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FOLLOW-UP ACTION AT THE REGIONAL LEVEL ON UNITED NATIONS
WORLD CONFERENCES AND ECWA REGIONAL MEETINGS

Expert Group Meeting on the Development of the
Petrochemical Industry in the ECWA region

(Vienna, 9-12 June 1981)

Note by the Executive Secretary

1. In pursuance of the implementation of its work programme in the area of industrial development, the secretariat, jointly with the United Nations Industrial Development Organization (UNIDO), organized a meeting of experts on the development of the Petrochemical Industry in the ECWA region. The meeting which convened at the International Centre in Vienna, Austria from 9-12 June 1981, was attended by seven experts from ECWA member States participating in their personal capacities and representatives from five international organizations.

2. The Expert meeting was called to advise the secretariat on policy guidelines and criteria to be applied in the formulation of an optimal production and investment strategy for the development of the petrochemical industry in the Arab region. In pursuing these objectives, the experts were invited to:

- Analyze the demand and supply projected to the years 1985-1990; review the factors influencing the absorptive capacity within the Arab States in determining priorities and procedures for phasing the implementation of petrochemical projects; analyze the risk attached to the investment opportunities at a national and regional level in the Arab States, in particular those related to international monopoly, technology transfer, production and product distribution cost; draw guidelines to assist future regional (Arab) and international consultation meetings in determining certain issues that require co-ordination and collaboration; examine ways and means to acquire a share of the world market; discuss the form of co-operation among the Arab States for the acquisition of suitable technology and production facility; outline the basis for developing a joint-venture for consideration by some or all Arab States for the production and marketing of petrochemical products; make recommendations as to strategies to be adopted by the developing countries for the development of the industry in their regions; elaborate on the form of co-operation between developed and developing countries and among developing countries to enable the orderly development of the industry for the mutual benefits of all concerned; review the ways and means to facilitate the marketing of petrochemical products of the developing countries in the markets of the developed countries including long-term

marketing arrangements, lifting of tariffs and non-tariffs barriers on the basis of multinational negotiation; propose the forms of co-operation between developing countries including the establishment of regional and bilateral production and marketing petrochemical enterprises.

3. The secretariat's background documentation, prepared in consultation with UNIDO, dealt with the petrochemical industry at the global level; the potential for the development of the industry in the Arab States including the availability of raw material and financing for petrochemical projects and the constraints for its development such as the low level of technological capacity and market limitations.

Recommendations of the meeting

4. The meeting's deliberations resulted in a proposed follow-up programme of surveys, studies and field investigations as a basis for the formulation of a well defined position on the development of the petrochemical industry in the Arab region to be submitted to policy-makers during a programmed intergovernmental meeting on the development of the petrochemical industry scheduled in 1983. The recommended follow-up programme is to include:

(a) A study on the techno-economic aspects of a regional petrochemical complex including (i) Projections of demand for plastics, synthetic fibers and synthetic rubber in the Arab States, based on a thorough sectoral analysis for selected individual products; (ii) A comprehensive analytical study on the status of the Arab States petrochemical industry in relation to the world market, based on country reports; and (iii) based on the results of (i) and (ii) and taking into consideration world trend in consumption and production, technological factors, regional co-operation arrangements, the absorptive capacity and risks attached, and national policies a detailed feasibility study for a joint production facility;

(b) A study on shipping and terminal systems for selected groups of petrochemicals such as chemical gases (ethylene, propylene, butadiene); chemical liquids (basic aromatics, methanol, styrene, ethylene, glycol, acrylonitrile) and end (solid) products (polymers, fiber intermediates

resins precursors (phthalic anhydride), urea). This study would be devoted mainly to bulk shipping of basic and major intermediates, and comprise history of shipping and bulk movement in relation to geographic supply and destination, parcel size, shipping capacity, terminal facilities, tankers economic and cost, tanker capacity and economics vs. projected demand, projected time-charter rates, projected cost, etc.;

(c) A study on the technological barriers and the status of the technological capacity pertaining to the development of the petrochemical industry in the Arab States;

(d) A study on the high cost of petrochemical projects in the Arab States where proper planning and adequate policies would be effective to minimize their magnitude: i.e. general economic and social infrastructure, feedstock pricing, capital cost, site construction and spare parts.

5. The meeting taking note of the limited progress attained in realizing effective co-operation among Arab States in the development of the petrochemical industry, recommended further to the secretariat that an Ad-Hoc Advisory Committee be established to pursue the matter of interarab co-operation by initially providing guidance on major activities and their co-ordination and on the implementation of the follow-up programme.

6. Follow up action taken by the secretariat

Following the expert meeting, the secretariat has taken the necessary steps for the establishment of the proposed Ad-Hoc Advisory Committee. In consultation with concerned parties, its terms of reference have been finalized. These include:

(a) To design an effective co-operation procedure among national, regional and international agencies concerned with the development of the petrochemical industry in the Arab States. This may involve:

- (i) The nomination of focal points in each agency;
- (ii) Recommending channels of communication including meetings, joint missions, task forces, etc.;
- (iii) Identification of possible support and inputs or resources that can be made available for each activity, taking into consideration ongoing and planned programmes and activities on national as well as regional levels;
- (iv) Proposing means for monitoring, reporting and evaluation procedures of these activities.

(b) To define the role and responsibilities of interested parties; this would involve the identification of possible support that might be expected from each agency and the means to obtain definite commitments and effective delivery from all concerned. Contribution of various agencies to the programme can be classified as:

- (i) In-kind contribution: manpower in the form of technical or administrative staff members participating in different functions, printing facility, use of computer and of library, meeting facilities, etc.;
- (ii) Financial contribution, to assist in hiring consultants, travel expenditures, meeting funds, etc.;
- (iii) Assistance in collecting and providing information needed for project implementation.

(c) To assign priorities among the list of studies to be conducted at this stage, taking into consideration:

- (i) Relevant ongoing programmes, including studies being conducted by other agencies whose results might be of value or could be utilized within the context of the programme as a whole;
- (ii) Pre-requisites in terms of essential data and analysis that form the basis for each study, and which might be unattainable at an early stage;
- (iii) Problems associated with the implementation of former studies.

(d) To outline a timetable for future activities;

(e) To nominate members of a task force or a consultative group from its members to supervise work progress and report to the Ad-Hoc committee, and assign the date and place of its next meeting.

7. The meeting of the Advisory Committee will be held in Kuwait on 17 January 1982. Six experts from Arab oil producing countries and representatives of regional organizations are expected to attend.