vulnerable and marginal groups (orphans, physically handicapped, mentally retarded, delinquents, the aged, destitutes, etc.); (ii) programmes designed to maintain satisfactory standards of living (including public assistance, social security and health insurance schemes, vocational rehabilitation, school social work and health guidance, and (iii) programmes aimed at the involvement of groups and communities in the development process. In most countries, services to vulnerable groups still claim most of the allocated resources. However, developmental and preventive social welfare programmes are now emerging and are expected to gather momentum during the eighties.

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In view of the absence of comprehensive social welfare planning, existing social policies are still limited in scope and effect. These policies are generally confined to social security benefits covering small groups of the population, social assistance regulations for individuals, and government subsidies to non-governmental organizations. Growing attention is being paid to the needs of children and youth. Government action with respect to vulnerable and marginal groups relates to regulations governing direct financial assistance to orphans, handicapped, foundlings and war victims, and to subsidies to non-governmental organizations.

With increasing industrialization and urbanization in the region, social welfare is becoming a fundamental development component. Specific social welfare objectives have seldom been formulated. But where this has been the case, it largely concerned the assignment of ad hoc projects to particular government agencies carrying out specific social welfare responsibilities.

The social welfare sector throughout the region is characterized by the progressively increasing role of governments. Private sponsorship of social welfare activities is encouraged by government Administrative and institutional changes related to social welfare have been directed towards greater decentralization. The more attention to rural areas and greater reliance on qualified technical staff. The role of governments in welfare administration includes the formulation of policies, execution of statutory programmes and training of personnel.

Social welfare services to vulnerable groups have received, throughout the region, most of the attention from both the public and the private sectors, thus institutional care for orphans, the physically handicapped, the mentally retarded and delinquents form the bulk of social welfare programmes. Predominantly urban day-care nurseries are rapidly expanding throughout the region. Institutional care is usually very costly. Therefore, the current reorientation of child welfare (foster-care, day-care nurseries) should be further encouraged.

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Development programmes for the physically handicapped and mentally retarded have been established in several countries (Kuwait and Qatar) but are still limited in scope and coverage. Comprehensive policies for the aged are not lacking at present in most countries. However, where it exists, it is limited to urban areas. In rural areas this problem remains within the family structure.

As to social welfare programmes designed to maintain satisfactory living standards, they take on a variety of forms, the most prevalent in the region are public assistance programmes and social security schemes. Public assistance is common in the region and utilizes considerable resources. However, it is mainly remedial in nature, consisting mostly of financial grants to needy families to alleviate immediate hardships. However, in Democratic Yemen, an attempt is being made to replace relief assistance to poor families by programmes in which members of assisted families receive training in skills under the supervision of social workers.

Developmental social welfare programmes aimed at the improvement and maintenance of satisfactory standards of living, other than social security programmes, like vocational training, community education, nutrition programmes, school social work and prison social work, are emerging in some countries of the region (Jordan, Kuwait and the Syrian Arab Republic).

Social security programmes introduced during the late fifties and early sixties were gradually expanded to include more benefits and greater coverage. The existing social security systems are primarily aimed at protecting wage earners in the modern industrial and the public sectors. However they have been mostly in the form of labour-welfare services in the region. With increasing industrialization, labour welfare is emerging as an important government welfare function. Labour affairs' programmes including labour legislations, labour services, employment and labour guidance have been instituted in many countries particularly in the oil-economies. Labour legislations regulating working hours, overtime, annual, sick and maternity leaves, disability, indemnity payments, workers safeguards (particularly for young workers and women), minimum wages and trade union relationships, have been promulgated in

many ECWA countries. The effective implementation of labour legislations has, however, been confronted with a variety of obstacles. The recency of such legislations and the paucity of trained personnel explain their slow development.

Community development programmes in the region have rarely gone beyond the stage of experimentation and demonstration. Current trends, however, indicate an emerging movement with a greater participation by groups and individuals, an increased role for the private sector and a greater reliance on local resources. Social research has been instituted as a necessary measure to develop more scientific programmes of community development.

The personnel situation in the social welfare sector is characterized by deficiencies in qualifications and output particularly in the middle and lower personnel levels. The deficiencies exist in both the public and the private social welfare sectors with the latter depending heavily on untrained volunteers. In addition, the geographical distribution of personnel tends to favour services at the central government level and urban levels at the expense of regional and rural services. In view of the above, many countries in the region have begun training programmes to correct the deficiencies. The most widespread training method is the in-service and pre-service training programmes. In addition, specialized short-term workshops are organized for various levels of personnel in the field of welfare administration and planning.

While there has been a greater awareness of the importance of social welfare services, the outmoded concepts of social welfare associated with the idea of charity and relief are still prevalent. This has led to a continuous allocation of funds to programmes which are of little value to national development. Moreover, co-ordination among social welfare services is lacking due to the multiplicity of voluntary efforts and to the overlapping of responsibility between various government agencies. While the ministries of social affairs and labour carry the major responsibilities in the field, other and often parallel services are provided by the ministries of health, justice, education and municipal and rural affairs and 'Wakfs'.

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The development of human resources for social welfare services is a necessary condition for the development of the social welfare sector. Needed measures include (a) reorientation of administrative personnel and greater emphasis on technical aspects of social welfare; (b) the establishment of adequate supervisory systems; (c) the formulation of social workers' status codes; (d) the establishment of institutes for advanced training in social welfare; (e) increased attention to the training of volunteers and personnel working in the private sector; and (f) greater reliance on group and community efforts.

The state of human settlements in the ECWA region

Since the late 1960s, and especially in the course of the current decade the region has been experiencing dramatic urban growth. In most countries, with their new and sometimes ambitious development programmes, the process of modernization, structural change and urbanization will continue to accelerate. People will continue to move from rural areas and small towns to large metropolitan areas, as well as from one metropolitan area to another. Simultaneously, the movement from large cities to new suburban areas will continue, as is the case in Baghdad, Beirut, Amman and Damascus.

In all countries, population growth has been more rapid in large cities than in smaller towns. The absence of a well defined national urban development policy has facilitated the fast rate of urbanization in capital cities (between 5 and 15 percent annually). Rapid economic development has multiplied the many physical problems associated with increased population concentration, such as the high cost and scarcity of urban land and transportation, the emergence of slums and poor housing, bad sanitation and traffic congestion, compounded by severe shortages of utilities and community facilities.

In some instances, countries wishing to control urbanization have not succeeded, partly because of the pressure of rural poverty which leads to rural-urban migration and the establishment of squatter settlements.

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The problem is further intensified by the neglect of housing needs in rural areas. Most governments, concentrate their resources on urban housing requirements. Rural settlements' development programmes and policies in the region are given low priority. Where such programmes and policies exist, they are usually in the form of isolated measures incorporated in agricultural development plans.

Housing management has been obviously neglected in the ECWA region. The planned development of human settlements is hampered by the prevailing laws and administrative systems. The increasing scale, and complexity of human settlements problems calls for a new form of departmental specialization. At present, fragmented decision making on matters of physical development is the rule rather than the exception. Legislative authority is often inadequate, implementation ineffective, and zoning regulations weak. Consequently inappropriate solutions have been resorted to solve problems related to land use. Thus, the result has been high speculation in land and manipulation of usage plans leading to unorderly growth of housing estates and creation of traffic congestion. In addition, population growth, migration and war destruction have, since the late 1960s, created chronic and large scale housing shortages. Housing problems therefore are a subject of deep concern to the region's governments. While several countries have set up a ministry to deal with housing and related problems, and most have been allocating substantial funds for the development of housing, none of the countries has drawn up a comprehensive housing policy and programme of construction.

The undeveloped nature of the building industry enormously hinders the development of human settlements. Furthermore, international standards, models type designs and building specifications are lacking.

G. REGIONAL CO-OPERATION AND INTEGRATION

Trade liberalization constituted the cornerstone in regional co-operation efforts for some two decades, beginning in the early nineteen fifties. The achievements however remain far below expectations, both in terms of the expansion of intraregional trade and with respect to the number of countries which have adhered to the Arab Common Market (ACM) agreement.^{1/}

While the formation of a common market remains a major aim, the current decade has witnessed a definite shift in emphasis in favour of co-operation in the fields of production and finance and the building of the requisite institutional framework.^{2/} This shift reflected a change in thinking about the priorities of regional co-operation given the wide spectrum of co-operation possibilities which opened up as a result of the rapid accumulation of financial resources.

1/ The original four ACM countries (Egypt, Iraq, Jordan and the Syrian Arab Republic) were joined, in 1977, by Sudan and the Libyan Arab Jamahiriya. Also, the two Yemens have been reported to be seriously considering joining the agreement.

2/ The Arab Monetary Fund (with an initial capital of SDR's 750 million), the Arab Authority for Agricultural Investment and Development (with the capital of KD 150 million) are two major institutions in this framework.

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The new emphasis on production and finance found its main expression in the establishment of joint ventures^{1/} and regional producers' associations,^{2/} in the proliferation of development finance institutions^{3/} and in the formation and the promulgation of supporting institutions and legislations^{4/} aimed at promoting the investment of Arab capital within the region.

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- 1/ The leading joint ventures were established under the auspices of the Council of Arab Economic Unity, the Organization of Arab Petroleum Exporting Countries, the Arab League and the Arab Fund for Economic and Social Development, and included: the Arab Mining Company (JD 120 million), the Arab Livestock Company (KD 66 million), the Arab Company for Pharmaceutical and Medical Supplies (KD 60 million), the Arab Maritime Petroleum Transport Company (\$ 1000 million), the Arab Ship Building and Repairs Yard (\$ 300 million), the Arab Petroleum Investments Corporation (SR 3600 million), the Arab Petroleum Services Company (\$330 million), the Arab Satellite Communications Organization (\$100 million) and the United Arab Shipping Company (KD 100 million).
 - 2/ Covering mainly manufacturing and agro-industries relating to iron and steel, textiles, chemical fertilizers, engineering and electrical supplies, cement and products, paper and pulp, fish processing, food industries and sugar.
 - 3/ The major multilateral institutions concerned with financing development in the region are the Arab Fund for Economic and Social Development (KD 400 million), the Arab Investment Company (\$ 300 million), the Islamic Development Bank (SRs 2000 million), and the Gulf Authority for the Development of Egypt (\$ 2000 million). On the national level, the Kuwait Fund for Arab Economic Development (KD 1000 million) was joined by the Abu Dhabi Fund for Arab Economic Development (Dirhams 2000 million), the Iraqi Fund for External Development (ID 50 million) and the Saudi Fund for Development (SR 10000 million).
 - 4/ Such as the Inter-Arab Investment Guarantee Corporation (1975) and the agreements on investment and transfer of Arab capital (1970), the avoidance of double taxation and tax evasion (1973), co-operation in tax collection (1973), and settlement of disputes between host countries and Arab investors (1974).

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Increased attention also began to be given, particularly since 1974, to the systematic identification and preparation of regional projects, and to the provision of technical assistance for identifying investment opportunities and the preparation of feasibility studies at the country level. The Arab Fund for Economic and Social Development (AFESD) and the Kuwait Fund for Arab Economic Development (KFAED).^{1/}

The development of production capabilities of member countries, along complementary lines, highlights the importance of co-ordinating and harmonizing national development plans - a task which the Council of Arab Economic Unity (CAEU) is set to achieve by 1981.

The period reviewed also witnessed the emergence of several issues, including, food security, the development of indigenous technology, the development of manpower resources and the establishment of a sound statistical base, as important areas where regional co-operation could be fruitful. Meanwhile, the idea of co-operation at the sub-regional and sectoral levels gained wider acceptance.

Co-operation in the financial field has become a major area of regional co-operation in recent years. It has been motivated by a sense of moral commitment to regional prosperity and to the reduction of disparities among member countries. Financial co-operation has also been extended beyond the ECWA region and the Arab world, to benefit

^{1/} A prominent example in this respect is the "Special Programme for Identification and Preparation of Inter-Arab Projects and Related Feasibility Studies", a joint effort between AFESD and the United Nations Development Programme (UNDP) embarked upon towards the end of 1975, and in the implementation of which the Fund has been co-operating with UNCTAD.

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developing countries at large. Given the complexity of the issues involved in aid giving, and the fact that the experience of member countries in this field is a recent one, their performance as major donors in the international aid efforts has been quite remarkable.

Financial flows from OPEC/ECWA countries rose very sharply, beginning with 1973, to attain a level of over \$ 6 billion in 1975.^{1/} In the two subsequent years, however, only moderate expansion was recorded bringing the level of aid to \$ 6.33 and \$ 6.41 billion in 1976 and 1977, respectively. The concessional component of this assistance rose from \$ 1.04 billion in 1973 to \$ 4.58 billion in 1975, and to \$ 5.25 billion in 1977.^{2/}

In terms of GNP (Table 2), these flows have on the whole surpassed the one per cent international target for official development assistance flows from the developed to the developing countries, and compare very favourably with the aid performance of the countries members of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD)^{3/}. The new role of some ECWA members as major aid donors reflect their strong commitment to the principle of collective self-reliance and economic co-operation between the developing countries.

^{1/} Prior to 1973, only Kuwait and Saudi Arabia were significant aid donors in the region, and much of that aid was provided to Egypt, Jordan and the Syrian Arab Republic. See table

^{2/} Saudi Arabia alone has been responsible for generating about 45 per cent of total concessional aid flows provided by the five countries considered in the period 1973-1976, followed by the United Arab Emirates (22.5 per cent) and Kuwait (19.8 per cent). The three countries have come to occupy, by 1976, the second, sixth and eleventh positions in the list of world donors of concessional assistance in absolute terms.

^{3/} Net official development assistance from DAC countries to developing countries and multilateral agencies represented only 0.33 per cent of their combined GNP in 1976 (OECD, Development Co-operation Review, 1977).

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Some shifts in the direction of aid flows from ECWA member countries are noteworthy. The share of concessional aid, channelled multilaterally, has risen from about 9 per cent in 1975 to 17 and 32 per cent in the two subsequent years (table 3). At the same time, an increasing share of bilateral concessional assistance has gone to non-Arab countries. This share has grown from about 10 per cent in 1975 to 24 per cent in 1976. During the same interval, the share of ECWA countries (excluding Egypt)^{1/} rose from 28 to 37 per cent.

The increased multilateralization of aid and its spread to non-Arab developing countries has been facilitated by the proliferation of development finance institutions, the sizable resources put at their disposal and by the inclusion in their statutes of provisions enabling them to extend the scope of their operations to developing countries outside the region. Some of these institutions were established for the specific aim of assisting non-Arab developing countries (e.g., the Arab Bank for Economic Development in Africa), or for aiding developing countries at large (OPEC special fund).

^{1/} Egypt also absorbed 37 per cent of total bilateral concessional assistance provided by the five donor ECWA countries in the period 1975-1976.

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Table 1. Financial Flows from ECWA Countries
Members of OFEC to Developing Countries,
1970 and 1973-1977
(Net disbursements; millions of dollars)

Donor country	T o t a l					Concessional assistance						
	1970	1973	1974	1975	1976	1977 ^{a/}	1970	1973	1974	1975	1976	1977 ^{a/}
Iraq	2.0	11.1	440.2	254.4	254.7	116.5	2.0	11.1	422.9	218.4	231.7	53.4
Kuwait	140.2	555.7	1186.1	1711.2	1874.7	1917.5	130.0	345.2	621.5	975.3	614.3	1441.8
Qatar	0.1	93.7	217.9	366.7	240.3	196.1	-	93.7	185.2	338.9	195.0	117.6
Saudi Arabia	152.5	334.9	1622.1	2466.7	2817.3	2742.7	155.0	304.9	1029.1	1997.4	2407.1	2373.0
United Arab Emirates	-	288.6	749.4	1206.6	1144.5	1437.0	-	288.6	510.6	1046.1	1060.2	1261.8
T o t a l	294.8	1284.0	4215.7	6005.6	6331.5	6409.8	287.0	1043.5	2769.3	4576.1	4508.3	5247.6

Source: Organization for Economic Co-operation and Development (OECD),
Development Co-operation, 1978 Review (Paris, 1978)

a/ Provisional.

Table 2. Financial Flows from ECWA Countries Members of OFEC
to Developing Countries as percent of GNP, 1970 and 1973-1977
(net disbursements)

Donor country	T o t a l					Concessional assistance						
	1970	1973	1974	1975	1976	1977 ^{a/}	1970	1973	1974	1975	1976	1977 ^{a/}
Iraq	0.04	0.21	4.16	1.91	1.60	0.61	0.04	0.21	3.99	1.66	1.46	0.28
Kuwait	1.94	9.26	10.88	11.44	13.24	13.54	1.80	5.76	5.70	6.52	4.34	10.18
Qatar	0.02	15.62	10.90	16.90	9.82	7.85	-	15.62	9.26	15.62	7.95	4.71
Saudi Arabia	1.66	4.12	7.19	7.42	6.85	5.57	1.69	3.75	4.56	6.01	5.84	4.82
United Arab Emirates	-	12.03	9.78	13.59	11.81	12.50	-	12.03	6.66	11.79	10.94	10.97

Source: Organization for Economic Co-operation and Development (OECD),
Development Co-operation, 1978 Review (Paris, 1978)

a/ Provisional.

Table 3. Concessional assistance by ECWA countries
Members of OPEC channelled bilaterally and
Multilaterally, 1975-1977

(Net disbursements; millions of dollars)

Donor country	1975			1976			1977 ^{a/}		
	Total	Bila- teral	Multi- lateral	Total	Bila- teral	Multi- lateral	Total	Bila- teral	Multi- lateral
Iraq	215.4	195.4	20.0	231.7	187.3	44.4	53.4	25.0	28.4
Kuwait	975.3	910.3	65.0	614.3	376.2	238.1	1441.8	792.0	649.8
Qatar	338.9	302.7	36.2	195.0	143.9	51.1	117.6	100.0	17.6
Saudi Arabia	1997.4	1780.0	217.4	2407.1	2065.0	342.1	2373.0	1660.0	713.0
United Arab Emirates	1046.1	971.4	74.7	1060.2	969.3	90.9	1261.8	1010.0	251.8
Total	4573.1	4159.8	413.3	4508.3	3741.7	766.6	5247.6	3587.0	1660.6

Source: Organization for Economic Co-operation and Development (OECD),
Development Co-operation Review (1977 and 1978 issues).

^{a/} Provisional.

Member countries have also been major contributors to international efforts designed to help developing countries and maintain world economic and monetary stability. In this spirit, Kuwait, Saudi Arabia and the United Arab Emirates have made significant contributions to the fifth replenishment of the International Development Association (IDA), and have participated in the World Bank's "Third Window Facility" designed to enable the Bank to provide development assistance on terms intermediate between its own and those of IDA. These three countries have also been important contributors to the World Bank's borrowing operations, and were major participants in the International Monetary Fund's "Oil Facility".

There is virtually no documented information on private capital flows within the region. While significant amounts are believed to have been invested in real estate as well as in industrial and commercial ventures,^{1/} these investments are marginal when compared with private investments made outside the region and with official capital flows, or when set against the region's needs for investible funds.

Aside from the negative impact of unstable political relations, the main factors which have tended to inhibit the flow of capital^{2/} for investment purposes within the region include: lack of well-studies projects and information on investment opportunities, cumbersome procedures and regulations; absence of organized and effective capital markets; inadequate co-ordination among development finance institutions, pre-

^{1/} Kuwait Fund for Arab Economic Development, "Towards Closer Economic Co-operation in the Middle East: Financial Aspects", by A. Al-Hamad (October 1975).

^{2/} Ibid. and CAEU, The Council of Arab Economic Unity and Efforts to Promote and Co-ordinate Arab Investments in the Arab Nation (in Arabic; unpublished).

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occupation with investment possibilities in the capital-deficit countries to the neglect of opportunities in the capital-surplus countries; restrictions on capital transfers and bureaucratic complications and obstructions that discourage would-be investors.

Sufficient time has not elapsed for a proper assessment of the impact of financial co-operation on the process of development in the region. It must also be kept in mind that this co-operation has been stimulated by the sudden rise in financial resources, helped by non-economic factors relating to Arab solidarity and did not represent action taken within a well-defined framework to promote regional co-operation. Furthermore, this co-operation has been mainly a consequence of governmental decisions and attitudes, much less a product of economic considerations. Hence, the prospects for future co-operation lies in a better economic correspondence between financial surpluses and the region's investment opportunities.

The period reviewed, however, witnessed a number of positive developments which augur well for the future. The establishment of a network of development funds, endowed with substantial financial resources, the increased multilateralization of aid, and the formation of a number of productive joint ventures go an important way towards providing the necessary machinery and mechanism for more effective co-operation. However, important bottlenecks relating to the lack of trained manpower to staff the newly established institutions, inability to generate sufficient projects at the country and regional/subregional levels, and waste of scarce manpower resources resulting from the duplication of efforts, continue to exist. The fact remains, nevertheless, that the development boom triggered off by the rise in oil prices in 1973 has generated a momentum of co-operation which is in the interest of all member countries to sustain.

Appendix I

AN ALTERNATIVE TO MEASURING GROWTH^{1/}

The sharp increases of the price of oil have created in the oil economies a unique situation which suggests a revision in the traditional method of measuring growth via the gross product at constant prices. These price increases have made the share of the oil sector in gross product, measured in current prices, as high as 70 or 80 per cent of the total. The oil sector is, for the most part, an export sector. Any relative increase in the world price of oil results in greater import capacity in the oil exporting countries. Development efforts in these countries depend, of course, on and are a function of the importation of capital goods. Furthermore, on account of oil, these oil economies have a high degree of openness, exporting the bulk of their gross product and importing most of their needs. Hence, the raising of the price of oil raises the import capacity and consequently the development potentials of the country. Therefore, it would seem reasonable to measure real growth not merely by growth at constant prices, but by the latter adjusted by a factor which reflects changes in the term of trade^{2/}. Measuring the growth of output at constant prices without such an adjustment seems to under-estimate the development potentials of the oil economies.

The terms of trade effect may be measured by the difference between the value of exports deflated by an import price index and the value of exports deflated by an export price.^{3/} This terms of trade effect is added to gross national product at constant prices to give the adjusted gross national product.

^{1/} Reproduced from ECWA/DPD study on Development Trends and Prospects in Selected ECWA Countries, January 1978.

^{2/} This alternative to measuring growth potential coincides with a similar stand taken in Saudi Arabia and expressed in its Second Development Plan p. 27.

^{3/} Terms of trade effect $= \frac{V_x}{P_m} - \frac{V_x}{P_x}$

Where:

V_x= value of exports in current prices

P_m= import price index

P_x= export price index

Table Gross national product, adjusted for the terms of trade effect for Saudi Arabia
(in millions of riyals)

	1970	1971	1972	1973	1974	1975
Vx	10906.5	17301.8	22757.8	32296.0	109940.0	97380.0
Px	100	130	140	204	781	804
Pm	100	108	118	145	185	195
$Vx \left(\frac{1}{Pm} - \frac{1}{Px} \right) \times 100$	-	2711.1	3030.7	6441.7	45350.2	37826.5
GNP (1970 prices)	12295.0	12451.0	13052.0	14961.4	17213.0	24939.0
Adjusted GNP	12295.0	15162.1	16082.7	21403.1	62563.2	62765.5

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1976.
ECWA/DPD "Foreign Trade and Payments' Statistics in countries of Western Asia", 1975 and DPD own estimates.
ECWA, other statistics compiled by the ECWA Secretariat.

In the first half of the 1970s the terms of trade of the oil exporting countries improved tremendously. As a result, their effect was so large that it was bigger for some oil countries than GNP itself, measured at constant prices.^{1/} As a demonstration of the above-adjusted income measure, table **contrasts** GNP at constant prices with the adjusted GNP for Saudi Arabia in the period 1970-1975. The above approach to measuring income seems to offer an appropriate yardstick in assessing real income and development potentials whenever the spread between the import price index and the export price index is big and the degree of openness of the economy is high. These conditions hold for the ECWA oil countries in the early 1970s.

^{1/} Of course, in case of worsening terms of trade the effect will be negative and it would depress the constant price GNP or GDP.

Appendix II

ANALYSIS OF GROWTH TRENDS FOR SELECTED ECWA COUNTRIES

This section analyses the growth rate trends of five selected ECWA countries: Iraq, Kuwait, Saudi Arabia, the Syrian Arab Republic and Yemen. Countries selection has been made according to subregion's representation and data availability. Although the analysis is mainly concerned with growth in the seventies, the longest **available** time series, at constant 1970 prices, have been considered in order to give a clearer picture of real growth trends.^{1/}

The Moving Average Method has been used for the analysis.^{2/} A three-year moving average has been computed and plotted in this study.^{3/} Graphic presentation of the data has been done on semilogarithmic paper which shows relative variations.

Chart 1 shows the growth trend of gross domestic product. The selected countries witnessed a rather steady growth in the sixties and a more accelerated growth in the seventies, specially in Saudi Arabia and Syria. The rising trend in Saudi Arabia is mainly due to its intensified development efforts and the expanding world demand for oil. In contrast, the growth rate in Kuwait tapered off to zero, perhaps reflecting the small size of the country and its limited absorptive capacity. Iraq meanwhile experienced only a modest rate of growth prior to 1974. After that year growth rates must have accelerated.

^{1/} Some data limitations have been encountered in the study, as in the case of Iraq after 1974 where time series at constant 1970 prices are available until 1974 only.

^{2/} This method rather than simple regression is used as it highlights the trends of growth rates as opposed to trends of absolute values.

^{3/} With the three-year moving average, the first and last observations of the time series is lost. Six or seven-year moving averages could have been considered but this would have led to a much shorter trend line. The method of calculating this moving average is as follows: the values for the first three years are added together and then divided by 3; then the value for the first year is dropped and the next three values are totalled and divided by 3; so the calculation moves through the series to the end.

The growth trend of per capita private consumption as shown in Chart 2, rose steadily in the sixties and the early seventies but quickened after 1973, specially in Kuwait and the Syrian Arab Republic. However, the rise in the private consumption trend was much lower than that of GDP. Consumption adjustment to higher income levels, will eventually take place but with a certain time lag.

The trend in per capita public consumption (Chart 3) rose much faster than that of private consumption particularly in the seventies. For the oil-economies, like Saudi Arabia and Iraq, a rising consumption trend is obviously affordable. However, for a non-oil economy like the Syrian Arab Republic, such a trend must be weighed against the country's relatively limited resources.

A major determinant of growth is the level of Gross Fixed Capital Formation (GFCF) (Charts 4 and 5). In the sixties, investment growth trends showed erratic fluctuations. However, in the seventies, a steep rise is observed in all the countries as a result of the industrialization drive. The predominant role of the public sector in promoting industrial development is clearly demonstrated. The only exception to its steeply rising growth trend is Kuwait.

As for the foreign trade sector of the economy, before the seventies, the growth trend of imports was rather imperceptible but thereafter it rose steeply in all the countries (Chart 6). This is expected in view of the high degree of dependence on the foreign sector for development purposes. Meanwhile, the growth trend in imports greatly coincides with that of GFCF.

As for exports, plotted in Chart 7, the rise in the growth trend of exports is not as noticeable as that of imports. In the case of Yemen, the steeply rising growth trend in exports can be explained by the small size of exports in the base period and by the increase in net factor income from abroad.

At the sectoral level, rising growth trends, in almost all GDP sectors, which corresponded somewhat to the GFCF trends of the respective sectors were observed.^{1/}

^{1/} Because of data limitations on GFCF by sectors, only Iraq, the Syrian Arab Republic and Yemen were analyzed.

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The only exception to this pattern is the agricultural sector (Charts 8-a and 8-b). In Iraq for example, the steep rise in investment in agriculture did not reflect itself in a corresponding rise in value added. This is due to variations in rainfall, problems of labour and land productivity and to a long gestation period in agricultural investment.

The two sectors mining and quarrying and manufacturing, (Charts 9-a and 9-b), showed a somewhat closer correspondence between investment and output. However, output did not increase as fast as investment in any one period mainly because of a lag effect. This is of vital importance for the industrialization of these countries. In the case of Kuwait, its limited absorptive capacity explains the declining trend in the contribution of the mining sector to GDP.

As for the transport and communications sector (Charts 10-a and 10-b) it is rather difficult to relate growth in output to growth in GFCF for a number of reasons. One is the long gestation period of investment. Another is the fact that investment in this sector indirectly benefit other sectors in the economy, hence, the sector's value added tends to under-estimate the total benefits drawn from the investment. Meanwhile, because of the high capital/output ratio, the growth trend of GFCF is expected to rise faster than that of output.

Similarly, the construction sector also has a very high capital/output ratio. This is clear from the trend observed (Charts 11-a and 11-b) for Iraq. In general, the correspondence between investment and output is closer than in the transport and communications sector. The trends have been rising, as a result of numerous development projects undertaken in the region, specially in the seventies. Kuwait's case indicate the level of saturation in this sector.

Finally, the services sector^{1/} (Charts 12-a and 12-b) experienced a steep and steady rise in all the countries. In Iraq, partly because of the low capital/output ratio in this sector, the growth trend of GFCF corresponded very closely to the trend of value added. In the Syrian Arab Republic, however, because of the inclusion of non-residential construction in this sector the correspondence is very low.

^{1/} Value added and GFCF in this sector have been computed as residual items.