UNITED NATIONS

ECONOMIC COMMISSION FOR WESTERN ASIA

SURVEY
OF ECONOMIC AND SOCIAL DEVELOPMENTS
IN THE ECWA REGION
1980

UNITED NATIONS

ECONOMIC COMMISSION FOR WESTERN ASIA

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ECWA REGION 1980

ABBREVIATIONS

AFESD	Arab Fund for Economic and Social Development
b/d	barrels per day
CAEU	Council of Arab Economic Unity
cbm	cubic metres
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee
dwt	deadweight tons
ECWA	Economic Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GDP	gross domestic product
GNP	gross national product
grt	gross tonnage
IMF	International Monetary Fund
ITU	International Telecommunication Union
km	kilometre(s)
M	money supply
M_1	demand deposits
M_2	time and savings deposits
mgd	million gallons per day
OAPEC	Organization of Arab Petroleum Exporting Countries
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
R & D	research and development
SDR(s)	special drawing right(s)
TEUs	twenty-foot equivalent units
tpa	tons per annum
WHO	World Health Organization

C O N T E N T S

LIST OF TABLES

INTRODUCTION

Mainly on account of oil, and particularly since 1973, the ECWA region has been playing a bigger role in the world economy. Existing links with the rest of the world have been strengthened and new ones have been established. These links cover a number of areas, including the supply of crude oil, the importation of goods, services and expatriate labour, the recycling of oil funds, the provision of financial aid, and participation in international economic negotiations[1/].

While it is recognized that these links have benefited both directly and indirectly the development process in the region, they have entailed, at times, considerable economic and social costs. For example, oil has been supplied by some ECWA countries in quantities which are far in excess of their capacity to absorb the resulting income. Secondly, exorbitant prices have been paid for the import of goods and services, which almost offset the gain made in oil prices. Thirdly, the bulk of surplus oil funds could not be placed in income-generating and value-preserving investments. Finally, the expanded economic role of the region has on the whole increased its economic dependence and external vulnerability.

Of the issues facing the world economy, the weakening international monetary system and inflation have had perhaps the greatest impact on the economies of the region. The sharp fluctuation in major reserve currencies, as evidenced by the erratic rise in the price of gold in recent months, and the general uncertainty and instability of the monetary system have made it difficult for the region's oil exporters to preserve the purchasing power of their financial wealth. Finding alternative investment outlets remains the main economic challenge facing these countries. Diversification into tangible asset holdings outside the region will take time, not to mention political obstacles. Hoarding gold, which does not generate income, though it could yield capital gains, as recent experience amply shows, does not seem to have been resorted to on any large scale[2/].

1/ The region's oil-exporting countries have played an important role within the framework of OPEC in the negotiations with the developed countries on the new international economic order. OPEC has insisted on negotiating the energy question not as a separate issue but as part of the global negotiations which concern the developing countries as a whole.

2/ OPEC countries owned together less than 4 per cent of world monetary gold in September 1979; OECD holdings of $ 400 billion represented 86 per cent of the world total in that month.

Notwithstanding the major oil price increases over the past year, the region has been a major victim of world inflation. This inflation, transmitted to member countries through higher prices of imports of goods and services, coupled with domestic inflationary pressures, produced excessive internal inflation rates not experienced before in the region.

The ECWA region, while continuing to share with other developing regions many of their development problems and aspirations during the 1970s, differences in respect of the degree of relevance of these problems began to appear. By the end of the decade, the region emerged with an almost unique set of development problems. Thus, such familiar issues as mass poverty, a sizable foreign debt and protectionism, which have preoccupied developing countries in general in recent years, do not seem to be too critical from the point of view of most of ECWA countries. By contrast, the region's present concern relates to, inter alia, the depletion of natural resources at a rapid rate, the availability of suitable investment outlets for oil surplus funds, shortages of indigenous skilled labour and heavy reliance on expatriate workers, the increasing openness of the economy and consequently a growing vulnerability to external forces, the persistence of inflationary pressures and the achievement of economic diversification and structural balance.

Meanwhile, the economies of the ECWA countries remain highly sensitive to political developments. For example, the rapprochement between Egypt and Israel and the consequent conclusion of a bilateral peace agreement have had, among other things, serious implications for regional economic co-operation.

Two of the most important features which characterize the economy of the ECWA region are the predominance of the oil sector and the heavy reliance on imports. Efforts during the 1970s to diversify the economy through industrialization have yet to have their full impact. Close to a half (47 per cent) of world proved recoverable crude oil reserves are found in the ECWA region, which now accounts for some 30 per cent of world crude oil production and 44 per cent of exports. The region produced in 1979 an average of 18.8 million barrels per day (b/d), 15 per cent over the 1978 production level. In mid-1979 the five ECWA/OPEC countries accounted for 57 per cent of total OPEC crude oil production.

By January 1980, the region's official oil prices were generally more than double their level a year earlier1/.

The present world oil situation is uncertain. Some experts have predicted an oil glut for this year as a result of high stock levels, a relatively mild winter in major oil-consuming countries and an anticipated weak demand due to recessionary tendencies in the developed market economies. There seem to be at least some indications that world market conditions together with domestic factors will lower oil production in the region from the 1979 level.

1/ The "market" price of Arabian light crude rose from $ 12.70 per barrel at end of 1978 to $ 26.00 in January 1980, when it was selling at $ 38 in the spot market. Other official prices in the region rose to even higher levels.

The share of the ECWA region in world oil refining capacity is only 3 per cent, in contrast to a 30 per cent share in crude oil production. Most of the region's oil-producing countries have plans to expand their oil processing capacity, not only to satisfy local demand but also for export purposes. The processing of an increasing share of their crude oil production poses a number of important considerations for the countries concerned, including the decision whether to locate the processing plants in their territories or near consumption centres.

As it is the main oil-exporting area, the region has been at the centre of developments in the world energy situation. Thus, the political changes in Iran during the latter part of 1978 and the first part of 1979 and the concomitant interruption and then the reduction in the flow of Iranian oil increased the pressure on the region to expand oil production1/ at a time when several member countries were contemplating the conservation of their non-renewable oil resources by gradually reducing the rate of extraction.

To compensate for the decline in the real price of oil since 1974 due to high world inflation and the depreciation in the value of the United States dollar, member oil-producing countries, acted, within the framework of OPEC, to raise oil prices2/. This was done against a background of a tight world oil market as evidenced by the acceleration in the volume of transactions and prices on the international oil spot market3/.

The grouping of ECWA countries into oil and non-oil-producing countries is roughly paralleled by their classification into financial surplus and financial deficit countries. The recent sizable oil price adjustment may have corrected the declining purchasing power of the export earnings of oil resulting from higher import prices. However, the renewed accumulation of surplus funds by some of the region's oil exporters will continue to raise the problem of decreasing values as long as these funds remain invested in monetary instruments denominated in depreciating currencies. In view of the still limited absorptive capacity of these countries and the narrow scope of direct investment abroad, the oil-producing countries will continue to face a situation in which large parts of their real non-renewable natural resources are converted into steadily wasting financial assets.

1/ Saudi Arabia, for example, raised its oil production from 8.5 million b/d to 9 million b/d. This ceiling is to remain in effect until mid-1980.

2/ With effect from 1 January 1980, official prices were set, for example, at $ 28.00 per barrel by Iraq, $ 27.50 by Kuwait and $ 26.00 by Saudi Arabia.

3/ During 1979, the size of the spot market rose from about 2-3 per cent to about 15 per cent of international oil sales. Spot market prices were sometimes double official contract prices. However, by early 1980 the spread between contract and spot prices had narrowed drastically.

By contrast, the limited availability of financial resources will continue to constrain development efforts in the resource deficit countries. In the mid-1970s, most of these countries formulated ambitious development plans based on very optimistic expectations regarding the availability of financial resources, including the inflow of sizable aid funds. However, partly because of the over-estimation of aid inflows, some countries found it necessary to revise their planned expenditure downward.

The ECWA region has made important strides on the way to greater economic co-operation not only among its members but also with other regions. Co-operation over the past few years has been characterized by the establishment of regional institutions and organizations and by the setting up of joint ventures. Another important feature of such co-operation is the sizable financial transfer from the major oil-producing member countries to the capital-deficit countries.

The financial surplus oil-producing countries in the region emerged during the 1970s as important aid donors, far surpassing, in relative terms, the performance of the traditional donors. Thus, during the period 1973-1977, concessional aid flows originating from these countries amounted to between 4 per cent and 11 per cent of GNP and reached in some cases 16 per cent[1/].

The latter part of the 1970s witnessed two important developments in the region's financial aid activities. First, the proportion of aid going to non-Arab countries[2/] increased significantly. Secondly, the proportion of aid channelled multilaterally also rose markedly[3/].

The formulation of a food security strategy, the development of indigenous technology, the co-ordination of financial policies and the development of natural and human resources have emerged in recent years as the main areas of regional economic co-operation..

During the 1970s, the region achieved relatively fast growth. Real growth rates of GDP in the range of 7 to 12 per cent were realized by most member countries. However, given the region's considerable resource base and development potential, the growth rates attained cannot be considered exceptionally high.

1/ Aid flows dropped in 1978 to between one per cent and 6.6 per cent.

2/ In 1978, the proportion of bilateral concessional assistance to non-Arab developing countries amounted to 32 per cent.

3/ From 9 per cent in 1975 to 31 per cent in 1977.

The countries of the ECWA region continued during the latter part of the 1970s their growth pattern of the preceding years[1/]. However, economic conditions reflected a general moderation of the exceptional trends which characterized the period of mid-1970s. The relative deceleration in growth has been accompanied by moderation in the rate of inflation. Anti-inflationary policies, including restrained public expenditures together with the removal of major supply bottlenecks, have helped to reduce the rate of price increase.

Large disparities among countries, however, continue to characterize the growth pattern in the ECWA region. The oil economies' performance remains ahead of that of the non-oil economies. The recent slowdown in growth has been felt considerably more in the latter group, mainly as a result of the insufficiency of financial resources.

The growth of output in recent years does not seem to have been accompanied by any significant structural change. The share of agriculture in total output remained negligible in the oil economies (except in Iraq) and low in some non-oil economies. The relative regression in the position of agriculture, especially since 1973, is causing concern over the necessity to develop this sector, particularly where potential exists. The increased contribution of mining and quarrying in the first half of the 1970s was generally maintained in subsequent years. The contribution of manufacturing ranged between 10 and 12 per cent and reached in Bahrain and Jordan a higher level (about 17 or 18 per cent). Finally, the services sectors, in which trade and public administration figure prominently, account for a large part of total output in the non-oil economies, to the extent of 50 per cent. In the oil economies, the relative importance of services is about half as much.

As to expenditures on GDP, consumption accounted in recent years to roughly between one quarter to one half in the oil-producing countries, and to between 80 and 120 per cent in the non-oil-producing countries. The deficit between consumption and domestic output has been made up for by sizable inflows of resources from abroad. The share of private consumption is higher in the non-oil-producing countries, though it is gradually declining. In the oil-producing countries, it varies from a level roughly equal to public sector consumption to about one third higher.

1/ Available estimates for 1978 give growth rates of GDP in real terms of between 5.6 per cent in Saudi Arabia and 12.2 per cent in Iraq.

Investment expenditures in almost all ECWA countries rose in 1977-1978 to about one third of total output. The expansion benefited mainly mining, quarrying and manufacturing and was concentrated in infrastructure and heavy industries. Construction, as opposed to machinery and equipment, received the largest allocation amounting to two thirds of gross capital formation in most cases.

In recent years, the ECWA countries, prompted by the food crisis of the early 1970s, have shown a renewed interest in agriculture and this is evidenced by the rise in agricultural investment. Fluctuations in production remain, however, a salient feature of the region's agriculture. Severe production reversals occurred in the northern subregion owing to adverse weather conditions. The 1979 physical index of aggregate agricultural production registered a 2.5 per cent increase, compared with 4.2 per cent in 1978 and a 2.6 per cent average for the 1970s[1/]. In Democratic Yemen and Yemen, however, agricultural production in 1979 recovered sharply from the setback of 1978 and increases of about 4 per cent and 10 per cent respectively were registered.

The region's agriculture experienced during the 1970s a significant shift towards food crops, perhaps as a result of the preoccupation with food security. Between 1970 and 1979, the index of food production rose from 96 to 126, while that of non-food production dropped from 98 to 85. Production of fruits, meanwhile, has grown throughout the 1970s and currently represents 37 per cent of the regional production of crops.

Owing to a rising food demand, erratic production and a shift away from agricultural export commodities, the region's agricultural trade balance has been in ever-increasing deficit. Between 1970 and 1978, the deficit rose from $0.34 billion to $6.80 billion. The region now has the highest per capita food import bill among the developing regions.

The recent development experience of the ECWA countries confirms that sustained and equitable agricultural progress requires the application of balanced and comprehensive policies. The frequent failure to meet targets, improve farm real incomes and effect the necessary institutional changes can invariably be traced to an insufficient emphasis on supporting policies and/or excessive investment in selected, usually infrastructural, development schemes.

1/ Crop production increased by 1.8 per cent only in 1979 and by 2 per cent annually during the 1970s. Over the same period, the share of crops in total agricultural production fell from 70 per cent to 65 per cent.

The main problems constraining agricultural development in the region derive principally from the limited agricultural resource base and the inadequacy of supporting services, including managerial skills.

The shortage of cultivable land has been reflected in sluggish farm incomes and agricultural expansion. The predominantly small land-holdings further constrain the spread of mechanization, while land consolidation is often logistically difficult owing to scattered ownership or complex tenure rights.

Land shortages have led during the 1970s to a preoccupation with large-scale irrigation projects which lacked vital supporting measures, including research and extension, feeder roads, improved marketing opportunities and wider access to cheap and effective inputs such as improved seeds and fertilizers.

Inadequate research and poor project planning frequently led to salinity and waterlogging on reclaimed land, which seriously reduced yields. The additional investment necessary for effective drainage increased land development costs considerably and delayed the expansion of the cultivated area.

Concomitantly, the food crisis of the early 1970s, coupled with the rapid urban populations, stimulated a major policy shift favouring the production of food crops over export crops. Unfortunately, many problems were encountered, including the lack of a sufficiently diversified production structure, the salinity of land and an increased susceptibility of the new varieties to drought and disease, labour shortages in some countries and high production costs, especially in the Gulf subregion.

Prospects for the rapid development of new land in the ECWA region appear to be limited. Although large areas of potentially cultivable land exist in Iraq, and sizable areas have been earmarked for reclamation in Egypt, Jordan and the Syrian Arab Republic, considerable investment is required to develop this land. However, the capacity to absorb such investment efficiently is sometimes questioned. Furthermore, rising development costs result, for some countries, in diverting scarce resources from alternative agricultural investments with quick-yielding potential.

In contrast, there is considerable scope in most ECWA countries for the modernization and intensification of agriculture, including the extended use of new varieties, advanced cropping patterns, greater use of fertilizers and more efficient methods of water distribution. Extension programmes designed to intensify agriculture will, however, require greater emphasis on in-service training and on direct incentive measures to promote a more active participation of civil servants in development efforts.

Increasing efforts should be devoted to the achievement of a balance between infrastructural developments including institutional support structures in research, extension, marketing and training and investment projects. While present trends indicate greater concern with quick-yielding investments, the new large-scale irrigation schemes currently under way reflect the persisting preoccupation with engineering projects.

The preoccupation with food security in the region is affecting the present pattern of agricultural development expenditure. While food self-sufficiency is wholly desirable in the long run, the financial ease in the region permits the establishment and maintenance of strategic reserve grain stocks. Reserve stock policies should, of course, be sufficiently flexible to ensure that domestic production and prices are not adversely affected. Sustained growth in the production of many commodities, including poultry, milk, fruit and vegetables, requires action to improve the efficiency of production and reduce production costs. Backward linkages, including the establishment of new input industries for feed, fertilizers and implements, the spread of high-yielding varieties and the development of wider domestic and international market outlets may be necessary.

External trade is a vital sector in the economies of the ECWA region[1/]. Exports are concentrated on a few primary commodities, with oil easily heading the list. However, this structure has undergone some diversification, particularly as a result of industrialization. The structure of imports, by contrast, shows the region's dependence on the outside world not only for food and capital goods but also for intermediate and numerous non-food consumer goods.

Export earnings of the region are largely determined by developments affecting the oil sector. After the sharp rise in the value of exports in 1974, the oil-producing countries experienced only a mild growth[2/] through 1978; the exports of the non-oil-producing countries actually declined[3/]. However, oil price increases during 1979 should cause an acceleration in the growth of the value of exports.

The growth of total imports into the region generally slowed down in the post-1974 period, with the exception of 1977[4/]. Among the moderating factors were the limited absorptive capacity in the oil-producing countries and financial constraints in the non-oil-producing countries. Import expansion in the oil-producing countries, however, was faster than in the non-oil-producing countries.

The export/import ratio has generally deteriorated during the second-half of the 1970s and until 1979, when oil prices rose significantly, a factor which should improve this ratio.

1/ In 1977, exports amounted to about two thirds of output in the oil economies, while imports amounted to 110 per cent of total output in Jordan.

2/ At an average annual rate of over 4 per cent.

3/ At an average annual rate of about 1 per cent.

4/ For example, the rate of growth in 1978 was 18 per cent compared with 82 per cent in 1974.

The geographical distribution of the region's trade is marked by a paucity of intraregional trade[1/] on the one hand, and a relative concentration of extraregional trade in certain areas on the other hand. The European Economic Community is the largest trading partner of both the oil and the non-oil-producing countries. Other major trading partners are the United States of America and Japan, for the oil-producing countries, and CMEA and the United States, for the non-oil-producing countries. In recent years, significant shifts have taken place in the distribution of exports raising the share of the United States and Japan at the expense of the European Economic Community.

The trade and payments position in the region differs substantially between the oil and the non-oil-producing countries. In the post-1973 period, the balance of payments of the oil economies has been in surplus, leading in several cases to the accumulation of huge reserves. While the over-all payments position in the non-oil economies has generally shown a surplus, their trade balance has consistently been in deficit and deteriorating. In the former group of countries, trade surpluses gradually declined until 1978. In 1979, but more so in 1980, the surge in oil export earnings, together with an ever-increasing net investment income accruing to the surplus countries, should raise the balance-of-payments surpluses to new heights.

The deficits of the non-oil-producing countries have been caused by the acceleration in the rate of growth of the value of imports with no parallel increases in exports. Since 1973, these countries have benefited from substantial financial transfers from the oil-producing countries and by sizable factor income receipts which helped them to close the deficit gap.

In all the ECWA countries, the government budget is a prime mover in economic and social activities. Budget revenues continued during 1977-1978 in an upward trend in most member countries of ECWA, though at varying rates[2/]. Oil revenues remained by far the largest source of government revenues in the oil-producing countries, ranging between 76 and 92 per cent. Income from investment abroad now constitutes the second most important source of revenue for most of the larger oil producers. In the non-oil-producing countries, receipts from taxes in general, and indirect taxes in particular, remain the major domestic source of government revenue. Transfers from public sector enterprises[3/] and from abroad are major sources of public revenues in these countries.

1/ Intraregional trade absorbed around 5 per cent of exports and 12 per cent of imports during the period 1974-1978.

2/ Examples of revenue growth over this period as compared with 1974-1976 averages, are: 79 per cent for Jordan, minus 6 per cent for Kuwait, 13 per cent for Qatar, 79 per cent for the United Arab Emirates and 166 per cent for Yemen.

3/ In the Syrian Arab Republic.

Similarly, government expenditures continued during 1977-1978 to rise in both oil and non-oil-producing countries1/. The sharply increasing expenditures reflect general economic growth, higher spending on defence and increased government involvement in the process of development2/.

A number of countries have resorted to both internal and external borrowing during the period 1977-1978, primarily to cover the budget deficit. In the absence of developed securities markets in the region, borrowing has been largely against treasury bills or in the form of credit from the banking system. The expansionary effects of this borrowing are obvious.

The growth rate in money supply in the region during 1977-1978 was much lower than in the period 1974-1976. The deceleration was more pronounced in the oil-producing countries.

The period 1977-1978 witnessed an intensification of efforts for establishing or developing appropriate financial institutions at both the national and the regional levels with a view to creating international financial centres3/. Meanwhile, the region's major oil producers have further developed their role as suppliers of funds in the international financial system.

Consumer prices in all countries of the region continued to rise during 1977 and 1978, but generally at a perceptibly slower rate than in the 1974-1976 period. The increases, in general, indicate a higher level of effective demand and cost-push influence. Given the openness of the region's economies and their consequently higher propensity to import, the price increases in large part represent the higher cost of imports. However, the growing strength of some national currencies vis-à-vis the currencies of major trading partners should have contributed to reducing the impact of external inflationary pressures.

The upsurge in social and economic activities in the region has raised drastically the demand for water, consequently putting heavy pressure on the region's relatively limited water supplies. Substantial efforts to develop available water resources including the utilization of surface and ground water, the building of dams and irrigation schemes, and desalination plants have been installed in most member countries. Despite the attempts to remove obstacles and bottlenecks which have constrained the development of water resources, shortages of skills and specialized personnel and the lack of appropriate water resources agencies remain the main obstacles to better water utilization.

1/ Examples of expenditure growth over the same period are 60 per cent for Lebanon, 148 per cent for the United Arab Emirates and 153 per cent for Yemen.

2/ Except for Oman, where a reduction in government development spending was stipulated in the development plan.

3/ The growing off-shore banking centre in Bahrain is a case in point.

Apart from oil, the region is relatively poorly endowed with mineral resources. However, phosphate rock[1] is now extracted in fair quantities in several ECWA member countries, including Egypt, Iraq, Jordan[2] and the Syrian Arab Republic. Other minerals, including potash (in Jordan), sulphur (in the oil-producing countries), copper (in Oman), gold and iron (in Saudi Arabia) also exist in the region. While some of these deposits are of sizable quantities, others are to be found in only limited quantities.

Many ECWA countries have conducted or are planning various geological surveys. Some of the investigations completed so far seem to have yielded positive results. Nevertheless, the real mineral strength of the region lies in oil and associated natural gas. Efforts have persisted to conserve this invaluable and non-renewable energy sources. Efforts are also continuing to gather and process the associated gas which has hitherto, for the most part, been flared.

The population situation in the ECWA region is characterized by high rates of growth, due to high fertility coupled with declining mortality, and by relatively new, large and rapid intra-country and intraregional movements. These movements, with their serious demographic, social, economic and political implications, have been an over-riding concern in most ECWA countries. The large number of displaced Palestinians and the economic boom in the region's oil-producing countries are two important factors which have contributed to population and labour movements.

The region's population is also affected by low rates of participation in economic activities, reflecting the high percentage of young people and the still low, though rising, female activity rates.

It appears that total employment in the region continued to grow but at a slower rate over the last two years. This growth was higher in the oil economies than in the non-oil economies and has been accompanied by an improvement in the occupational and educational structures of the labour force.

The low participation rates and the consequent high dependency ratios[3] in the region, together with under-employment, and disguised unemployment and structural imbalances, has resulted in significant under-utilization of the labour force.

1/ Most of the region's phosphate deposits contain low-grade or requiring beneficiation, after which it is, in some cases, only suitable for use as feed for the production of phosphoric acid.

2/ Jordan's exports of phosphate rock exceeded 2 million tons in 1979.

3/ In the ECWA region, for each economically active person, there are at least three inactive persons, including children,old people and handicapped persons.

The sectoral distribution of the labour force varies considerably among member countries. The primary sector remains a major but declining source of employment. The secondary sector absorbs only a small proportion of the labour force, and this reflects the early stage that industrialization has reached and the trend towards adopting capital-intensive technology in new projects. In recent years, construction has absorbed a relatively large share of total employment.

The economic boom in the region has led to labour shortages, which in turn gave rise to a high intraregional labour mobility and to a sizable inflow of workers from abroad. In the late 1970s, the Far East entered the scene as a major source of skilled and specialized workers. It is claimed that the dramatic growth in the numbers of expatriate workers has created some problems in the host countries[1/], leading in some cases to a tighter control and restrictive measures.

Notwithstanding the increased emphasis in national development plans on various employment aspects, employment generation is still not regarded as a primary development target. Meanwhile, the significant educational expansion over the last decade has not kept face with the requirements of the development process, and this has created structural imbalances in the labour market.

Educational development in the ECWA region has been marked by a rapid expansion of the educational systems reflected in higher enrolment ratios among females, the increase in the number of teachers, greater differentiation in the types of education and improved planning. However, despite the progress made so far, the level of education in many ECWA countries continues to suffer from, inter alia, inadequate and low-quality educational facilities, high illiteracy rates and substantial gaps between present curricula and the region's real educational needs.

The region has been experiencing an improvement in health services, which is evidenced by falling mortality rates and rising life expectancy. The health sector throughout the region is characterized by the predominance of curative and related services such as hospitals. Interest in preventive medicine is a recent phenomenon. Health facilities remain, however, unevenly distributed at the country level. Access by the rural population to medical facilities is often very difficult. Furthermore, physicians find it extremely unattractive to work in rural areas. Although the Governments of many ECWA member States are attempting to improve health services for their rural populations, it could be a long time before rural areas have reasonably adequate health systems.

1/ The countries of origin have also faced problems of their own as a result of labour migration.

The integration of women in the region's development process has continued to progress in recent years. Nevertheless, great differences persist among member countries in the degree of women's participation in economic and social life. Education has been the area in which opportunities for women have expanded the most.

The housing situation in the ECWA region still suffers from inadequacy of legislation, a paucity of specialized cadres, backlogs, insufficient replacements and the lack of comprehensive planning. The region imports most of the basic building materials, including steel, cement and wood. Even locally produced building materials are usually in short supply. The region has experienced a rapid increase in the use of prefabricated building components.

The ECWA region has also experienced considerable unevenness in the rate of social development. Between rural and urban areas, as well as between countries, disparities exist in standards of living, in access to employment opportunities and services, and in health conditions. In spite of recent efforts to reduce social disparities, expand elementary education and build rural development institutions, serious problems continue to exist.

It is essential that in the coming decade member countries of ECWA should devote increased attention to special population groups such as the old, the disabled, refugees and displaced persons. The need for an integrated and inter-sectoral approach to social development is clearly evident when the improvement of the rural sector is under consideration. Policy measures need to be integrated in a manner that cut across traditional sectoral boundaries.

Almost all ECWA countries have, in varying degrees, embarked on ambitious social development and human settlement plans and programmes. In many of these countries, the public sector has assumed ever-increasing responsibilities in this process. One main factor hindering the social development process in the ECWA region is the absence of an effective administrative system and the lack of qualified personnel.

Despite the urgent desire of Governments of member States to solve the problem of human settlements, a solution can come only in stages, owing to construction constraints and shortages. In human settlement programmes, better utilization of available resources should be sought. A short-term programme could concentrate on increasing the output of materials and equipment from existing sources and on training in skills which are in short supply. New sources of materials and new equipment-producing capacity could be developed as part of a long-term plan.

In their development efforts, the ECWA countries have made extensive use of processes involving science and technology. However, this has not contributed significantly to their scientific and technological capabilities. This is partly due to the turn-key mode of project implementation, which has limited the participation of indigenous scientific and technological skills. Furthermore, these countries lack effective and comprehensive science and technology policies, and this deprives the development process of an important prerequisite. In deciding on development projects, technological objectives are rarely, if at all, taken into account. The region ought to pay greater attention to the question of science and technology and give careful consideration to the development of indigenous and adequate technology on the one hand and to the choice of appropriate imported technology on the other.

Like many developing countries, the ECWA countries have placed very little weight, if any, in their development decisions on environmental considerations. Given the conflict between current methods of industrialization and environmental objectives, the environment issue becomes so much more important as many ECWA countries pursue policies of industrialization[1/]. Unless adequate consideration is given to environmental factors, these countries are likely to incur social and economic costs in addition to suffering permanent ecological damage. Much effort, including the adoption of environmentally sound development policies, is needed to protect and rationalize the use of the region s natural and human resources. Environmental matters comprise one field which lends itself not only to intraregional but also to international co-operation.

1/ The environmental issue will assume greater importance if the region expands its heavy and processing industries such as oil refining and petrochemicals on a large scale, as present trends seem to indicate it will.

I. MAJOR ECONOMIC INDICATORS

A. GROWTH AND STRUCTURE OF OUTPUT

AGGREGATE AND PER CAPITA GROWTH

Economic conditions in the ECWA region during 1977-1978 generally indicated the continuation of the growth momentum of the preceding few years, but with some moderation of the exceptional trends which prevailed subsequent to the sharp oil price increases of 1973-1974. This may suggest the beginning of a stage of relative stability.

Available estimates for 1978 (table 1) indicate that aggregate growth1/ rates of GDP ranged, in real terms, from 5.6 per cent in Saudi Arabia to 12.2 per cent in Iraq. This performance compares favourably with the 5.2 per cent growth rate for the developing countries as a whole in 1978. However, it reflects a slowdown in growth for most member countries of ECWA but represents a recovery to the pre-1977 growth levels for Jordan and the Syrian Arab Republic.

A comparison of growth performance at constant and current prices indicates the persistence of inflationary pressures in the region. However, the rate of increase in the general price level has been relatively moderate as a result of anti-inflationary policies and restraint in public expenditure. A major inflationary pressure has come from abroad, as a result of the heavy dependence of member countries on imports.

Figures for per capita income continue to display sharp disparities among the member countries of ECWA. The Gulf oil-producing economies enjoy per capita income levels which are among the highest in the world, reaching in 1977 $13,784 in the United Arab Emirates. Non-oil-producing member countries fall within the category of the middle-income countries. The two Yemens, which still have low per capita incomes, recorded some recent improvement, mainly due to increased transfers and workers remittances. At the country level, income inequality persists and seems to be worsening in some cases, giving rise to serious social problems. The income gap has mostly widended between the urban and the rural populations. A more even income distribution is increasingly viewed as a major socio-economic objective.

SECTORAL CONTRIBUTION TO OUTPUT

Available statistics indicate that the growth of output attained during the period under review was not accompanied by any notable structural changes. The contribution of the agricultural sector, which sharply declined in the first half of the 1970s, especially after the 1973-1974 upsurge in oil prices, has failed to show any recovery in recent years. A shift from agriculture in favour of mining

---

1/ Available data show that net factor income, specifically workers remittances, contributed significantly to the growth of GNP in the non-oil economies. They also show a rapidly growing investment income accruing to the oil economies, where the GNP/GDP ratio has been steadily rising. Investment income for 5 ECWA oil countries amounted to $7.73 billion in 1977 and approximately $9.7 billion in 1978.

Table 1

Growth of aggregate output in countries of the ECWA region in selected years

Country	period	Annual percentage growth rates				Absolute values		
		GNP a/		GDP a/		GNP	GDP	GNP per capita
		Current	Constant	Current	Constant	(million US$)	(million US$)	(US$)
Bahrain	1976	46.2	24.3	47.8	27.2			
	1977	13.3	1.1	21.8	8.8	1386.1	1656.3	5133.7
Democratic Yemen	1970-1973	-	-	4.9	-			
	1976	37.3	28.2	29.0	19.8			
	1977	24.6	15.1	16.6	7.0	584.8	435.2	338.2
Iraq	1970-1973	11.1	8.3	8.3	5.0			
	1976	38.2	...	31.0	12.1			
	1977	11.6	...	9.4	17.3			
	1978	21.4	...	22.3	12.2	22830.1	23840.9	1852.0
Jordan (East Bank)	1970-1973	14.8	2.2	8.0	0.4			
	1976	58.4	42.1 b/	44.2	29.3 b/			
	1977	14.9	3.4 b/	18.9	3.8 b/			
	1978	14.9	7.4 b/	17.6	9.9 b/	2337.5	1831.9	890.5 c/
Kuwait d/	1970-1973	23.0	-5.6	25.0	2.4			
	1975	10.5	15.0	-8.1	-			
	1976	...	...	12.0	1.9			
	1977	...	...	5.0	...	...	13591.1	12027.5 e/
Lebanon	1970-1974	13.1	7.1	13.0	8.6			
	1976	...	...	-47.6	...			
	1977	...	...	157.6	...	...	2671.9	908.8 e/
Oman	1970-1978	14.2	...	15.0	...			
	1976	17.6	...	14.2	...			
	1977	12.4	...	6.4	...			
	1978	4.8	...	1.4	...	2208.5	2504.4	2629.1

Table 1. (Cont'd.)

Country	period	Annual percentage growth rates				Absolute values		
		GNP a/		GDP a/		GNP	GDP	GNP per capita
		Current	Constant	Current	Constant	(million US$)	(million US$)	(US$)
Saudi Arabia f/	1970-1973	25.8	6.4	27.0	15.0			
	1976	31.9	...	17.9	8.6			
	1977	25.6	...	24.6	15.1			
	1978	9.1	...	9.1	5.6	65461.0	64621.9	8317.8
Syrian Arab Republic.	1970-1973	...	...	13.0	7.2			
	1976	...	...	19.8	7.4			
	1977	...	...	11.0	2.6			
	1978	...	...	18.1	8.1	...	7768.4	959.1 e/
United Arab Emirates	1972-1973	75.5	...	76.6	...			
	1976	28.9	...	30.8	...			
	1977	17.1	...	17.9	...	11882.0	13181.5	13784.2
Yemen g/	1970-1973	20.6	4.4	21.0	4.4			
	1975	16.2	3.6	15.9	3.3			
	1976	48.4	12.3	45.6	10.2	1701.5	1653.7	350.0

Source: ECWA based on national and international sources.

a/ At market prices, except for Iraq, where data are at factor cost.

b/ Deflated by cost-of-living index.

c/ 1977.

d/ Fiscal years beginning 1 April.

e/ GDP per capita.

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

g/ Fiscal years beginning 1 July.

and quarrying has been experienced by several member countries. Table 2 shows that the share of agriculture remained negligible in the oil-producing economies[1/] and low in some non-oil-producing economies, not exceeding 11 per cent. This relative regression in the situation of the agricultural sector, and the subsequent negative impact this had on the food-supply situation, rural-urban migration, and the balance of payments in the deficit countries, is causing concern, in view of the necessity for action to develop this sector, especially in those countries - such as Iraq and the Syrian Arab Republic - in which the potential of the agricultural sector is considerable.

The gains in the share of mining and quarrying in total output which had been registered in the first half of the 1970s were generally maintained in the subsequent period, with some exceptions reflecting adjustments in world market conditions rather than any basic structural change.

The contribution of manufacturing to total output, which averaged around 10-12 per cent of GDP[2/] appears to be modest when viewed against the sizable investment in that sector during the 1970s.

The distribution and services sectors assume special significance in the non-oil economies, since they contribute more than 50 per cent of GDP in most cases. In the oil economies, the share of services drops to almost half as much. In both groups of countries, trade and public administration figure prominently in the composition of the service sector.

EXPENDITURE ON GDP

Estimates of GDP uses for 1978 are available for two countries only, Oman and Saudi Arabia (table 3). However, the general pattern of expenditure in the last few years is likely to have been basically maintained. According to latest available statistics, the share of consumption in the non-oil economies remained very high. Thus, with the exception of the Syrian Arab Republic, the ratio of consumption to total domestic output in these economies exceeded one in 1977. This was made possible by the sizable flow of workers' remittances into these economies.

1/ Iraq is a more diversified economy, and its agricultural sector contributes approximately 10 per cent of its output.

2/ In both Bahrain and Jordan, manufacturing activities expanded rapidly in recent years, contributing 18 and 17 per cent of GDP respectively in 1977.

Table 2

Structure of output: sectoral contribution to GDP at current prices [a]
in countries of the ECWA region in selected years
(percentages)

Country	Period	GDP (millions of national currency units)	Agriculture	Mining and quarrying Total	Mining and quarrying Oil	Manufacturing [b]	Construction	Transport	Trade	All others [c]
Bahrain	1975	364.1	1.5	35.7	(35.6)	18.0	8.1	6.3	14.6	12.8
	1976	538.0	1.3	31.1	(30.9)	18.4	10.1	5.8	15.3	11.7
	1977	655.3	1.4	29.6	(29.5)	18.1	9.5	5.9	16.3	11.7
Democratic Yemen	1971-1973	67.3	22.2	0.1	-	15.2	3.9	7.1	19.7	31.8
	1975	89.2	19.9	0.2	-	9.6	9.7	10.7	17.7	32.2
	1976	112.3	21.8	0.2	-	10.1	9.2	12.0	17.0	29.7
Iraq [d]	1975	3904.0			76.5			12.4		11.1
	1976	5113.3			79.3			11.6		9.1
	1977	5593.4			77.8			13.7		8.5
	1978	6858.2			78.9			11.3		9.8
Jordan	1971-1973	179.2	12.7	-	12.5	-	5.8	9.3	18.9	40.8
	1975	269.4	9.7	6.1	-	12.5	6.0	9.2	17.2	39.3
	1976	358.5	10.4	5.0	-	16.3	6.5	9.1	18.1	34.6
	1977	403.3	10.4	4.9	-	17.2	6.7	8.9	16.4	35.5
	1978	480.6	10.6	4.8	-	16.6	7.3	10.2	16.1	34.4
Kuwait	1971-1973	1673.7	0.3	65.2	-	6.1	1.8	3.3	6.3	17.0
	1975	3279.2	0.2	70.0	-	7.4	0.9	2.6	5.8	13.1
Lebanon	1971-1973	6288.0	9.3		16.2		4.4	7.6	31.7	30.8
	1977	8200.0	8.5		18.5		3.4	7.7	28.3	33.6
	1978	-	-	-	-	-	-	-	-	-
Oman	1971-1973	145.1	11.8		56.4	0.7	15.5	2.2	3.3	10.1
	1975	724.2	2.8		67.2	0.5	9.8	3.3	5.3	11.1
	1976	827.0	2.6		64.1	1.1	10.0	3.1	6.1	13.0
	1977	880.1	2.7		60.8	1.7	9.6	3.2	7.4	14.6
	1978	892.8	3.0		55.8	2.2	9.6	3.7	8.1	17.6

Table 2 (cont'd.)

Country	Period	GDP (millions of national currency units	Agriculture	Mining and quarrying Total	Mining and quarrying Oil	Manufacturing b/	Construction	Transport	Trade	All others c/
Saudi Arabia	1971-1973	30576.0	3.6	60.1	(59.9)	8.2	4.4	5.7	4.2	13.8
	1975	139599.6	1.0	75.2	(75.0)	5.4	5.5	1.6	2.8	8.4
	1976	164526.0	1.0	66.9	(66.5)	5.1	9.6	2.5	3.8	11.2
	1977	205056.2	0.9	63.0	(62.3) e/	4.6	12.5	3.3	4.1	11.5
	1978	223746.6	1.0	56.8	(56.0)	4.5	14.3	4.4	4.9	13.9
Syrian Arab Republic	1971-1973	8584.2	22.1	19.8			4.0	10.0	18.2	25.9
	1975	19535.7	17.9	22.7			5.5	7.1	22.1	24.7
	1976	23409.1	19.9	20.6			6.5	5.2	22.9	24.9
	1977	25993.3	19.7	18.8			7.2	4.5	25.5	24.3
	1978	30685.0	19.8	20.6			6.9	5.4	22.8	24.5
United Arab Emirates	1972-1973	8928.0	1.6	...	66.3	3.6	5.6	6.5	7.1	9.3
	1975	33480.4	0.8	...	71.6	1.8	7.3	3.7	6.8	8.0
	1976	43883.6	0.8	...	67.6	2.2	8.5	4.2	6.7	10.0
	1977	51872.2	0.9	...	62.9	2.8	9.9	4.9	7.5	11.1
Yemen	1971-1973	2621.7	50.6	0.7	-	5.1	5.2	3.2	16.5	18.7
	1975	5181.0	44.5	0.6	-	5.2	4.4	2.9	21.9	20.5
	1976	7545.0	35.2	1.0	-	5.0	8.2	2.7	22.0	25.9

Source: ECWA, based on national and international sources.

a/ GDP at factor cost for Democratic Yemen, Iraq, Jordan, Saudi Arabia and the United Arab Emirates and at market prices for the remaining countries.

b/ Including electricity, gas and water. Oil refining is the major manufacturing activity in Bahrain and Saudi Arabia. In Democratic Yemen, this share has been decreasing progressively from 22.0 in 1970 to almost nil in 1975.

c/ Mainly public administration and defence.

d/ Information about the sectoral distribution of output is available until 1976. During the period 1975-1976, the average shares of agriculture, mining and quarrying, manufacturing and construction (goods producing sectors) were 7.5, 55.4, 7.0 and 5.0 per cent respectively, while the shares of the import and trade (distribution sectors) were 4.3 and 4.6 per cent respectively.

e/ Estimate based on the same percentage share of the oil sector in mining and quarrying in 1977.

Note: See foot-notes 2-4 of table 1.

Table 3

Structure of expenditures on the GDP in countries of the ECWA region, selected years

(in percentages)

Country/period		GDP[1] (millions of national currency units)	Consumption Total	Consumption Private	Consumption Government	Gross capital formation Total	Gross capital formation Changes in stock	Exports of goods and services	Imports of goods and services
Democratic Yemen	1975	19.9	116.0	85.0	31.0	34.0	(6.0)	50[a]	
	1976	128.9	112.0	82.0	30.0	39.0	(5.0)	51[a]	
	1977	150.0	108.7	81.3	27.4	46.0	(5.0)	24.0	78.7
Iraq	1971-1973	1534.7	63.9	41.1	22.8	18.1	(3.0)	39.4	21.4
	1975	4022.4	56.3	33.5	22.8	30.3	(11.4)	57.9	44.5
Jordan	1971-1973	203.9	119.4	85.4	34.0	19.1	(0.6)	17.2	55.7
	1975	278.6	133.5	94.0	39.5	31.9	(0.3)	42.7	108.1
	1976	401.7	116.8	84.4	32.4	40.4	(3.0)	47.8	105.0
	1977	477.6	120.5	87.0	33.5	38.4	(1.2)	50.7	109.6
Kuwait	1971-1973	1673.7	34.6	17.4	17.2	8.5	(0.1)	73.5	16.6
	1975	3279.2	33.9	18.1	15.8	7.8	(0.3)	80.8	22.5
	1976	3672.0	37.3	20.0	17.3	12.9	(0.4)	79.4	29.5
	1977	3854.0	44.8	23.7	21.1	18.1	(0.4)	71.5	34.3
Lebanon	1971-1973	6288.0	87.0	77.8	9.2	20.6	-	46.7	54.3
	1977	8200.0	112.5	...	...	20.9	...	18.1	51.5
Oman	1971-1973	145.1	51.2	22.0	29.2	28.1	...	61.9	41.2
	1975	724.2	47.5	15.9	31.6	35.6	...	67.6	50.7
	1976	827.0	43.7	14.2	29.5	38.8	...	66.7	49.2
	1977	880.1	48.5	23.2	25.3	35.3	...	63.6	47.4
	1978	892.8	57.9	29.9	28.0	31.5	...	61.9	51.3
Saudi Arabia	1971-1973	30594.0	38.9	24.0	14.9	12.7	(.2)[b]	70.2	21.8
	1975	139600.0	24.2	12.8	11.4	13.3	(.5)	82.0	19.5
	1976	164526.0	32.0	14.4	17.6	21.0	(.5)	73.1	26.0
	1977	205056.0	36.6	16.6	20.0	25.5	(.4)	68.4	30.6
	1978	223747.0	43.8	22.8	21.0	30.4	(0.4)	62.4	36.6
Syrian Arab Republic	1971-1973	8534.2	85.8	66.5	19.3	18.2	...	21.9	25.9
	1975	19535.7	85.8	64.6	21.2	28.2	...	24.9	38.9
	1976	23409.1	82.1	60.9	21.2	33.4	...	22.9	38.4
	1977	25993.3	82.7	62.3	20.4	39.5	...	21.9	44.1

.../

Table 3 (Cont'd.)

Country/period		GDP[1/] (millions of national currency units)	Consumption			Gross capital formation		Exports of goods and services	Imports of goods and services
			Total	Private	Government	Total	Changes in stock		
United Arab Emirates	1972-1973	8921.4	25.8	13.5	12.3	26.2	(3.5)	83.8	35.8
	1975	33349.4	22.6	11.9	10.7	28.9	(2.3)	84.8	36.3
	1976	43637.7	22.8	11.7	11.1	30.7	(1.9)	80.8	34.3
	1977	51460.4	26.7	15.4	11.3	33.6	(2.2)	76.9	37.2
Yemen	1971-1973	2621.7	103.8	92.1	11.7	18.3	(3.7)	4.4	26.5
	1975	5181.0	105.7	92.6	13.1	22.6	(7.7)	7.7	36.0
	1976	7545.0	105.1	92.4	12.7	34.7	(12.0)	6.7	46.5

Source: ECWA, based on national and international sources.

a/ Trade balance

b/ Including errors and omissions

Note: Fiscal years beginning 1 July.

The distribution of consumption between the private and the public sectors differs markedly between the oil and the non-oil economies. In the oil economies, the relative shares are about equal. But in the attempt to contain the rate of inflation in the boom years 1975-1976, the restraint on public expenditures resulted in a relatively larger share of private consumption. As a total, however, consumption expenditure represented a relatively moderate share of total output, which allowed an impressive accumulation of savings.

In the non-oil economies, private consumption is markedly higher than public consumption, although the share of the latter is gradually rising in some countries 1/.

The share of gross capital formation in GDP reached an unprecedented growth in the mid-1970s in almost all member countries of ECWA. This was caused by the drive to industrialize and the need to furnish the necessary infrastructure and was made feasible by the relative financial ease that the region has experienced in the post-1973 period. As table 3 indicates, information about capital formation is not available beyond 1977, but there are reasons to believe that investment outlays have slowed down since then, reflecting government anti-inflationary policies. However, the investment level attained in 1976-1977 (ranging from 30 to 46 per cent[2/] of total output) was still exceptionally high.

The external sector figures prominently in the economies of member countries. While this might enhance the region's importance on the international economic scene, the high degree of openness in its economy and the consequent economic dependence cause deep concern. External economic vulnerability stems from the dependence of most countries on one or few primary commodities for the bulk of their export earnings. These countries also depend on external markets for a sizable portion of their consumption and raw materials requirements, and for almost all their needs of capital goods and technology. This phenomenon is reflected in the dominant share of exports in the oil economies, and in the high share of imports in the other countries. However, as table 3 shows, the share of exports showed a relative decline between 1975 and 1977 to approximately two thirds of total output in the oil economies, and to one fifth in the non-oil economies[3/]. Meanwhile, the share of imports showed significant increases, which may have been attributable largely to increasingly expanding development programmes. As it stood in 1977, the share of imports in GDP varied widely among member countries, ranging from 34 per cent in Kuwait to 110 per cent in Jordan.

1/ In Yemen, private consumption in 1976/77 represented 88 per cent of total consumption expenditure.

2/ Kuwait and Lebanon are notable exceptions. The situation in Lebanon and the earlier high levels of investment in Kuwait explain the relatively modest size of their investment.

3/ Jordan and Yemen are notable exceptions; the share of exports increased to reach 50 per cent of total output in Jordan in 1977, while it stayed at the low level of 7 per cent in Yemen in 1976.

ALLOCATION AND COMPOSITION OF GROSS FIXED CAPITAL FORMATION

By 1977-1978, investment expenditures in almost all ECWA countries amounted to about one third of total output. The expansion was mainly in the public sector and concentrated on basic infrastructure and heavy industries.

Increased government spending generally induced a more favourable atmosphere for private investment, although in 1977-1978 the share of public sector investment remained quite high at between two to four times as large as private investment (table 4). In the extreme case of Democratic Yemen, private investment in 1977 did not exceed three per cent of total investment.

As is shown in table 5, the share of agriculture in total investment has been modest in recent years1/, especially if assessed by the sector's needs to meet planned development objectives. For Iraq, it is believed that no major shifts in favour of agriculture have taken place in recent years.

Combined investment in mining, quarrying and manufacturing have reached, in the majority of ECWA countries, record levels in recent years. In 1977, the combined share of these sectors was around 45 per cent in both Iraq and the Syrian Arab Republic, and 35 per cent in the United Arab Emirates2/. While such trends illustrate the intensified efforts to industrialize, they also reflect an emphasis on capital-intensive industries. The share of investment in the transport and communications sectors was much more moderate in both Iraq and the Syrian Arab Republic (around 15 per cent), while in the United Arab Emirates and Yemen, it amounted to about one third of the total.

A breakdown of investment by type of asset (table 5) indicates that construction invariably received the largest allocation, amounting to two thirds of the total in most cases. While the construction boom of the 1975-1976 period may have eased somewhat in recent years, the share of construction in fixed investment remained very high and reached 77 per cent in Saudi Arabia in 1978.

The share of machinery and equipment in investment have been highest in Iraq and the Syrian Arab Republic. In Saudi Arabia, a drop from 15.6 per cent in 1977 to 13.4 per cent in 1978 took place. Finally, the share of transport equipment was around one tenth of total investment in both Saudi Arabia and the Syrian Arab Republic in the period 1977-1978.

1/ It was 8 per cent in the Syrian Arab Republic in 1977, and 14 per cent in Yemen in 1975.

2/ In 1977, the manufacturing sector absorbed around 27 and 28 per cent, respectively, of gross fixed capital formation in the Syrian Arab Republic and the United Arab Emirates.

Table 4

Gross fixed capital formation: Percentage share in GDP and distribution by private and public sectors, selected years

Country/period		Gross fixed capital formation (Mn. national currency units)	Share in GDP	Distribution	
				Private	Public
Democratic Yemen	1975	28.2	28.0	5.3	94.7
	1976	44.0	34.0	4.1	95.9
	1977	62.0	41.0	3.2	96.8
Iraq	1971-73	233.5	15.1	39.2	60.8
	1975	761.2	18.9	17.0	83.0
	1976	1336.5	22.5	16.8	83.2
	1977	1259.2	21.8	20.3	79.7
	1978	1573.5	22.3	19.9	80.1
Jordan	1971-73	38.1	18.5	30.1	69.1
	1975	96.9	31.6	17.3	82.7
	1976	152.4	37.7	...	...
	1977	175.2	37.2	...	...
Kuwait	1971-73	139.8	8.5	36.9	63.1
	1975	246.3	7.5	43.3	56.7
	1976	460.2	12.5	28.8	71.2
	1977	682.0	17.7		
Oman	1971-73	40.7	28.1	35.1	64.9
	1975	258.0	30.2	19.4	80.6
	1976	321.2	29.2	18.8	81.2
	1977	310.8	27.0	26.0	74.0
	1978	281.0	31.5	32.3	67.7

Table 4 (Cont'd)

Country/period		Gross fixed Capital formation (Mn. national currency units)	Share in GDP	Distribution Private	Distribution Public
Saudi Arabia	1971-1973	4009.7	12.9	60.5 a/	39.5
	1975	17841.0	12.8	50.6 a/	49.4
	1976	33705.0	20.5	37.6 a/	62.4
	1977	51416.C	25.1	36.0 a/	64.0
	1978	67136.0	30.0	...	...
Syrian Arab Republic	1971-1973	1577.0	18.2	40.1	59.9
	1975	5514.0	28.2	35.0	65.0
	1976	7829.0	33.4	27.2	72.8
	1977	10270.0	39.5	31.6	68.4
United Arab Emirates	1972-1973	1919.7	22.7	63.9	36.1
	1975	5290.7	24.4	54.9	45.1
	1976	6021.9	20.9	46.6	53.4
	1977	16139.4	31.4	40.1	59.9
Yemen	1971-1973	379.3	14.5	34.0	66.0
	1975	773.0	14.9	33.0	67.0
	1976	2016.0	26.7	...	...

Source: ECWA, based on national and international sources.

a/ Including investment in the oil sector.

Table 5

Distribution of gross fixed capital formation, selected years (in percentages)

Country	period	By economic activity[a/]				By type of asset			
		Agriculture	Mining & quarrying[b/]	Manufacturing[c/]	Transport & communications	Construction Total	Construction Residential	Machinery equipment	Transport equipment
Iraq	1971-1973	13.7	7.3	27.8	13.3	53.8	(16.3)	31.8	9.4
	1975	6.6	15.5	30.1	13.0	52.3	(11.2)	29.6	24.1
	1976	------	49.7[d/]	------	34.0[e/]	...	...	...	...
	1977	------	52.5[d/]	------	21.4[e/]	...	...	...	...
	1978	------	53.1[d/]	------	21.5[e/]	...	...	...	...
Jordan	1971-1973	...	...	...	...	69.0	(29.3)	12.7	18.3
	1975	...	...	...	...	70.8	(27.5)	12.1	17.1
	1976	...	...	...	...	71.6	(25.5)	13.7	14.7
Saudi Arabia	1971-1973		25.1						
	1975	...	24.6	...	...	75.1	(19.5)	12.5	12.4
	1976	...	12.5	...	...	80.5	(15.3)	9.3	10.2
	1977	...	1.4	...	...	74.0	(15.0)	15.6	10.4
	1978	...	...	...	...	77.3	(11.1)	13.4	9.3
Syrian Arab Republic	1971-1973	21.2	26.2	6.2	10.5	60.1	(23.2)	32.6	7.3
	1975	13.3	15.1	28.6	11.3	52.3	(15.3)	30.0	17.7
	1976	6.5	23.6	25.7	14.9	51.4	(14.8)	33.8	14.8
	1977	7.7	19.3	26.8	15.9	48.3	(14.2)	42.4	9.3
United Arab Emirates	1972-1973	1.0	23.1	20.6	27.2	...	...	...	...
	1975	.6	8.9	39.6	23.2	...	...	...	...
	1976	.8	6.5	34.3	28.5	...	...	...	...
	1977	.8	5.3	29.1	34.0	...	...	...	...

Table 5. (Cont'd.)

Country	period	By economic activity a/				By type of asset			
		Agriculture	Mining & quarrying b/	Manufacturing c/	Transport & communications	Construction Total	Construction Residential	Machinery equipment	Transport equipment
Yemen	1971-1973	13.5	---------4.4---------		22.0	81.6	(48.7)	---------18.4---------	
	1975	13.7	---------6.6 d/---------		30.0	65.7	(37.0)	---------34.3---------	

Source: ECWA based on national and international sources.

a/ Distribution of fixed investment by the major economic sectors only; thus the total does not add up to 100.

b/ For Saudi Arabia, investment in oil only; for Syrian Arab Republic, it includes electricity, gas and water.

c/ Including electricity, gas and water.

d/ Commodity producing sectors.

e/ Distribution sectors.

Note: Sèe foot-notes 3 and 4 of table 1.

SAVING INVESTMENT

As noted earlier, patterns of expenditure differed significantly among the ECWA countries. The share of consumption in total output was relatively low in the oil economies and exceptionally high in the non-oil economies. Hence, as table 6 indicates, domestic savings represented a sizable share of total output among countries of the first group, attaining as much as 73 per cent in 1977 in the United Arab Emirates. Among members of the latter group, except for the Syrian Arab Republic, negative savings (or savings withdrawals), have constantly been recorded[1/].

Notwithstanding the rapid expansion in investment in the oil economies which was spurred by the oil boom of 1973-1974, the relatively limited absorptive capacity in these countries left them with substantial surpluses. These surpluses, while remaining sizable in most of the oil economies, tended to decline noticeably after 1975.

In the non-oil capital-deficit countries, negative resource balance[2/] ranged in 1977 between 22 per cent (Syrian Arab Republic) and 59 per cent (Jordan). This illustrates, among other things, the problems that these countries face in financing their investment, and highlights the crucial role of the sizable net factor income receipts from abroad, together with grants and loans, in meeting these countries' needs.

1/ When an account is taken of factor income from abroad, these countries record positive savings rates.

2/ Defined as the difference between domestic savings and gross capital formation.

Table 6

Domestic savings, gross capital formation[a] and resource balance as a percentage of GDP, selected years

Country	Period	Domestic savings[b]	Gross capital Formation	Resource balance[c]
Democratic Yemen	1975	-16.0	34.0	-50.0
	1976	-12.0	39.0	-51.0
	1977	8.7	46.0	-54.7
Iraq	1971-1973	36.1	18.1	18.0
	1975	43.7	30.3	13.4
Jordan	1971-1973	-19.4	19.1	-38.5
	1975	-33.5	31.9	-65.4
	1976	-16.8	40.4	-57.2
	1977	-20.5	38.4	-58.9
Kuwait	1971-1973	65.4	8.5	56.9
	1975	66.1	7.8	58.3
	1976	62.7	12.9	49.8
	1977	55.2	18.1	37.1
Lebanon	1971-1973	13.0	20.6	-7.6
	1977	-12.5	20.9	-33.4
Oman	1971-1973	48.8	28.1	20.7
	1975	52.5	35.6	16.9
	1976	56.3	38.8	17.5
	1977	51.5	35.3	16.2
	1978	42.1	31.5	10.6
Saudi Arabia	1971-1973	61.1	12.7	48.4
	1975	75.8	13.3	62.5
	1976	68.0	21.0	47.0
	1977	63.4	25.5	37.9
	1978	56.2	30.4	25.8
Syrian Arab Republic	1971-1973	14.2	18.2	-4.0
	1975	14.2	28.2	-14.0
	1976	17.9	33.4	-15.5
	1977	17.3	39.5	-22.2

Table 6 Cont d.

Country	Period	Domestic savings c/	Gross capital formation	Resource balance
United Arab Emirates	1972-1973	74.2	26.2	48.0
	1975	77.4	28.9	48.5
	1976	77.2	30.7	46.5
	1977	73.3	33.6	39.7
	1978	-	-	-
Yemen	1971-1973	-3.8	18.3	-22.1
	1975	-5.7	22.6	-28.3
	1976	-5.1	34.7	-39.8

Source: ECWA, based on national and international sources.

a/ For Lebanon, Oman and Syrian Arab Republic, data pertain to gross fixed capital formation.

b/ Domestic savings = GDP less consumption.

c/ Resource balance = domestic savings less investment.

B. FISCAL AND MONETARY DEVELOPMENTS

The over-all fiscal and monetary situation in the ECWA countries continued to reflect the persistent development drive through the period 1977-1979. Emphasis was increasingly focused on the effective use of fiscal and monetary measures, as efforts to broaden the productive base of the economy and consolidate growth gained momentum in both oil and non-oil-producing member countries. Government budget played the dominant role in this process with effects on, inter alia, the monetary sector and prices.

FISCAL DEVELOPMENTS

While the government budget remains the prime mover of economic and social activities in all countries of the region, its level has been influenced by various considerations, depending on the specific circumstances prevailing in each country. In view of the marked differences in government budgetary systems and the deficiency in data, inter-country comparisons are limited to broad categories of revenues and expenditures.

GROWTH IN GOVERNMENT REVENUES

Government revenues continued in an upward trend in all the countries concerned, although at different rates. The rates of increase in total revenue have been less significant in the oil-producing countries, where average annual increases over the period 1977-1978 ranged from 13.0 per cent in Qatar to 79.3 per cent in the United Arab Emirates, as compared with 1974-1976 (see table 7). In Kuwait, total government revenues recorded a decline of almost 6 per cent over the period, on account of reduced oil receipts.

Receipts from the sale of crude oil, gas and derivatives, remained, by far, the major source of government revenue in the oil-producing countries. Despite a slight decline in their relative position, due mainly to a rise in non-oil revenues, receipts from this source have on the average ranged between 76 per cent of total government revenues in Bahrain and 92 per cent in Qatar. Nevertheless, the sharp increases of the years 1974-1975 were not only levelling off but in some cases even declining. Thus, in 1978, government oil revenues registered decreases, except in Saudi Arabia, where an increase over 1977 of 30 per cent was estimated. The actual rate of increase, however, is believed to be much less. Income from the investment of surplus oil revenues now constitutes the second most important source of government revenue in the large oil-producing countries. In 1978, Kuwaiti government revenue from this source was estimated at around KD 440 million, or more than 14 per cent of oil revenues for that year.

The share of non-oil revenue remained very low despite relative increases during the period under review. The increase was largely attributed to receipts from Customs and excise duties levied at nominal rates on a limited range of articles. Similarly, as a result of the gradual nationalization of oil companies, the share of revenue from direct taxes, which had been mainly derived from taxes on the profits of oil companies, has shown an equally declining trend during the last few years. No other broad-based taxes exist in these countries.

Table 7

Government revenue composition and ratio to GDP[a]

(Amounts in millions of national currencies)

Country	Total revenue 1970-73	Total revenue 1974-76	Total revenue 1977	Total revenue 1978	Tax revenue 1970-73	Tax revenue 1974-76	Tax revenue 1977	Tax revenue 1978	Non-tax revenue 1970-73	Non-tax revenue 1974-76	Non-tax revenue 1977	Non-tax revenue 1978
Oil economies												
Bahrain	32.2 (25.4)	140.0 (102.2)	230.1 (...)	218.8[b] (...)	31.0 (24.4)	138.7 (...)	25.3 (...)	27.0[b] (...)	1.2 (0.9)	1.7 (...)	204.8[c] (...)	191.8[b/c] (...)
Iraq	376.4 (25.6)	1134.2 (28.2)	1303.7 (22.6)	1685.6 (23.9)	308.4 (21.0)	1037.9 (25.8)	... (...)	... (...)	68.0 (4.6)	96.3 (2.4)	... (...)	... (...)
Kuwait	517.7 (34.7)	3088.3 (89.0)	3093.4 (80.3)	2739.1[d] (...)	436.0 (29.2)	648.9 (18.7)	48.6 (1.3)	46.0[d] (...)	81.7 (5.5)	2439.4 (70.3)	3044.8[e] (79.0)	2693.1[d/e] (...)
Oman	57.2 (39.4)	425.3 (60.2)	613.2 (69.7)	509.0 (57.0)	54.6 (37.6)	137.8 (19.5)	171.3 (19.5)	151.1 (16.9)	2.6 (1.8)	287.7 (40.7)	441.9 (50.2)	357.9 (40.1)
Qatar	1104.6 (...)	7399.9 (...)	8154.0 (...)	8564.0 (...)	11.5 (...)	26.0 (...)	... (...)	... (...)	1093.1 (...)	7373.9 (...)	... (...)	... (...)
Saudi Arabia	9082.0 (33.3)	72301.3 (55.4)	110935.0[b] (55.3)	146493.0[b] (65.5)	6512.6 (23.9)	46536.0 (35.7)	... (...)	... (...)	2569.5 (9.4)	25765.3 (19.8)	... (...)	... (...)
United Arab Emirates	1977.6 (46.8)	16269.9 (78.6)	29535.7 (...)	28801.7 (...)	1896.1 (44.9)	15707.7 (75.9)	318.6 (...)	283.6 (...)	81.4 (1.9)	562.2 (2.7)	29217.0[f] (...)	28518.1[f] (...)
Non-oil economies												
Jordan	39.2 (20.0)	86.3 (22.4)	145.4[g] (30.4)	162.8[g] (29.0)	26.7 (13.6)	62.8 (16.3)	119.1[g] (24.9)	129.7[g] (23.1)	12.0 (6.1)	23.5 (7.0)	26.3[g] (5.5)	33.1[g] (5.9)
Lebanon	801.9 (13.5)	1011.5[h] (17.4)	1083.9 (13.2)	1403.0 (...)	623.2 (10.5)	810.3[h] (14.0)	837.4 (10.2)	1173.7 (...)	178.7 (3.0)	201.2[h] (3.5)	246.5 (3.0)	229.3 (...)
Syrian Arab Republic	1938.2 (24.1)	5882.3 (30.5)	6666.0[b] (25.6)	6388.9[b] (19.0)	860.0 (10.7)	2166.3 (11.2)	3051.0[b] (11.7)	2644.0[b] (7.8)	1078.2 (13.4)	3716.0 (19.3)	3615.0[b] (13.9)	3744.9[b] (11.1)
Least-developed Economies												
Democratic Yemen	12.9 (19.1)	18.3 (16.8)	34.9 (23.3)	... (...)	8.8 (13.1)	14.2 (13.0)	28.3 (18.9)	... (...)	4.1 (6.1)	4.1 (3.8)	6.6 (4.4)	... (...)

Table 7 (Cont'd.)

Country	Total revenue				Tax revenue				Non-tax revenue			
	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978
Yemen	180.7 (7.5)	759.5 (13.2)	1924.9 g/ (...)	2121.0 b/ (...)	145.6 (6.0)	622.7 (10.9)	1574.8 g/ (...)	1742.7 b/ (...)	35.2 (1.5)	136.8 (2.4)	350.1 g/ (...)	378.3 b/ (...)

Source: ECWA, based on national and international sources.

a) Figures in parenthesis represent percentage of GDP.

b) Budget estimate.

c) Includes mainly oil revenue of Rls. 180.7 millions in 1977 and Rls. 161.2 millions in 1978.

d) Draft budget.

e) Includes oil revenue of KD. 2575.3 millions in 1977 and KD. 2186.7 millions in 1978.

f) Includes oil receipts of Dh. 26118.2 million or 88.4 per cent of total revenue in 1977 and Dh. 24018.1 million or 83.4 per cent of total revenue in 1978.

g) Preliminary.

h) 1974 only.

In some of the countries, e.g., Bahrain and Oman, official grants, both in cash and in kind, as well as loans, have become an important source of government revenue, owing largely to a deceleration in the growth rate of oil revenue and to a general slowdown in economic activities. This has supplemented domestic revenues in order to meet the rapid growth in government outlays and to cover over-all budgetary deficits.

Given the depletable nature of oil resources, further efforts are needed to develop a more diversified system of government revenues, with emphasis on the improvement of the tax system, not only to augment revenues but also to serve as an effective instrument of fiscal policy in regulating demand and resource allocation in the economy. Parallel to such a long-term design of the revenue system, a close scrutiny of the situation would undoubtedly reveal many untapped sources that are immediately available, particularly in the area of indirect taxation.

In most of the non-oil economies of the region, including the least developed countries, government revenue continued to record sharp increases during 1977-1978, averaging 166 per cent in Yemen, 79 per cent in Jordan and 23 per cent in Lebanon, as compared with the corresponding averages for the period 1974-1976. In the Syrian Arab Republic, however, an average increase of 11 per cent was envisaged in the budget. Receipts from taxes in general, and indirect taxes in particular, remain the major source of government revenues in these countries, amounting to over 80 per cent of total revenues in Democratic Yemen, Jordan, Lebanon and Yemen.

The proportion of both direct and indirect tax revenue to GDP demonstrated a steady upward trend, reaching, in 1977-1978, around 19 and 24 per cent of GDP for Democratic Yemen and Jordan, respectively. In both countries, this increase reflected the Government's continued drive towards financial self-sufficiency by raising the share of domestic revenues in total revenues. The increase was mainly due to stricter enforcement of the tax laws and a rise in the volume of taxable imports rather than to changes in basic applicable rates.

The tax revenue/GDP ratio in most of the countries remain among the lowest in the world. The rate of increase in total revenue was lower than that in current and investment expenditures. Budgetary gaps remained significant in Democratic Yemen, Jordan and Lebanon and were bridged by foreign assistance and internal loans. Only in the Syrian Arab Republic (1977) and recently in Yemen (1978) were domestic revenues adequate to cover current expenditures.

In Yemen, where a modern income tax system has only recently been instituted on income and profits, tax revenues largely from indirect taxes have shown a remarkable upsurge, reflecting higher levels of economic activity and consequently of imports, as well as increasing experience in tax administration. Nevertheless, more efforts are needed to diversify tax and non-tax sources of revenue, broaden the tax base and to further improve assessment and collection capabilities.

In the Syrian Arab Republic, while tax revenue showed a slight increase, mainly reflecting higher Customs receipts, transfers from public sector enterprises continued to constitute the bulk of government revenues. However, in terms of GDP, revenue from this source has followed a declining trend during the past few years. In 1978, non-tax revenues, which also include transfers from public enterprises, amounted to 11 per cent of GDP as against 14 per cent in 1977 and an average of over 19 per cent for the period 1974-1976.

There is, therefore, ample scope for increasing domestic revenues, primarily through rationalizing the operations of public enterprises which dominate economic activities in the country.

Budgetary outlays

Government expenditures continued to increase heavily during 1977-1978 in both the oil and non-oil-producing economies of the region. The rates of increase in total expenditures were much higher than those in total revenues (see table 8). The increase ranged from 15 per cent for Oman to 148 per cent for the United Arab Emirates among the oil-producing countries, and from 60 per cent for Lebanon to 153 per cent for Yemen among the non-oil-producing countries. These rates were largely due to rapidly increasing development expenditures by as much as 230 per cent in Democratic Yemen and 344 per cent in the United Arab Emirates. This continued to reflect the government policy of building the infrastructure and furthering the growth of the economy.

It was only in Oman, however, that development expenditures experienced a decline during the period. This was in compliance with the stipulations made in the 1976-1980 Development Plan calling for a reduction in government development spending in favour of private investment and for a shift in the concentration of investment from infrastructure to income-yielding projects. The increase in ordinary expenditures is attributed to defence, increases in wages and subsidies, recurrent expenditures relating to completed projects and a rapidly growing civil service.

The heavy increase in both ordinary and development expenditures resulted in a budget deficit in Bahrain during 1977-1978. This intensified demand pressure on available resources and resulted in widespread price rises as the flow of supplies from abroad was constrained by various bottlenecks, mainly port congestion. This, in turn, raised the level of ordinary expenditures as direct and indirect subsidies on a growing list of goods and services were extensively increased. These subsidies, in addition to being a drain on the budget and difficult to remove, are likely to cause serious misallocations of resources in the economy through the distortion of the price mechanism.

In 1978, Bahrain instituted a system of two-year budgets aimed at strengthening short-term and medium-term financial planning in view of the moderate increases in oil revenue. However, as oil revenue showed signs of further increases, budget estimates were revised upward on an annual basis, thus eliminating the advantages envisaged as a result of the adoption of the biennial scheme of budgeting. Emphasis is now being placed on the proper selection and monitoring of development projects.

In Iraq, while total expenditures increased at a lower rate than revenues in 1978, in absolute terms the increase was large enough to result in a budget deficit of 2.9 per cent. In addition to increased development outlays, the deficit also reflected growth in expenditure on social and community services.

Table 8

Composition of government expenditures by type and as ratio to GDP[a/]
(amounts in millions of national currencies)

Country	Total expenditures				Ordinary expenditures				Development expenditures			
	1970-73	1974-75	1977	1978	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978
Oil economies												
Bahrain	30.3 (23.5)	118.3 (86.4)	256.2 (...)	280.0[b/] (...)	24.7 (19.4)	68.3 (49.8)	115.1 (...)	135.0[b/] (...)	5.6 (4.4)	50.0 (36.5)	141.1 (...)	145.0[b/] (...)
Iraq	512.4 (34.8)	2129.2 (52.9)	1269.5 (22.0)	1761.5 (25.0)	361.3 (24.6)	1070.6 (26.6)	... (...)	... (...)	151.1 10.3	1058.6 (26.3)	... (...)	... (..)
Kuwait	372.7 (25.0)	1172.2 (33.8)	1745.5 (45.3)	1762.3[b/] (...)	314.7 (21.1)	612.1 (17.6)	759.5 (19.7)	909.4[b/] (...)	81.2[c/] (5.4)	560.1[d/] (16.1)	986.0[d/] (25.6)	852. [b/d] (...)
Oman	68.6 (41.8)	463.2 (65.6)	509.5 (57.9)	560.0 (62.7)	42.0 (29.0)	292.9 (41.5)	363.6 (41.3)	437.0 (48.9)	26.6 (18.3)	170.3 (24.1)	145.9 (16.6)	123.0 (13.8)
Qatar	923.7 (...)	3944.1 (...)	7318.0 (...)	... (...)	729.3 (...)	2433.9 (...)	3848.8 (...)	... (...)	194.4 (...)	1510.2 (...)	3469.2 (...)	... ...)
Saudi Arabia	9239.5 (33.9)	59829.7 (45.9)	110935.0[b/] (55.3)	111400.0[b/] (49.8)	4981.5 (18.3)	21483.0 (16.5)	36502.0[b/] (18.2)	36534.0[b/] (16.3)	4258.0 (15.6)	38346.7 (29.4)	74433.0[b/] (37.1)	74866.0[b/] (33.5)
United Arab Emirates	1620.5 (38.3)	8992.6 (43.4)	21272.0 (...)	23341.8 (...)	1221.6 (28.9)	6893.4 (33.3)	12598.1 (...)	13387.3 (...)	398.9 (9.4)	2099.8 (10.1)	8673.9 (...)	9954.5 (...)
Non-oil economies												
Jordan	96.2 (49.0)	191.5 (49.7)	315.9[e/] (66.1)	363.1[e/] (64.7)	67.2 (34.2)	124.6 (32.3)	186.0[e/] (38.9)	211.0[e/] (37.6)	29.0 (14.8)	66.9 (17.4)	129.9[e/] (27.2)	152.1[e/] (27.1)
Lebanon	(824.2) (13.9)	1225.0 (21.1)	1661.5 (20.3)	2259.9 (...)	724.8 (12.2)	1011.5 (17.4)	1270.0 (15.5)	1419.8 (...)	99.4 (1.7)	213.5 (3.7)	391.5[f/] (4.8)	840.1[f/] (...)

Table 8 Cont'd.

Country	Total expenditures				Ordinary expenditures				Development expenditures			
	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978
Syrian Arab Republic	2590.1 (32.2)	8826.4 (45.8)	17047.0 b/ (65.6)	18202.1 b/ (54.0)	1683.3 (20.9)	4797.7 (24.9)	6644.0 b/ (25.6)	7556.7 b/ (22.4)	906.8 (11.3)	4028.7 (20.9)	10403.0 b/ (40.0)	10645.4 b/ (31.6)
Least-developed economies												
Democratic Yemen	22.1 (32.8)	42.4 (39.0)	101.4 (67.6)	... (...)	18.4 (27.2)	25.2 (23.2)	44.5 (29.7)	... (...)	3.7 (5.5)	17.2 (19.5)	56.9 g/ (37.9)	... (...)
Yemen	332.4 (13.8)	998.2 (17.4)	2372.4 (...)	2682.8 b/ (...)	248.5 (10.3)	643.3 (11.2)	1234.9 (...)	1675.6 b/ (...)	83.9 (3.5)	354.9 (6.2)	1137.5 (...)	1007.2 b/ (...)

Source: ECWA, based on national and international sources.

a/ Figures in parenthesis represent ratios to GDP.
b/ Estimate.
c/ Includes both development expenditures and land purchases.
d/ Includes development expenditures, land purchases, local loans and contributions to shares of local companies and to government financial institutions.
e/ Preliminary.
f/ Includes both "development expenditures" and "construction and equipment expenditures".
g/ Provisional.

Despite considerable increases in development expenditures, in the remaining oil-producing countries, namely Oman, Qatar, Saudi Arabia and the United Arab Emirates, government budgets recorded surpluses during the period, although not as high as in the post-1973 years, owing to the levelling off of oil receipts during 1977-1978.

In some countries such as Kuwait and Saudi Arabia, budgetary deficits were initially experienced, leading to the scaling down of expenditure estimates to a manageable level.

As other instruments of economic policy, such as taxation, are almost non-existent, the role of fiscal policy remains basically limited to meeting public expenditures. Government expenditures on social and community services. covering such fields as those of education, health, housing, transport, electricity and water, increased during the period by more than fourfold in Bahrain, Kuwait, and the United Arab Emirates and doubled in Saudi Arabia. In Qatar, expenditures on these services recorded more than a sevenfold increase in 1978. Despite these increases in expenditures on social and community services they ranked third after outlays on general and economic services. In most cases, expenditures on general services amounted to as high a percentage of GDP as 28 per cent for Saudi Arabia in 1977 and 36 per cent for Oman in 1978, reflecting a rapid growth in government administration in addition to provision for defence.

In a move to introduce rationality in public expenditures and monitor implementation against objectives, Kuwait incorporated in the 1978/79 budget the outlines of programme budgeting which illustrates the cost and objective of each programme set out in accordance with its priority and importance to the economy.

In the non-oil-producing countries, the rapid upsurge in both ordinary and development expenditures resulted in budget deficits and government dispersal of savings. In addition to higher defence outlays, the expansion in ordinary expenditures also reflected growth in government social services, current transfers (direct and indirect subsidies), an over-all enlargement of the government structure and rising prices. Although a significant part of the deficit in most cases was met by external grants (budgetary support) and loans, the rest had to be financed through domestic credit creation, including the sale of bonds and treasury bills. In addition to mobilizing domestic resources, the issuing of treasury bills and bonds, resorted to especially in Jordan and Lebanon, was also intended to absorb excess liquidity. It should be noted, however, that both in the oil and the non-oil economies of the region, reliance on one instrument of economic policy, such as expenditures, cannot achieve the reconciliation of a number of desired but different objectives. In the absence of other complementary instruments of public policy, excessive reliance on government expenditures is likely to act as a destabilizing factor, especially if inflationary forces are at work.

Public debt

The unprecedented rise in the level of government expenditures in both the oil and non-oil economies of the region has greatly increased liquidity, which has generated excessive levels of aggregate demand and inflation. In the latter category of countries, the problem is also compounded by balance-of-payments difficulties. The underdeveloped money and capital markets do not yet provide adequate outlets to absorb this liquidity at a desirable rate. This and the uncertainty of the prevailing situation, as well as the high liquidity preference on the part of the general public all tend to discourage the holding of securities. This in turn limits the extent to which Governments can borrow in the market. As for extenal borrowing, which is considered to bring about an immediate accretion to real resources available internally, considerations such as creditworthiness, the ratio of debt service to exports and to GDP will affect the borrowing capacity of a country.

Governments in a number of ECWA countries have resorted to both internal and external borrowing during the period under review. Internal borrowing, primarily intended to cover the budget deficit, amounted to 12.7 per cent of total money supply in Democratic Yemen (1977) and averaged 24.7, 4.1 and 50.2 per cent in Jordan, Lebanon and the Syrian Arab Republic, respectively, in 1977-1978. The rapid increase in borrowing in the Syrian Arab Republic, which was effected through credit creation and the reduction of foreign exchange reserves, was partly due to curtailment in the flow of external aid in 1977. In Iraq, which experienced a budget deficit, there was a sharp decline in internal borrowing in 1977 amounting to ID 17.0 million, or 1.6 per cent of total money supply, as compared with an average of ID 102.8 million for the period 1974-1976.

Due to the non-existence of developed securities and capital markets, borrowing has been largely against treasury bills and/or in the form of credit from the banking system. In both cases, the banking system has supplied the Government with the resources needed and has not carried out operations aimed at absorbing excess liquidity in the economy. In general, in the light of the limited scope of the typical instruments of monetary policy, i.e., the reserve ratio, discount rates and open-market operations, the expansionary effect of such a method of financing on total money supply, in the context of the economies of the region, is unavoidable. The monetary authorities may have to resort increasingly to moral suasion in regulating monetary developments. In some countries, the monetary authority has acted as an agent for the sale of government bills and bonds primarily for raising revenues for budgetary purposes and absorbing liquidity. In Bahrain, for example, a move in this direction was initiated in 1977. By the end of 1978, the Government expected to raise more than $ 50 million. Efforts are under way to develop a secondary market for these bonds.

With the upsurge in oil revenues in the region, the growing budgetary deficits and balance-of-payments problems of the non-oil-producing countries continued, generally, to receive the sympathetic consideration of the oil-producing countries. Thus, in 1978, foreign aid provided 58 per cent of budgetary resources in Jordan, while in the Syrian Arab Republic around 57 per cent of ordinary expenditures and over 62 per cent of development expenditures were expected to be financed from abroad. In Yemen, external aid registered rapid increases, reaching a total of $750 million by the end of the fiscal year 1976/77, with the disbursed loan component amounting to two fifths of the estimated $529 million outstanding loans. This share is likely to rise with the improvements in the technical and managerial capabilities of the country of carrying out additional development programmes and projects and as the necessary administrative and physical infrastructures are gradually created.

Despite the concessionary nature of loans, the burden of debt servicing (i.e., payment of both principal and interest) grew steadily in the non-oil-producing countries. In 1977, the ratio of debt to GDP and the ratio of debt and debt service to exports of goods rose sharply for four of the five non-oil-producing countries of the region.

MONETARY DEVELOPMENTS

The adverse impact of excessive increases in money supply and prices during 1974-1976 prompted Governments to rationalize public expenditure, as noted above, and to improve monetary management. Although the situation in individual countries varied, the general rate of growth in money supply (M)[1/] was much lower during 1977-1978, compared to the average annual increases recorded in 1974-1976. It should be noted, however, that this relatively more moderate rate of monetary expansion remains much faster than the rate of growth of GDP in the non-oil economies in real terms.

The deceleration in the rate of expansion of the money supply (M) was particularly pronounced in the oil-producing countries (see table 9). It ranged from 28.8 per cent for Iraq (1977) to an average of 84.7 per cent for Kuwait in 1977-1978; this contrasts with the lowest average rate of increase of 97.3 per cent for Kuwait and to the highest rate of 290.3 per cent for the United Arab Emirates recorded during 1974-1976. This reduction was matched by similar reductions in the rate of growth in bank credit and in liquidity. In addition to changes in the composition and level of government expenditures, other contributing factors included restraint on bank credit exercised through a number of statutory measures (such as changes in interest rates and reserve or liquidity ratios and credit ceilings) and moral suasion aimed at directing banks credit to preferred areas, the sale of treasury bills and bonds and an increased outflow of liquidity in the form of current and capital transfers for import and investment purposes. For example, in Kuwait, a series of measures were taken to regulate liquidity and improve monetary management. These included the introduction of a system which provides for a variety of liquidity ratios ranging from total exemption, for deposits of more than one year, to 35 per cent for demand deposits; the maintenance of at least 35 per cent of banks' current accounts in cash, current or time deposits in the Central Bank or in current deposits with other banks; currency swap arrangements with local banks

---

1/ The term "money supply" (M) is used in its broad interpretation and comprises currency in circulation plus demand deposits (M1) and time and savings deposits (M2) or "Quasi-money". This is intended to reflect on the various motives for over-all liquidity preference, namely the transacting, precautionary and speculative motives.

Table 9

Money supply

(Amounts in million of national currencies)

Country	Currency in circulation				Demand deposits			
	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978
Oil economies								
Bahrain	19.7	25.0	41.6	45.2 a/	30.6	64.0	108.7	126.4 a/
Iraq	211.4	488.5	607.8 b/	...	51.2	142.4	185.3 b/	...
Kuwait	56.0	104.1	150.9	177.0	75.9	190.4	339.7	422.0
Oman	10.3	38.4	55.1	64.4	6.0	37.1	58.2	53.7
Qatar	75.5	254.9	505.0	540.5 c/	222.8	790.3	1582.1	1675.6 c/
Saudi Arabia	2192.0	7113.6	15567.2	17330.0 d/	1335.0	8248.3	20793.1	27520.0 e/
United Arab Emirates	...	711.3	1392.3	1703.5	...	2243.3	382 .3	4072.3
Non-oil economies								
Jordan	86.1	138.7	188.2	219.4	30.6	77.7	126.5	151.1
Lebanon	1005.8	2226.0	2729.0	3286.0	1134.8	1678.0	2333.0	2862.0
Syrian Arab Republic	2160.5	4206.2	6796.7	8458.9 c/	687.2	2490.4	4127.5	5408.2
Least developed economies								
Democratic Yemen	27.9	47.0	88:2	112.0 c/	5.9	14.0	27.0	27.9 c/
Yemen	...	1343.5	4480.9	5563.9	61.6	337.7	767.4	747.3

Table 9 (Cont'd.)

Country	Time and savings deposits f/				Total money supply			
	1970-73	1974-76	1977	1978	1970-73	1974-76	1977	1978
Oil economies								
Bahrain	29.0	122.3	203.0	...	79.3	211.3	353.3	...
Iraq	81.8	182.7	254.7 b/	...	344.2	813.6	1047.8 b/	...
Kuwait	346.6	649.5	1078.1	1318.7	478.5	944.0	1568.7	1917.7
Oman	26.8	51.5	88.4	107.6	43.0	127.1	201.7	225.7
Qatar	273.9	785.9	...	...	579.0	1831.1	...	...
Saudi Arabia	1057.5	2535.0	...	...	4585.0	17896.9	...	...
United Arab Emirates	...	7447.0	10330.5	11841.2	...	10401.6	15545.1	17617.0
Non-oil economies								
Jordan	29.4	66.5	124.2	226.8	146.1	282.9	438.9	597.3
Lebanon	3770.2	6563.7	9311.0	11081.0	5910.8	10467.7	14373.0	17229.0
Syrian Arab Republic	246.9	633.8	957.1	1248.1	3094.6	7330.4	11881.3	15115.2
Least developed economies								
Democratic Yemen	9.0	16.0	25.2	...	42.8	77.0	140.4	...
Yemen	74.9	462.4	542.1	804.7	...	2143.6	5790.4	7115.9

Source: ECWA, based on national and international sources.

a/ Covers the first eleven months of 1978.

b/ Year ending June 1977.

c/ Covers the first nine months of 1978.

d/ Covers the first three months of 1978.

e/ Covers the first seven months of 1978.

f/ Referred to as "quasi-money" in most cases.

involving buying and selling of foreign exchange in order to minimize the risk of exchange rate fluctuations; the issuing of Central Bank bills which will lay the basis for "open-market operations"; and, inter-bank operations involving banks holding deposits and "certificates of deposits".

Similarly, in the United Arab Emirates, where rapid monetary growth coupled with strong inflationary pressures and uncontrolled expansion of the banking system posed severe problems in 1974-1976, the authorities have taken, since mid-1977, a number of measures to ensure a sound development of the entire financial sector. These included subjecting all financial institutions to the authority of the Currency Board enforcing a moratorium on the establishment of new banks, establishing a real estate bank to assume the real estate loan operations of commercial banks, raising reserve requirements, and following a more prudent lending policy.

The relatively moderate rates of increase in the level of time and savings deposits in a number of oil-producing countries during the period is partly attributed to high sustained rates of growth in income, higher propensities to save and growing confidence in the currency and banking system, as well as the expansion of that system itself.

In the non-oil economies, total money supply in general registered relatively higher rates of increase than during the period 1974-1976, ranging from an average of 51 per cent for Lebanon to 201 per cent for Yemen. In Jordan, and Yemen, the increase is partly explained by an expansion in credit to both public and private sectors, as reflected in the level of M1, and partly due to a rapid expansion in net foreign assets derived from external aid (grants) and remittances of nationals working abroad. Both time and savings deposits (M2) also showed substantial increases following the liberalization of currency regulations. The "development bonds" and the newly instituted stock exchange in Jordan are expected to provide investment outlets, thus absorbing some of the excess liquidity. In Yemen, much of the liquidity has been absorbed by the import of consumer goods. The rapid increase in M1 has helped to increase the monetization of the economy in areas which relied on barter deals or used other media of exchange. Care should be taken, however, to avoid an over-monetization of the economy at a time when strong inflationary pressures are at work.

In the Syrian Arab Republic, much of the increase in M1 was due to expansion in bank credit to the public sector, which was accompanied by a decline in foreign exchange reserves. The rapid monetary expansion, coupled with bottle-necks, added to excess liquidity with corresponding pressure exerted on the level of prices and the balance of payments. Stringent controls over public spending, price subsidies and import regulation are believed to have somewhat eased the situation.

In Lebanon, the unprecedented rate of increase in M2 was responsible for the expansion in money supply during the period 1977-1978. The build-up was mainly due to the return of funds that had left the country during the hostilities and the substantial remittances from Lebanese working abroad, largely in the oil-producing States of the region. As in Jordan and Yemen, these remittances more than offset the balance of trade deficit in Lebanon, which has been running at high rates during the period. Another factor responsible for the growth of bank deposits was the increase in the number of bank branches from 227 in 1975 to 365 by the end of 1977. Although the volume of bank credit did not reflect a proportionate increase, it had more than doubled by the end of 1978, as compared to 1974. The prevailing situation has not yet provided a climate in which part of the excess liquidity could be absorbed in long-term productive investments. Some speculative practices prompted the Central Bank, early in 1979, to take a number of measures aimed at streamlining bank practices, protecting the value of the national currency and improving the investment atmosphere. These measures included limiting bank loans in Lebanese pounds, increasing the mandatory reserves for both local and foreign deposits to counterbalance the effect of foreign exchange purchases by the Central Bank, and issuing Treasury bonds with maturities ranging from three months to five years, as well as raising the interest rate on short-term Treasury bills.

FINANCIAL DEVELOPMENTS

The growing concern for the sound management of the increasing surpluses from oil revenues, coupled with the desire of the countries concerned to play a more direct role in such management, led to an intensification of efforts during 1977-1978 for the creation and development of appropriate financial institutions at the national and regional levels. A number of oil and non-oil-producing countries, namely Bahrain, Kuwait and Jordan, have established banking and financial institutions, with a view to their serving as regional financial centres. While the volume of operations of these institutions is still modest compared to the accumulated annual surpluses, achievements to-date show remarkable progress.

The success of Bahrain, especially in the establishment of an offshore banking centre, is a case in point. With the rapidly growing number of the licensed offshore banking units, which reached 53 in August 1979, the centre has become both a part of the international money market, acting mainly as an outlet for the investment of Arab private surplus funds, and as an intermediary in Arab banking activities. The assets of these units stood at $27.3 billion by September 1979, with the Arab countries share exceeding 55 per cent, thus underlining the importance of the centre for the region. With the number of such units and the volume of their operations rapidly increasing, the Bahrain Monetary Agency will find it necessary to develop more comprehensive guidelines governing their operations. Efforts are also under way in Jordan to establish offshore banking units. The Government is intending to remove currency restrictions as part of the preparations for this action.

In Kuwait, parallel to the rapid growth in banking operations, emphasis has also been increasingly placed on the development of investment institutions. These have contributed to channelling investments abroad and pursuing underwriting activities for foreign securities. The latter included the underwriting and placing of six World Bank bond issues on the Kuwait market. In an effort to support the securities market, the Government also enacted a number of measures in 1977-1978, including the purchase of private sector shares.

Arab national and regional financial institutions continued to expand their lending operations to both Governments and government-guaranteed private sector projects during 1977-1978. Some of these institutions have increasingly engaged in co-financing with other well-established development institutions thus bringing in more technical and managerial capabilities in project evaluation. The Arab Monetary Fund, which aims, inter alia, at correcting disequilibria in the balance of payments of member States, commenced its loan operations in 1978 with payment assistance to five of its member countries, namely Egypt, Mauritania, Morocco, Sudan and the Syrian Arab Republic.

Four ECWA member countries, namely Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (Abu Dhabi), participated in the Supplementary Financing Facility of IMF established late in 1977. Saudi Arabia alone contributed 2.15 billion SDRs, or 25 per cent of the total SDRs 8.40 billion pledged by 13 Fund member countries. The Facility will be available only to Fund members with balance-of-payments difficulties that cannot be met through the Fund's regular credit tranches. In another development, the Fund decided, in July 1978, to include the Saudi Arabian Riyal in the basket of 16 currencies that determine the value of the SDR, which reflects the growing international standing of the Riyal. The share of the Riyal in the value of the SDR is set at 3 per cent.

II. SECTORAL AND OTHER DEVELOPMENTS

A. AGRICULTURE

PRODUCTION

Total agricultural production

Increasing awareness of the importance of agriculture in the ECWA countries, stimulated by the food crisis of the early 1970s, has led to sharp rises in levels of agricultural investment and sustained attempts to increase output in recent years. While the results of these efforts are beginning to emerge in a number of countries, there is increasing evidence that progress has often been too costly, particularly in the oil-exporting countries. The agricultural sector of many countries in the region also continues to be plagued by a number of intractable structural and other problems, including a limited production base, inconsistent production patterns, a declining contribution to GDP, and failure to bring the underprivileged small farmers into the mainstream of development.

With the possible exception of Egypt, which has a relatively stable production base, marked annual fluctuations remains the most striking feature in the evolution of agricultural production in the ECWA countries. In the period under review, very severe production reversals occurred in the northern subregion owing to adverse weather, and over-all *per capita* regional food production declined marginally. However, in 1979 the physical index of aggregate regional agricultural production registered a 2.5 per cent increase, compared to 4.2 per cent in 1978 and the 2.6 per cent average annual growth achieved during the 1970s (table 10).

Continued slow agricultural growth of about one per cent was recorded in Egypt for 1979. Prospects for expanding Egyptian agriculture are largely determined by the often slow rate of bringing reclaimed land into production, since the scope for significant yield increases has been virtually exhausted. Recent attempts to substitute food crops for cotton, because of rapidly rising production costs, have also been seriously impeded by an inadequate and cumbersome State-controlled marketing network for perishable commodities. It is now increasingly recognized that accelerated agricultural production in Egypt will require major structural changes, *inter alia* in the degree and extent of private-sector participation, in pricing policies and in the process of modernization.

Table 40

Annual change of total agricultural production in the ECWA countries, selected periods[a/]

Country	1961/65[b/]-1970	1970-1979	1978-1979
Democratic Yemen	1.0	3.0	4.2
Egypt	2.9	1.0	1.0
Iraq	5.1	1.0	17.5
Jordan	9.5	2.3	-11.5
Lebanon	2.8	-0.1	5.5
Saudi Arabia	4.5	9.1	1.1
Syrian Arab Republic	-0.04	0.3	-4.4
Yemen	2.2	0.9	9.9
ECWA (including Egypt)	2.1	2.6	2.5
ECWA (excluding Egypt)	1.2	4.1	3.7

Source: ECWA, based on FAO, Interlinked Computer System (ICS) print-outs of production index numbers, December 1979 (unpublished).

a/ Exponential trend.

b/ Average annual changes.

Serious production shortfalls occurred in the Syrian Arab Republic and Jordan during 1979 following the failure of the seasonal rains. The rapid expansion of Syrian agriculture in recent years appears to be receding, owing to the emergence of technical and structural difficulties associated with expanding the irrigated area, particularly the problem of mechanizing small and fragmented farms and the low productivity of cereals due to salinity. Drought conditions in Jordan for the fifth consecutive year continued to frustrate attempts to increase cereal output, and food production fell by 13 per cent, which necessitated heavy imports of grain and emergency food assistance.

An exceptional 17 per cent increase in agricultural production was recorded for Iraq in 1979 following several years of low production. The favourable upturn appears to reflect the emerging positive effects of massive recent drainage and irrigation investments undertaken throughout the agricultural sector, greater consistency in policy, a relaxation of administrative and infrastructural constraints, and significant price increases for a broad range of crops.

Lebanese agriculture continues to recover from the disruptions of the civil disorders, registering a 5.5 per cent increase in 1979. In spite of continuing instability and a declining agricultural labour force, production levels were sustained.

Agricultural production recovered sharply in Democratic Yemen and Yemen following the setbacks of 1978, and output increased by 4.2 and 9.9 per cent, respectively. Under the positive influence of sizable and growing inflows of remittances from nationals working abroad, more financial resources have been diverted into rural development, largely through private channels, which augurs well for continued agricultural growth.

The massive agricultural investment programme in Saudi Arabia, evidenced by an increase in the volume of production by more than 75 per cent since 1970, appears to be losing momentum. In spite of significant price increases during 1979, the growth of output fell back to 1 per cent, compared to an annual average of 9 per cent in recent years. Prospects for continued high growth depend heavily on removing the key bottle-neck of shortages in skilled manpower, and on further measures to motivate farmers and promote the acceptance of technological change.

As a result of efforts to develop modern small-scale and heavily subsidized capital-intensive enterprises, agricultural production in the Gulf countries of Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates continues to expand at an annual rate varying between 2 and 5 per cent. This expansion, however, has sometimes been costly. Thus, the rate at which groundwater resources are being depleted, with threats of irreversible damage, is assuming alarming proportions, particularly in the United Arab Emirates. The ability to develop viable and self-sustained agricultural enterprises is increasingly being questioned, and this could have a profound influence on the pattern of growth in the 1980s.

Food and non-food production

The gap between food and non-food production in the ECWA countries continues to widen in response to sustained attempts to reduce the food deficit. The pronounced shift towards food crops which began in the early 1970s, in the wake of the food crisis, has been facilitated by the availability of development finance which has enabled resources to be diverted away from the principal non-food export crops, cotton and tobacco. As is shown in table 11, the index of food production increased by 31 per cent between 1970 and 1979, while the index of non-food production fell by 17 per cent over the same period.

Table 11

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	1979[a]	Annual percentage change: 1970/79[b]	Annual percentage change: 1978/79
Food production	96	117	123	118	123	126	3.1	2.4
Non-food production	98	81	85	83	89	85	-2.1	-4.5
Agricultural production	97	112	117	113	118	121	2.6	2.5

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Preliminary.

b/ Exponential trend.

Two unfavourable features seem to characterize the current agricultural production trend. First, as the proportion of food crops in the total cultivated area expands, the production of cereals, which are predominantly grown on rain-fed lands, has become increasingly vulnerable to climatic factors. This can be offset by continued expansion of the irrigated area and the construction of dams. Secondly, preoccupation with national food self-sufficiency seems to have also diverted attention away from regional co-operation in food production. In addition, failure to examine carefully and expose the real economic costs of production subsidy measures has often given a false impression of the economic performance of the sector and its contribution to value added.

In spite of the increased emphasis on food crops, population growth in most ECWA countries continues to outstrip food production. *Per capita* food production has in fact declined during the 1970s at rates varying between 1 and 2 per cent annually in Egypt, Iraq, Jordan, Lebanon and Yemen. For the region as a whole, *per capita* food production has increased at the marginal rate of 0.3 per cent per annum, largely due to substantial growth in Saudi Arabia and the Syrian Arab Republic. In 1979 a sharp downturn in *per capita* production levels occurred in Jordan and the Syrian Arab Republic, reflecting unfavourable weather conditions, while a strong recovery took place in Iraq and Yemen. In other ECWA countries, the situation remained largely unchanged.

Crop and livestock production

The relative contribution of crops and livestock to total agricultural production in the region in 1979 was about 65 and 35 per cent, respectively, compared to 70 and 30 per cent in 1970. This reflected the greater stability and faster growth of the livestock subsector relative the crop subsector (see table 12).

Table 12

Changes in the volume of production of the crops and livestock subsectors in the ECWA region
(Percentage annual variations)

	1975	1976	1977	1978	1979	1970-1979[a/]	1975-1979[a/]
Crop subsector	0.2	6.2	-5.1	5.8	1.3	1.9	1.7
Livestock subsector	4.0	3.5	9.6	4.8	2.4	4.1	4.9
Agricultural sector	1.3	5.4	-2.2	5.5	1.7	2.5	2.3

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Simple average of annual rates.

Crops

Aggregate regional crop production increased by 1.8 per cent in 1979, with a substantial rise in output of oil crops for the second year. Total production during the 1970s is estimated to have increased by 2 per cent annually. The degree of instability in crop production is reflected in table 13, which shows very severe annual variations in output in recent years.

Table 13

Changes in the physical volume of production by major crop groups
(per cent)

	Annual rate of change						Percentage share	
	1975	1976	1977	1978	1979	1975-1979 a/	1970	1979
Cereals	-7.4	7.4	-17.3	11.6	4.5	-0.3	39.1	36.3
Roots and tubers	5.3	12.7	18.3	-14.6	1.2	4.6	1.9	2.4
Oil crops	-17.3	20.0	-11.4	29.5	8.8	5.9	5.7	5.9
Vegetables	11.0	6.0	4.2	- 1.3	2.7	4.5	18.8	23.8
Fruit	4.3	-3.4	7.2	4.1	1.4	2.7	10.4	13.0
Other crops	-	-	-	-	-	-	24.1	22.6
Total crops	0.2	6.2	- 5.1	5.8	1.3	1.7	100	100

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Simple average of annual rates.

Cereals, which currently represent about 36 per cent of total regional crop output, account for over 80 per cent of the cropped land. The area devoted to cereals during the 1970s increased by 2 per cent annually, and rose from 7.7 million hectares in 1970 to 9.1 million hectares in 1979, whereas cereal production increased by only 1.4 per cent annually, almost exclusively owing to area expansion, as yields stagnated.

Because of the greater emphasis on food, there has been a significant shift towards the production of wheat, barley and maize in preference to coarse grains, millet and sorghum, which have declined considerably. Total regional production of cereals in 1979 was estimated to be 14 million tons, or 1.5 per cent above the 1978 level, but below the record of 15.8 million tons achieved in 1972.

Wheat, the largest crop, registered a production increase of about 400,000 tons in 1979, due largely to a substantial increase in the area planted in Iraq from 1.1 million hectares in 1978 to an estimated 1.7 million hectares during 1979. A good harvest was also recorded in Egypt (2.1 million tons). Rainfall was half the seasonal average in Jordan and the Syrian Arab Republic, causing a 20 per cent reduction in wheat output in the latter and a nearly total crop failure in the former.

About 90 per cent of the regional rice crop is produced in Egypt, where the area planted and production remained comparatively stable in recent years. Total production in 1979 is provisionally estimated at 2.4 million tons. Rice production in Iraq, the only other major producer, is beginning to be stabilized following severe fluctuations in the early 1970s due to irrigation problems; in 1979, it is estimated at 284,000 tons. Yields, however, have remained well below those achieved in Egypt.

The region's maize harvest fell by almost 400,000 tons in 1979 owing to a sharp reduction in area planted in Egypt, which contributes over 90 per cent of total production. However, continued expansion was registered in Iraq and the Syrian Arab Republic in response to increasing demand for poultry feed, and 1979 production was estimated at 90,000 and 66,000 tons, respectively.

Regional production of pulses stagnated throughout the 1970s, with only very marginal year-to-year fluctuations. Production in 1979, however, dropped by 50,000 tons, largely owing to a reduction in the area planted and declining yields in the Syrian Arab Republic.

Sugar cane production in Egypt, the only major producer, continued to expand. The total area planted in 1979 increased to 124,000 hectares, while production reached a peak of 9.9 million tons, although yields fell back slightly from their 1978 levels. Owing to technical difficulties in production and constraints on the use of irrigation water, no significant progress has been made in the production of sugar beet in Iraq, Lebanon and the Syrian Arab Republic in recent years.

Production of fruit and vegetables has grown throughout the 1970s and currently represents 37 per cent of the regional production of crops. Although the production of fruit and vegetables reached new peaks of 5.3 million tons and 12.7 million tons, respectively, in 1979, there were signs of a slowing down in the rate of expansion in recent years. As domestic markets become seasonally saturated, it is likely that additional export outlets will have to be found to sustain the previous high levels of production growth.

Although regional production of seed cotton fell slightly from 1.6 million tons in 1978 to 1.5 million tons in 1979, it appears to be stabilizing, in spite of a continuing reduction in the area planted in favour of wheat in Egypt and sugar beet in the Syrian Arab Republic. The steady increase in cotton yields from an average of 1,900 kilogrammes per hectare in the early 1970s to 2,150 kilogrammes per hectare in recent years, is largely attributed to the spread of improved seed varieties. The trend towards a reduction in the area devoted to cotton is likely to continue, as a result of sharply rising production costs, particularly in Egypt, and relatively stable world market prices.

Substantial growth has been recorded in the production of oil crops during 1979, particularly sunflower in Egypt, Iraq1/ and the Syrian Arab Republic. There has also been a notable increase in the production of soybeans in Egypt, where output has grown from a negligible level to more than 80,000 tons in 1979 from an estimated 34,000 hectares.

1/ Oil crops in these three countries combined doubled between 1970 and 1979.

Livestock production

The volume of livestock production in the region registered an increase of 3 per cent in 1979, compared to an average annual growth of 3.9 per cent during the 1970s1/. During the period 1978-1979, a substantial production slowdown in all countries of the region, with the exception of Lebanon, where the output of poultry products continues to expand rapidly. In spite of the considerable investment allocations directed to poultry and dairy development, livestock production continues to lag behind the region's demand.

Production of beef, buffalo, mutton and goat meat increased by 2.7 per cent in 1979. This was largely due to increased slaughter rates and a cutback in the build-up of herds. The continuing lack of measurable progress in the production of red meat is principally due to the natural difficulties of increasing livestock production in the arid Arabian Peninsula. Acute problems of range-management and unregulated movements of nomads have dangerously reduced the carrying capacity of the open range, which is reflected in a 50 per cent increase in slaughter rates and a ten per cent reduction in average carcass weights in recent years. Measures necessary to improve feeding and management practices, enhance the genetic potential, reduce the high mortality rates and increase the productivity of herds have often failed to produce the desired effects.

Table 14

Indices of livestock production in the ECWA region

(1969-71 = 100)

	Indices of growth						Percentage change		Share in volume of livestock production	
	1970	1975	1976	1977	1978	1979	1970-1979a/	1978, 1979	1970	1979
Total milk	98	116	121	123	126	129	3.1	2.4	80.2	73.1
Total red meat	98	106	108	111	111	114	1.5	2.7	13.2	10.7
Poultry meat	99	163	165	187	220	231	9.9	5.0	3.2	5.2
Eggs	98	136	128	144	162	169	6.2	4.3	3.3	11.0

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Simple average of annual changes.

1/ Impressive production performances were recorded in Saudi Arabia and the Syrian Arab Republic, where average annual gross output has increased at rates of 15.1 and 7.1 per cent, respectively, during the 1970s.

The high and sustained growth of poultry products in the ECWA countries during the 1970s, averaging 9.9 per cent for broilers and 6.2 per cent for eggs, slackened considerably in 1979 to 5 per cent and 4.3 per cent, respectively, as many countries approached self-sufficiency.

Forestry

Natural forests in the ECWA region represent less than 2 per cent of the land area, or about 200,000 hectares, and are confined to the mountain areas of Jordan and Lebanon and the northern parts of Iraq and the Syrian Arab Republic. Although sparsely wooded and of limited economic potential, forests are important in combating desertification and erosion, regulating floods and providing windbreaks. Several countries in the region have, therefore, established plantations and nurseries for the distribution of trees and initiated programmes of tree-planting on highways.

Since several countries in the region are non-wood producing areas, the dependence on imports, which accounted for about 90 per cent of domestic requirements in 1978, continued to rise. During that year, production of roundwood recovered sharply following a slump in 1977, while that of sawn wood stagnated (see table 15). The production of wood-based panels and paper and paperboard, which has grown considerably in recent years, registered small increases.

Table 15

Forestry production in the ECWA region

(thousand cubic meters)

	1969/71 a/	1975	1977	1978
Roundwood	408.0	437.0	305.0	419.9
Sawn wood	41.0	46.0	52.0	52.0
Wood-based panels	98.2	100.2	102.5	106.1
Paper and paper board (thousand metric tons)	134.1	145.4	216.4	222.0

Source: FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Simple annual average.

Fisheries

The region's nominal fish catch increased at a rate of about 1.8 per cent annually during the 1970s, reaching an estimated 445.7 thousand tons in 1977, or less than 1 per cent of the world catch. Pelagic marine species such as sardinellas and anchovy represent about 80 per cent of the present catch. The principal inland fisheries of Iraq and Egypt yield about 90,000 tons annually.

The demersal fishing grounds of the eastern Mediterranean along the coasts of Egypt, Lebanon and the Syrian Arab Republic are now fully exploited, and measures to limit trawl mesh sizes to conserve stocks were recently proposed by the General Fisheries Council for the Mediterranean. A similar situation of intensive exploitation exists in the shrimp fisheries along the coasts of the countries bordering the Gulf. Dredging for land reclamation and pollution from dumping by cargo vessels is also damaging standing stocks. Regional measures designed to regulate fleet sizes and control pollution are needed to prevent long-term ecological damage.

In spite of several recent fish surveys, the general paucity of definitive fish resources data in the region continues to limit the formulation of comprehensive development programmes. However, large pelagic fish stocks along the coasts of Oman and Democratic Yemen have been confirmed in recent years, and have led to sizable investment programmes, which currently provide the spearhead for agricultural and fisheries development in these countries.

AGRICULTURAL TRADE

The trade of the ECWA countries in agricultural commodities continues to produce deficits, largely due to a rising food demand, erratic production and a switch in emphasis from primary export commodities to food crops. The volume of agricultural exports between 1970 and 1978 fell by 14 per cent, while the volume of food imports almost trebled, raising the agricultural trade deficit from about $ 0.34 billion to $ 6.80 billion. Thus, the capacity of regional agricultural exports to pay for agricultural imports fell from 68 per cent in 1969/1971 to 17 per cent in 1978. In Yemen, for example, agricultural exports now finance less than 5 per cent of agricultural imports. However, the average increase in export prices of the principal agricultural commodities exported from the region maintained an approximate parity with that of major food imports during 1978.

The decline in the volume of agricultural exports, which represented 1.7 per cent of the value of total external trade in 1978 compared to 10 per cent in 1969/1971, is shown in table 16. The export volumes for Egypt and the Syrian Arab Republic, which account for more than 75 per cent of the region's agricultural exports, fell sharply in 1978 largely owing to cutbacks in cotton exports and to a substantial reduction in fruit exports. Significant price reductions were also recorded during 1978 for cotton and dates. Although fruit prices picked up, the total value of agricultural exports is expected to have fallen by about 13 per cent.

Table 16

Volume of major agricultural exports in the ECWA region, selected years

(thousand tons)

Commodity	1969/71	1975	1978 a/
Cotton lint	425.6	293.9	255.2
Dates	321.2	280.6	188.5
Oranges, tangerines and clementines	239.7	462.9	372.3
Tobacco	9.2	8.0	6.0
Apples	84.3	88.0	93.8
Pulses	64.3	29.4	63.2

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Provisional

The ECWA region now has a higher *per capita* food import bill than any other developing region. The value of total agricultural imports rose in 1978 by 40 per cent following the 6 per cent reduction in food production during 1977. The total agricultural import bill increased to $ 8.1 billion, or 16.6 per cent of the value of total commodity imports, compared to 26.2 per cent in 1969/1971. This share has, however, increased significantly in Democratic Yemen, Jordan and Iraq in recent years. A marked increase in agricultural imports has taken place in Saudi Arabia and the Gulf States, where the total value increased by more than 75 per cent in 1978.

The shortfall in cereal production in 1977 was largely covered by higher imports in 1978. Regional imports consequently increased from 7.3 million tons to 9.1 million tons. A drop in world sugar prices (see table 17) in 1978, together with increased demand, led to a 20 per cent rise in regional imports of sugar. The reduction in the price of imported poultry meat and the consequent rise in demand must have put pressure on domestic producers. The rise in the value of rice imports was largely due to significant quantum increases.

Table 17

Volume, unit value and value of major agricultural imports in the ECWA region, selected years

Commodity		1969/71	1975	1977	1978 a/
Wheat and wheat Flour/wheat equivalent	Vol	3 519.2	6,039.0	7,349.8	9,085.5
	UV	66.0	197.0	153.0	157.0
	V	235.5	1,191.1	1,123.0	1,427.8
Rice	Vol	485.2	521.0	788.5	871.9
	UV	163.0	522.0	421.0	597.0
	V	77.8	271.8	331.6	520.3
Sugar (raw equivalent)	Vol	782.3	1,000.4	1,396.0	1,700.7
	UV	96.0	709.0	313.0	285.0
	V	76.4	709.2	436.2	484.9
Red meat (fresh, chilled and frozen)	Vol	46.2	153.1	334.9	431.3
	UV	704.0	1,257.0	1,389.0	1,413.0
	V	32.5	192.5	465.0	609.5
Poultry, Meat (fresh, chilled and frozen)	Vol	20.1	85.0	208.6	279.9
	UV	620.0	1,102.0	1,228.0	1,137.0
	V	12.5	93.7	256.1	318.3
Milk and milk equivalent	Vol	293.3	499.2	1,060.8	1,078.4
	UV	261.0	559.2	499.0	626.0
	V	76.7	276.6	519.5	674.8

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Preliminary

Note: Vol = volume in thousand metric tons;

UV = unit value in US dollars per ton;

V = value in millions of US dollars.

FOOD SECURITY

The divergence between food production and rising demand in the ECWA countries has caused concern with regard to the deteriorating food security situation. Preliminary information indicates a deteriorating position during 1979 in respect of sugar, meat and poultry products, as well as fruit and vegetables.

World prices of major food commodities, particularly sugar, meat and cereals, continued to rise modestly during 1978/1979, but supplies were generally abundant and posed no special procurement problems for the oil-exporting countries. But the non-oil-exporting countries, especially Democratic Yemen, Egypt and Jordan, continued to depend on external loans and assistance to finance large parts of their imports.

The most alarming feature of the deteriorating food security situation is the increasing cereal deficit in the region. The self-sufficiency ratio for cereals, which provides 60 per cent of dietary energy requirements, has fallen from 73 per cent in 1970/1971 to 55 per cent in 1977/1978. Very large reductions occurred in Egypt, Jordan and Saudi Arabia; only the Syrian Arab Republic was able to narrow the deficit from 44 to 22 per cent (see table 18).

However, in view of the direct and spillover effects of rising incomes from oil exports and generally unrestricted food imports, there has been considerable improvement in the nutritional status of most ECWA countries. Table 19 indicates that between 1961/65 and 1975/77 there were substantial improvements in *per capita* dietary intake in Iraq, Saudi Arabia, and the Syrian Arab Republic, and small increases in Egypt and Lebanon. The nutritional situation in Democratic Yemen and Jordan, however, appears to have deteriorated in recent years, while a small improvement has been registered in Yemen.

The intake of proteins has also increased in a number of countries, but remains low in Democratic Yemen, Iraq and Jordan. There is also increasing evidence that the share of animal protein is invariably low and declining in the non-oil-exporting countries. It is also evident that further steps will have to be taken to ensure that the increases in *per capita* food supplies are equitably distributed.

Table 18

Self-sufficiency ratios for cereals in the ECWA region
(per cent)

Country	1970/71 a/	1975/76 a/	1977/78 a/
Bahrain	0	0	0
Democratic Yemen	40	51	29
Egypt	85	66	60
Iraq	73	69	56
Jordan	41	20	14
Kuwait	0	0	0
Lebanon	8	11	9
Oman	8	7	4
Qatar	0	0	0
Saudi Arabia	50	28	23
Syrian Arab Republic	56	90	78
United Arab Emirates	0	0	0
Yemen	90	84	68
ECWA region	73	65	55

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ Simple annual average.

Table 19

Nutritional situation in selected ECWA countries

Country	Percentage of recommended calorie requirement a/		Proteins (grams)	
	1961/65	1975/77	1961/65	1975/77
Democratic Yemen	88	82	51.2	54.0
Egypt	111	128	72.6	74.4
Iraq	86	100	53.4	60.9
Jordan	94	90	57.4	55.9
Lebanon	106	108	69.0	67.4
Syrian Arab Republic	103	114	65.5	73.0
Saudi Arabia	95	107	53.4	65.0
Yemen	92	95	69.0	67.6

Source: ECWA, based on FAO, Interlinked Computer System (ICS) printouts of production index numbers, December 1979 (unpublished).

a/ 2,300 calories are taken as the recommended average daily intake for the region.

In the short run, increasing concern with food security issues has prompted several countries to initiate action to establish reserve grain stocks sufficient to meet three to six months of domestic requirements. However, no concerted action on a regional or bilateral basis has been contemplated yet. Possible regional measures, which essentially involve an intensification of intraregional exchanges in order to reduce risks, diversify sources of supplies and improve the bargaining position of member countries are frequently proposed but appear to be contingent on the development of a co-ordinated regional agricultural strategy.

In the long run, measures to improve regional food security will inevitably hinge on stabilizing the production of cereals, by expanding and concentrating production of irrigated crops in ecologically more suitable areas, as well as on improving research into product varieties less susceptible to disease and drought.

B. INDUSTRY

A review of the manufacturing sector during the period 1975-1977 reveals significant and growing disparities in the level of development of the sector among the ECWA countries. If these disparities, which were crystallized during the 1970s continued, they would inevitably lead to a worsening balance in the structure and location of manufacturing activities. They might also lead to a regional division of labour which would run counter to the concept of integrated industrial development.

The period 1975-1977 witnessed a deceleration in the rate of growth of the manufacturing sector in the oil economies and a significant contraction in the non-oil economies1/, due to the drop in output in Lebanon and the Syrian Arab Republic, which roughly account for one third of the region's output. Iraq, being an exception, experienced a significant acceleration in the growth of manufacturing over the same period.

In six ECWA countries2/ for which data are available, domestic manufacturing output accounted for less than 35 per cent of the increment in the supply of manufactured goods over the period 1970-1977 (see table 20). This share would have been much lower if oil-based industries were excluded. Meanwhile, manufacturing imports gained increasing importance during the 1970s. The increasing reliance on imports for satisfying domestic demand is partly caused by the oil-generated boom, directly through increased incomes and indirectly through its effect on consumers tastes.

The industrial sector is made up of a wide variety of scattered enterprises with weak linkages between them and very little complementarity in their production. The establishment of more sophisticated and integrated industrial activities in the field of capital goods and the engineering industries has not been given due attention. While the lack of resources and the limitations of the market at the country level may have prevented the establishment of such industries, the absence of a regional outlook has been a major contributing factor. The approach to industrialization has so far been a piecemeal process, with very little or no co-ordiantion among member countries.

1/ Manufacturing outputs in the oil economies grew by an average of 18 per cent in 1975-1977, compared with 28 per cent during the first half of the 1970s. In the non-oil economies, output declined by 14 per cent during 1975-1977, compared to a growth of 22 per cent per annum in the preceding period.

2/ Democratic Yemen, Iraq, Jordan, Kuwait, the Syrian Arab Republic and the United Arab Emirates.

Table 20

Supply of manufactured goods in selected ECWA countries 1970, 1975 and 1977
(Values in millions of US dollars; percentages)

Country	Domestic output			Imports			Exports			Total supply			Share of domestic output in supply increment	
	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970-1975	1975-1977
Iraq	808	2,391	3,425	560	3,679	3,376	33	74	149	1,360	6,070	6,801	33.7	141.5
Jordan	92	256	366	151	548	1,106	13	40	102	243	804	1,472	29.2	16.5
Kuwait	321	2,037	2,842	630	2,145	4,456	355	1,556	2,335	951	4,182	7,298	53.1	25.8
Syrian Arab Republic	598	1,394	1,948	326	1,478	2,208	40	124	149	924	2,872	4,156	40.9	43.2
United Arab Emirates	89	228	548	270	2,704	4,550	35	157	375	359	2,932	5,098	5.4	14.8
Yemen	...	95	153	...	249	345	...	3	6	...	344	498	...	37.7
Total	1,908	5,401	9,282	1,937	10,803	16,041	476	1,954	3,116	3,345	17,204	25,323	33.8	35.5

Source: ECWA, based on national and international sources.

Food, beverages and tobacco, clothing and textiles industries, which occupy a mojor position in the industrial sector of the non-oil-producing countries, have been gaining in importance since the early 1970s (see table 21). They represented 75 per cent of total manufacturing value added in 1977, as compared to 50 per cent in 1975. Chemical industries, on the other hand, including petroleum refining and petrochemicals, constituted the main activity in most oil economies, where they represented, on the average, 80 per cent of the manufacturing value added during 1975-1977. Non-metallic mineral products consisting mainly of cement and building materials have, on the average, increased their contribution to manufacturing income in both groups of country. This increase came in response to the construction boom in almost all countries of the region during the 1970s.

As for basic metal industries and engineering industries, including manufacturing of machines, tools and equipment, the relative contribution of these activities to total manufacturing value added fluctuated between 1970 and 1977. It should be noted that this activity includes aluminium smelting and extrusion, the production of which is mainly for export. Generally speaking, the engineering industries in the region are still in their initial stages and consist mainly of engineering services and metal manufacturing, catering primarily for the building and construction sector.

The limited production base and the fragmented nature of the industrial structure, combined with the lack of complementarity in production, has reflected itself in the pattern of imports and exports of manufactured goods. Thus, a high proportion of goods required for production are imported (see table 22).

The relative share of imports of manufactured intermediate products in total manufacturing imports has been gaining in importance. The intermediate import of manufactured goods accounted for 76 per cent of total manufacturing output in 1977 in the countries for which data were available, compared to 69 per cent in 1975 and 41 per cent in 1971. This increasing dependence on external markets for industrial inputs becomes more critical if other imported inputs, such as unprocessed materials and machinery and equipment, are included.

Thus manufacturing activity in the ECWA region is characterized by a low degree of processing which on the one hand limits the value added generated internally and on the other hand increases production costs. In other words, the larger part of the benefits from the industrialization process is not yet accruing to the region.

Table 21

Percentage distribution of manufacturing value added by main branches of industry 1970[a/], 1975, 1977[b/]

ISIC / Country	31 Food, beverages and tobacco			32 Textiles, wearing apparel & leather			33 Wood & wood Products			34 Paper, paper products, printing & publishing			35 Chemicals, petroleum, rubber & plastic Products		
	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970	1975	1977
Bahrain	1.6	0.3	0.3	-	-	-	-	-	-	-	-	-	53.6	33.1	28.0
Democratic Yemen	2.6	50.1	56.0	7.0	21.5	19.7	-	2.1	1.1	0.2	0.7	4.8	32.1	14.6	6.5
Iraq		15.2	18.7		25.3	18.7		5.5	4.4		2.0	3.1		17.7	21.4
Jordan	25.4	20.1	26.6	8.2	19.9	14.6	6.0	3.5	3.4	3.2	2.9	8.9	23.0	25.4	17.0
Kuwait	3.9	5.6	4.3	0.1	-	3.0	1.2	5.6	3.7	1.2	3.2	2.1	88.0	77.5	75.9
Saudi Arabia	3.2	1.3	1.3	0.4	0.1	0.1	0.3	0.3	0.3	1.6	1.0	1.0	88.0	91.1	91.1
Syrian Arab Republic	29.6	3.1	12.1	38.1	45.7	80.5	4.3	8.2	11.9	1.4	1.3	2.9	7.5	1.9	-53.1
United Arab Emirates	14.8	16.0	9.6	-	-	-	17.0	14.7	10.2	11.4	15.2	9.7	6.8	8.2	26.0
Yemen	46.9	38.4	41.1	16.3	21.9	19.0	7.4	6.6	7.8	1.2	3.4	3.1	1.2	2.6	3.2

Table 21 (Cont'd)

ISIC Country	35 (of which-petroleum refining)			36 Non-metallic mineral products			37 Basic metal industries			38 Fabricated metal products, machinery & equipment			39 Other manufacturing industries		
	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970	1975	1977	1970	1975	1977
Bahrain	(53.6)	(33.1)	(28.0)	-	-	-	17.2	21.5	19.6	-	-	-	47.6 c/	45.1 c/	52.1 c/
Democratic Yemen	(81.9)	(7.2)	(-)	0.2	0.5	0.6	-	-	-	2.5	10.5	11.3	4.4	-	-
Iraq		(...)	(...)		8.4	8.8		7.1	6.7		8.8	8.3		10.1	9.8
Jordan	(16.0)	(16.6)	(9.9)	12.4	10.8	15.5	14.2	3.8	12.8	6.0	11.3	4.4	1.6	2.2	1.8
Kuwait	(85.1)	(...)	(69.2)	2.0	3.5	5.3	2.6	... d/	1.0	1.0	4.6 e/	4.3	-	-	0.4
Saudi Arabia	(73.7)	(86.6)	(83.3)	5.4	3.7	3.7	1.0	0.2	0.2	...	1.8	1.8	0.1	0.5	0.5
Syrian Arab Republic	(4.4)	(3.9)	(-63.0)	7.1	6.0	14.6	1.8	6.7	5.6	9.9	16.3	25.0	0.3	0.8	0.9
United Arab Emirates	(-)	(-)	(-)	14.8	10.6	20.4	6.8	5.7	3.1	9.1	9.2	6.8	19.3	20.4	14.2
Yemen	(-)	(-)	(-)	8.4	11.6	11.0	9.2	9.0	8.6	-	-	-	9.4	6.5	6.2

Source: ECWA based on national and international sources.

a) 1973 for Bahrain.
b) 1974-1975 for Saudi Arabia and 1976 for Democratic Yemen.
c) Includes mainly dry dock and ship repair facilities.
d) Included under the item "fabricated metal products".
e) Includes basic metal industries.
f) Estimated to be the same as that of 1974-1975.

Table 22

Share of imports of manufactured intermediate goods in total imports and output of manufactured goods in selected ECWA countries (1971,1975,1977)

(Values in million of US dollars)

Country	Values			Imports of intermediate manufactured products Per cent of total manufactured imports			Per cent of imports of intermediate manufactured products in output		
	1971	1975	1977	1971	1975	1977	1971	1975	1977
Bahrain	52	192	652	38.8	16.6	32.1	...	...	...
Iraq	301	2260	1860	53.2	53.6	58.3	37	95	54
Jordan	67	250	511	47.9	35.3	37.1	73	98	140 a/
Kuwait	103	792	3198	30.7	33.6	34.4	60	39	113 a/
Qatar	27	72	259	25.7	26.9	21.1	...	...	...
Saudi Arabia	300	1507	5986	39.9	35.9	37.7	...	...	...
Syrian Arab Republic	1860	878	986	57.1	52.6	37.1	31	63	51
United Arab Emirates	...	...	...	...	...	...	...	...	...
Yemen	...	57	115	...	30.0	28.0	...	60	75

Source: ECWA based on national and international sources.

a) Re-export of manufactured intermediate goods and changes in stocks may explain these high percentages.

C. MINING, QUARRYING AND ENERGY

MINING AND QUARRYING

The change which has taken place in the area of mining and quarrying during the period 1978-1979 is mainly due to the progress achieved in the implementation of mineral development projects, including geological investigations and exploration, planned by member States. There has not been any significant deviation from these plans and no outstanding developments or important mineral discoveries have taken place. Furthemore, there is no evidence that policies in this field have undergone any major shift since the last survey[1/].

The mining and processing of phosphate rock progressed in Egypt, Iraq, Jordan and the Syrian Arab Republic. For example, Jordan's exports of phosphate rock exceeded in 1979, for the first time, the 2 million ton mark. Apart from the planned expansion of output to some 6 million tons per annum by 1981, a substantial enlargement of beneficiation facilities so as to increase the P_2O_5 content of the product, and to establish and expand phosphate fertilizer plants are envisaged by Jordan. Negotiations are currently in progress on the opening of a third mine to exploit the Shadiya deposit in the south-eastern part of the country with an expected output of 3 million tpa. In Egypt, the low grade of ore of the Abu Tartur deposit in the Western Desert has necessitated the recent reorientation of feasibility studies towards the possible utilization of phosphate rock from that deposit for the production of phosphoric acid, a product with better market potential.

Iraq's mining project at Akashat, with the target output of 3.4 million tpa of phosphate rock by 1980 and 7 million tpa by 1985, integrated with a fertilizer plant at El Qaim, is now at an advanced stage of realization. In the Syrian Arab Republic, the planned increase of output from 0.4 million tpa in 1977 to a target of 2.5 million tpa in 1980, is being put into effect. All the output is to be beneficiated and 0.8 million tpa of it is to be converted into fertilizers at two plants, which are also due for completion in 1980. Finally, in Saudi Arabia, investigation into the feasibility of developing phosphorite deposits located in the northern part of the country is continuing.

In general, most of the phosphate deposits in the region contain low-grade ore requiring beneficiation, and even then the attainable P_2O_5 content is in some cases only sufficiently high to be used as feed for production of phosphoric acid but not for direct marketing.

A major mineral development project in the region, currently under execution at a total cost of $ 450 million, is the Dead Sea potash extraction project in Jordan. Production of 300,000 tons of potash is expected to start in 1982 and a target output of 1.2 million tpa is projected for 1985. In addition, 30,000 tpa of bromine and 50,000 tpa of magnesium will be recovered as by-products.

1/ See E/ECWA/80.

A significant increase has been achieved in the production of Frasch sulphur in Iraq. Production from the Akashat deposits reached 700,000 tons in 1978 and was expected to attain about 1 million tpa by 1980. The completion of the phosphate fertilizer plant at El-Qaim will raise sharply the domestic consumption of sulphur, from the 1978 level of 40,000 to about 260,000 tpa in 1980.

Significant quantities of sulphur are also being extracted in the main oil-producing countries of the region, notably Saudi Arabia and the United Arab Emirates, as a by-product from liquified natural gas plants and petroleum refineries. In the latter country, for instance, the sulphur output is likely to reach approximately one million tpa by 1980. Marketing this commodity may present problems, given the current abundance of world supplies, hence alternative uses have to be sought.

A copper mining and smelting project in the Sultanate of Oman, with an output capacity of 20,000 tpa of copper metal is in progress. Preparatory work for the operation of the mine on the Sohar deposits and the construction of the smelter have reached an advanced stage and the project is expected to go into production in 1981, as originally planned. In Jordan, an investigation is being conducted at a pilot plant scale to determine the techno-economic feasibility of mining and processing the Fainan copper deposits. In Saudi Arabia, a number of non-ferrous metal projects are at different stages of evaluation. A decision is now being considered on the exploitation of the Mahd Al-Dhahab gold deposits, situated approximately 300 kilometres north-west of Jeddah. Their evaluation has already been completed. Another major mineral development prospect which has been investigated in Saudi Arabia is the low-grade iron ore deposits at Wadi Sawawin in the north-west part of the country, near the Jordanian border.

Fairly detailed mineral investigations in selected areas in the northern part of the United Arab Emirates have, reportedly, been completed but without significant results. In Yemen, the preliminary investigations of the Al-Hamura copper deposit are reported to have yielded encouraging results and a more detailed evaluation is to follow. A regional mineral survey in the Beida area, in the eastern part of the country, is also being executed, with Chinese technical assistance. A similar survey in the same region is currently being negotiated with the French Government. Furthermore, the Government is negotiating with the Federal Republic of Germany for investigating the extensive gossans in Sa'adah area, which may be indicative of the existence of a poly-metallic mineralization. Finally, a joint venture between Yemen and the Arab Mining Company to develop industrial minerals in the country has been formed.

It may be concluded that the progress made in the mineral sector during the period under consideration is satisfactory in terms of realizing the development plan's targets. Such progress is bound to substantially increase the contribution of the mineral sector to the national economies of the ECWA region in the coming years.

ENERGY

In the period under review, oil remained the most important source of world energy and played a vital role on the world economic and political scene. ECWA member States account for some 47 per cent of world proven recoverable crude oil reserves, with Saudi Arabia alone possessing more than one half of the region's reserves.

World crude oil production was stagnant in 1978 after the rise in 1976 and 1977. In fact, the crude oil production in the ECWA region in 1978 was some 5 per cent down on the preceding year. This trend has been reversed in 1979, when oil production in the ECWA region rose by some 15 per cent over the 1978 output (see table 23). With this increase in production, the ECWA region now accounts for some 30 per cent of world crude oil production.

Table 23

Oil production in the ECWA region, 1978 and 1979
Thousands of barrels per day

	1978	1979
Bahrain	53	50
Egypt	484	506
Iraq	2,629	3,434
Kuwait*	2,098	2,492
Oman	315	295
Qatar	485	499
Saudi Arabia*	8,292	9,535
Syrian Arab Republic	170	163
United Arab Emirates	1,832	1,831
Total	16,358	18,805
Production change over preceding year (per cent)	-5	+15

Source: Oil and Gas Journal, February 1980.

* Including share of Neutral Zone production.

The great disparity among nations in term of oil production and consumption is illustrated by the fact that some 50 per cent of world crude oil production enters directly into international trade. In 1978, the ECWA region provided 44 per cent of total world crude exports. Members of OPEC were responsible in 1978 for some 82 per cent of world crude exports. The five ECWA countries which are members of OPEC have gradually increased their share, in total OPEC crude oil production, to 57 per cent in mid-1979. Saudi Arabia alone accounts for about 30 per cent of OPEC production and just over one half of the ECWA region's oil production.

During 1979, world crude oil prices have increased dramatically and, in absolute terms, the increase was much higher than in 1973-1974. At the beginning of 1978, the "marker" (Arabian light crude oil 34° API FOB Ras Tanura), was priced at $ 12.70 per barrel. By January 1979, the price was $ 13.339 per barrel, an increase of 5 per cent. Since then, the official price per barrel moved in steps to $ 14.546 in April, $ 18 in June, $ 24 in December and $ 26 in January 1980. For the ECWA region, official oil prices at the end of 1979 were more than double their levels at the end of 1978 (see table 24 below).

Table 24

Official oil prices for selected ECWA member States

(US dollars per barrel)

Country	Crude Oil Type	End 1978	End 1979	January 1980
Saudi Arabia	(Arabian light 34° API)	12.70	24.00	26.00
Iraq	(Kirkuk 36° API)	12.88	26.18	28.00
Kuwait	(Burgan 31° API)	12.22	25.50	27.50
United Arab Emirates	(Murban 39° API)	13.26	27.56	29.60

Source: Financial Times (31 December 1979 and 30 January 1980).

Even with a price rise of 80 per cent, Arabian light is still the lowest priced of all OPEC crudes and probably of all crudes entering world trade. The other main oil producers within the ECWA region have official prices over $ 26 per barrel, while African crudes have official prices of $ 30 per barrel or more.

In 1979, the international oil market was a seller's market. The spot market was very active, with prices of $ 45 per barrel being asked for African crudes. The spot market price for Arabian light in January 1980 was $ 38 per barrel, compared with the new official price of $ 24 per barrel.

The very high spot market prices were among the factors behind the sharp increase in 1979 in the official price of oil. The main factor was, however, the rapid fall in the real price of oil since 1974. This was due to the high level of inflation in the Western economies, which pushed up the price of the oil producing countries' imports. In addition, the United States dollar, the currency in which oil is bought and sold, has been weakening against most currencies throughout the 1970s. The sharp increases in the official price of crude oil in 1979 have been such that the real price has now increased significantly.

The world oil situation at the beginning of 1980 is still very uncertain. Some experts are predicting an oil glut in 1980 as a result of high stock levels and a weak demand due to economic recession in the industrialized countries which might ease the pressure on oil prices. Meanwhile, there is reason to believe that oil production levels will fall. The significant increase in oil output that occurred in the ECWA region in 1979 is not likely to be maintained. Some member countries will have to reduce production levels for technical reasons. Others, like Saudi Arabia, have made it clear that the increase in their production ceiling was of a temporary nature.

In contrast with their important position in international crude oil production and marketing, ECWA member countries play a minor role in the petroleum products market. The refining capacity in the ECWA region in 1978 was 121 million metric tons, an increase of 2 million tons over 1977. The increase was due entirely to an increase in refinery capacity in Iraq. The share of the ECWA region in world refining capacity is only about 3 per cent, as against 30 per cent for world crude oil production.

Most of the refineries in the ECWA region produce for domestic consumption and in 1979 only 13 per cent of petroleum products were exported. In fact, Saudi Arabia, Kuwait and Bahrain together account for 93 per cent of the petroleum product exports of the region.

A number of refineries are under construction in the ECWA region and recent estimates show refining capacity increasing by some 50 per cent between mid-1979 and 1985. The major share of this increase will be realized by Saudi Arabia, the United Arab Emirates and Iraq.

The use of natural gas in the ECWA region has continued to increase. In 1960-1962, natural gas accounted for 17 per cent of the region's total energy requirements; by 1974-1975, this had increased to 38 per cent. With the present plans for the further development and use of the region's gas resources, it is clear that this increase will continue into the 1980s.

During the period 1960-1975, electricity production grew at an annual rate of 13.8 per cent. To meet this growth in demand, electricity generating capacity in the region was increased from 1,000 megawatts in 1960 to about 7,000 megawatts in 1975. This trend towards an increasing demand for electric power has continued.

Although the ECWA region as a whole has large oil and gas reserves, interest is being taken in the development of alternative energy forms, especially from renewable sources. There are no commercial nuclear power stations in the ECWA region, but some countries have plans to install and operate nuclear plants. Extensive research and development is currently being undertaken in some ECWA countries and a few research or training reactors have been installed.

Solar energy is an attractive alternative source of energy for the member States of ECWA. It is self-generating, clean, safe and widely and generously distributed. Saudi Arabia alone receives the equivalent of 10^{14} KWH of solar energy every day, theoretically enough to supply the electricity needs of the whole OECD area for 20 years. Solar energy may be safely used in a number of applications, including electricity generation, space and water heating and cooling, water desalination, water pumping, crop drying, cold storage, greenhouses and heat for industrial processes.

D. TRANSPORT, COMMUNICATIONS AND TOURISM

1. TRANSPORT

Ports

Port expansion and development programmes continued in 1978 and 1979 at a fast pace. One consequence of the oil-generated import boom of the mid-1970s was the heavy congestion of the ports of the region and the imposition of port surcharges reaching 250 per cent in certain instances1/. This situation led to a wave of port expansion programmes. As a result of these programmes and improved operating efficiency, resulting to a large extent from the introduction and increased use of containerization and roll-on-roll-off traffic, waiting time has been eliminated or reduced to negligible levels in most ports of the region, despite an increase in the volume of trade handled.

Containerization was introduced in the region sooner and faster than expected. The Gulf countries, including Bahrain, Iraq, Kuwait, Saudi Arabia and the United Arab Emirates, are all investing heavily in container berthing facilities2/ Thus, in Saudi Arabia, container traffic - as expressed in twenty foot equivalent units (TEUs) - increased from 96,555 to 498,982 TEUs between 1976 and 1978. Dammam and Jeddah registered a gain in container traffic of 187 per cent and 55 per cent in 1978 over 1977, respectively. Dubai's Port Rashid registered a gain in container traffic of 145 per cent in 1978. Bahrain's Mina Sulman handled 38,953 TEUs in the same year.

Port expansion programmes are continuing in most ECWA countries. For example, in Saudi Arabia alone, the total number of quays is expected to reach 123, and their handling capacity 39 million tons, by the end of 1980, and 131 berths with a total handling capacity of 44 million tons by 19853/.

1/ Economist Intelligence Unit, Middle East Shipping and Transport, 1978-1985, Special Report No. 53, p. 45.

2/ An example worth noting is that of Khor Fakkan, Sharjah's container port, which was inaugurated in January 1979. This port is situated in the Gulf of Oman, where ships can be unloaded without having to pass through the straits of Hormuz, and it will be connected by road to Sharjah port, as well as to the other Emirates. It is intended to be one of the major links in the containerization development of the Middle East and Indian Ocean shipping routes. The large long-haul container ships of the 1980s will need to limit the number of their ports of call, intermediate and smaller ports being served by smaller transshipment vessels; Khor Fakkan is ideally situated for container transshipment.

3/ Economist Intelligence Unit, op. cit. 1978-1985, p. 46.

Two ports, however, remained relatively congested during the period under review, namely, the Syrian port of Lattakia and the Iraqi port of Basrah. Lattakia's current expansion, which should raise the port's capacity from 2 to 3 million tons, is likely to be followed by an additional expansion which would further raise its capacity to 7 million tons[1].

In Iraq, an elaborate strategy is being implemented to develop and expand the country's sea ports and overcome port congestion. The target is to raise port capacity to 6 million tons for general cargo, and to 8 million tons for specialized cargo, by the end of 1980, and to a total about 17 million tons by mid-1980s[2].

The proliferation of berths is creating speculation that excess port capacity may be exerted. The expectation of over-capacity is increased by the rapid improvement in handling efficiency, and an anticipated decelaration in the growth rate of import tonnage during the next few years[3]. In the United Arab Emirates, where under-utilization of berths is already being experienced, the further development of port infrastructure is, in certain instances, being reconsidered or deferred.

The possibility of port over-capacity or under-utilization in the Gulf area in the 1980s may spill over to the region's eastern Mediterranean ports. With the creation of a large capacity in the Red Sea and the Gulf, and the widening and deepening of the Suez Canal[4] transit shipments via the eastern Mediterranean ports to the rest of the region will become less important.

Nevertheless, the expectation of port over-capacity should not be viewed with alarm. For one thing, it might not materialize, should there be a new surge in imports. Furthermore, even if this over-capacity actually arose, it might still be strategically desirable. In the case of Saudi Arabia, for example, any difficulty in importing or exporting cargo through the Red Sea would immediately place considerable stress on ports located in the Gulf. Similarly, the closure of the straits of Hormuz would quickly put strain on both the Red Sea and Mediterranean ports.

1/ Seatrade Publication Ltd. (London), January 1979, p. 85.

2/ An expansion rate of 16 per cent has been set for the ports of Iraq in the coming years. Fairplay International Shipping Weekly, 26 April 1979, p. 45.

3/ Economist Intelligence Unit, Quarterly Economic Review of the United Arab Emirates, 2nd quarter, 1978.

4/ Since its reopening came shortly after the rise in oil prices and the resulting import boom, the Suez Canal has become as vital to the dry cargo trade as it was for oil transport before the advent of supertankers. Eighteen months after its reopening, 42,458 ships with an annual tonnage of over 500 million tons used the Canal.

Another significant feature of sea transport development in the countries of the ECWA region is the construction of large dry docks for shipbuilding and repair. The Arab shipbuilding and Repair Yard of which seven OAPEC countries are members, was inaugurated in October 1977. This yard is capable of accommodating ships of up to 500,000 dwt, with an annual capacity of 55 very large crude carriers. The Dubai dry dock complex, which was opened in February 1979, comprises three docks, the largest of which is capable of docking ships of up to one million dwt[1/].

Shipping

In line with the efforts of developing countries to transport themselves an increasing proportion of their trade, the ECWA countries, especially the oil-producing ones, have shown great interest in developing their own shipping fleets[2/]. They view shipping as an avenue for economic diversification and training for skilled job opportunities. The tanker and dry cargo fleets[3/] of the ECWA countries, as at July 1978, are shown in tables 25 and 26, respectively.

1/ The Dock and Harbour Authority, Fox Low Publication Ltd. (London), vol. LIX, No. 701, April 1979, p. 395.

2/ The two major tanker companies in the region are the National Kuwait Oil Tanker Company (KOTC), and the multinational Arab Maritime Petroleum Transport Company (AMPTC), an affiliate of OAPEC. Both companies are based in Kuwait.

3/ The largest company based in the ECWA region is the United Arab Shipping Company (UASC), which started operations in 1977 and is based in Kuwait. Its fleet included 37 vessels of the Kuwait Shipping Company (KSC), as well as 24 ships on order. More ships have since been placed on order, including container vessels.

Table 25. National tanker fleets of ECWA countries, as at July 1, 1978

		grt	dwt
	Bahrain	913	1,300
	Democratic Yemen	1,886	3,000
	Iraq a/	1,141,120	2,163,415
	Kuwait a/	1,218,912	2,344,912
	Lebanon	22,633	26,188
	Qatar a/	72,570	138,020
	Saudi Arbia a/	1,021,652	1,892,842
	United Arab Emirates a/	78,033	146,314
A.	Total above	3,557,719	6,715,991 a/
B.	World total	174,729,819	338,587,336
	(A) as a percentage of (B)	2.04	1.98

Source: UNCTAD, Review of Maritime Transport, 1978, May 1979, annex III; and, Economist Intelligence Unit, Middle East Shipping and Transport, 1978-1985, Special Report No. 53, pp. 37-41.

a/ Including tonnage with AMPTC, whose fleet consists of 8 crude carriers totalling about 2,085,497 dwt.

Table 26. Dry cargo fleets of the ECWA countries, as at 1 July 1978 in gross registered tons (grt) a/

	Bulk carriers b/	General cargo c/	Container ships	Others
Bahrain	-	1,943	-	4,305
Democratic Yemen	-	3,255	-	4,920
Iraq	-	80,898	-	83,889
Jordan	-	2,095	-	200
Kuwait	12,860 (18,822)	897,666	to be delivered in 1979	110,592
Lebanon	-	233,280	-	21,933
Qatar	-	884	-	14,313
Saudi Arabia	64,418 (85,009)	114,950	-	45,092
Syrian Arab Republic	-	25,065	-	1,453
United Arab Emirates	-	60,021	-	18,425
Yemen	-	1,260	-	176
Total ECWA countries	77,278 (103,831)	1,421,317	-	305,298
World total	103,426,009 (179,377,013)	77,998,525		35,920,250
ECWA countries as percentage of world total	0.07 (0.06)	1.82		0.85

Source: UNCTAD, Review of Maritime Transport, 1978, May 1979, annex III,

a/ Dead weight tons figures are shown in parenthesis.

b/ Ore and bulk carriers of 6,000 grt and over.

c/ Including passenger/cargo carriers.

Despite a number of difficulties, the ECWA countries seem intent on expanding their shipping enterprises in accordance with resolution 120 (V) of the United Nations Conference on Trade and Development, relating to the participation of developing countries in world shipping and the development of their merchant marines1/. The Arab countries could work towards the implementation of such a goal by according preferential treatment to their vessels. However, one major constraint is the shortage of skilled manpower. So far, this problem has been met by the use of expatriate labour2/.

Freight rates for tankers in the first-half of 1978 were generally lower than in 1977. During the second half of the year, the market was influenced by an upsurge in demand for stocking purposes in advance of the then expected increases in oil prices.

In 1979, tanker freight rates exhibited great volatility in the loading areas, due mainly to the shortage in and rising cost of bunkers (by 31 per cent at Rotterdam and 48 per cent at Ras Tanura)3/, which made owners demand higher rates. Thus, the increase in freight rates in operating cost conditions in the tanker market.

Roads

Efforts to develop road networks in the ECWA countries continued during the period under review. These networks, as at the end of 1978, are shown in table 27 below:

1/ Resolution 120(V) "Calls upon Governments to take steps to ensure for developing countries equitable participation in the transport of all cargos, and more especially bulk cargoes generated by their own foreign trade by national vessels of the respective trading countries or by vessels otherwise operated by them". It should be mentioned here that the Code of Conduct for Liner Conferences is likely to enter into force earlier than expected, following the announcement by major groups of countries at the fifth session of the Conference held at Manila, of their intention to ratify it. In January 1979, Iraq was the only ECWA country to have acceded to the Code.

2/ It has been estimated that it would take the five maritime academies existing in the Arab world some 15 years to train the necessary personnel to man the required shipping tonnage in order for these countries to carry the desired share of sea-borne trade.

3/ Fixture rates for dry bulk cargo demonstrated the same upward trend due to the rising cost of bunkers. Also, liner conferences reached to the bunker market situation by introducing or increasing fuel surcharges.

Table 27. Paved roads in ECWA countries
(in kilometres)

	1976/1977	as at end of 1978
Bahrain	650	750
Democratic Yemen	922 a/	1,056
Iraq	6,500	6,566
Jordan	3,000 b/	3,488
Kuwait	200 b/	322
Lebanon	5,470	5,470
Oman	1,300	1,487
Qatar	950	1,080
Saudi Arabia	13,053	18,000
Syrian Arab Republic	...	12,051
United Arab Emirates	641	902
Yemen	780	1,039
Total	45,517 b/	52,211

Source: Compiled by ECWA during field missions.

a/ 1975, and including cobbled stone roads.

b/ Estimate.

Road development in Saudi Arabia was given priority in the 1976-1980 development plan. At the end of 1978, the paved road network stood at about 18,000 kilometres (km), with an additional 12,000 km of feeder roads, an estimated 4,500 km under construction, and 11,000 km at the design stage. The highest priority is now being given to the construction of a new trans-desert highway linking Riyadh with the mountain resort of Taif on the Red Sea coast. Emphasis is also being placed on the construction of new north-south road links. Furthermore, a new road to link Jeddah with the Jordanian port of Aqaba is under way. Meanwhile, Saudi Arabia is committed to financing the $1, billion - 25 km causeway linking Bahrain with the Kingdom. It has also provided a grant in the amount of $167 million for the construction of two roads linking Yemen with Saudi Arabia.

In Kuwait, 37 km of the dual carriageway road in the Fahahil area is to be upgraded to an expressway. Another major project is a motorway linking Kuwait with Saudi Arabia, which is expected to be completed in 1981.

An internationally vital highway linking Abu Dhabi with Qatar was completed around the end of 1978. This road provides a link between the middle and lower Gulf regions.

In the Syrian Arab Republic, the construction and improvement of high priority roads is well under the way. This includes the transformation into dual carriageway of 276 of the 346 km Damascus-Aleppo highway (part of which is by now completed), the building of a bypass at Homs and the construction of a section of the Aleppo-Ya'roubiyeh highway. In addition, the Damascus-Daraa highway (on the Jordanian border) has been redesigned on an improved alignment.

In Jordan, a $30 million plan has been drawn up for the improvement of traffic in the city of Amman. In 1978, a programme was prepared for improving the country's road network with specific projects outlined for the 1978-1982 period, and a more general projection of developments into the decade.

The major road project now under implementation in Iraq is a 1,200 km expressway, which will link Safwan at the Kuwaiti border with both the Syrian and the Jordanian borders via Basrah, Baghdad, Ramadi and Al Rutbah, where the road will fork out towards the Syrian Arab Republic and Jordan. The Basrah-Baghdad section of the expressway will follow a new alignment which is nearer to the Euphrates valley than to the Tigris valley.

Railways

Railway projects in the Syrian Arab Republic include the extension of the standard-gauge north-south line from Homs to Damascus (202 km), as well as the construction of a branch line to Mhine and Palmyra.

In Jordan, railway projects relate to the rehabilitation of a 25 km stretch of narrow gauge line between the phosphate deposits of Al Hasa and Menzil, and to connecting it with the main line to Aqaba. A 200 km line is also planned from the potash area at the southern end of the Dead Sea to Aqaba.

The revival of plans to rebuild the Hijaz railway from Damascus to Medina in Saudi Arabia via Amman was again discussed in recent years. In February 1979, three of the companies which had submitted plans for the project were invited to a meeting in Damascus with representatives from the three countries concerned. Some differences in opinion emerged, particularly as to the kind of railway to rebuild. Saudi Arabia wanted it to be primarily a passenger line, while the Syrian Arab Republic and Jordan wanted the emphasis to be on freight.

An east-west railway route linking the Mediterranean coast with the Gulf area now exists, with a direct standard gauge railway route connecting Lattakia and Basrah, via northern Syria and Baghdad. There are plans between the Syrian Arab Republic and Iraq to shorten the length of this route by some 189 km through the construction of a 551 km link between Deir-ez-Zor and Baghdad, following the general alignment of the Euphrates valley. Feasibility studies have already been conducted on both the Syrian and the Iraqi sides.

Other railway projects in the ECWA region include plans for improving the Riyadh-Dammam standard-gauge line and extending it to Jeddah, Yanbo' and Medina, and for constructing a line running between Basrah and Kuwait city. In the latter part of 1978, Iraq and Kuwait ratified the agreement relating to this line. If the reconstruction of the Hijaz railway should become a reality, together with the extension of the Dammam-Riyadh line into a trans-peninsular line, the building of the Basrah-Kuwait line (and its extension to Dammam), would become part of an integrated railway system connecting the Arabian Peninsula with western Europe, and indirectly, with the Turkey-Iran-Pakistan-India network.

TELECOMMUNICATIONS

Just as the countries of the ECWA region are undergoing a massive restructuring of their transport infrastructure, they are also building their telecommunication networks. When judged by the available information (table 28), some of which is rather old, the impression conveyed is that telephone accessibility in the ECWA region is very limited and significantly lower than the world average (in 1977) of 14.5 telephones per 100 inhabitants. But recent and in many cases massive efforts have been made to build, expand, modernize and/or upgrade the region's telecommunication systems[1/].

Table 28. Direct exchange lines and number of telephones per 100 inhabitants in selected ECWA countries at the end of 77

	Direct exchange lines per 100 inhabitants	Telephones per 100 inhabitants
Bahrain	6.53	11.6
Democratic Yemen	0.41	...
Iraq	1.90	2.8
Jordan	...	1.6
Kuwait	10.63	13.0
Lebanon	7.42[a/]	...
Oman	0.65	0.5
Qatar	6.15[b/]	12.8
Saudi Arabia	0.94[c/]	2.1
Syrian Arab Republic	1.94	2.3
United Arab Emirates	5.62[b/]	8.8
Yemen	0.07[a/]	...

Source: ECWA, based on UNDP/ITU, Middle East and Mediterranean Telecommunications Project, Final Report, vol. 3. Statistics and Forecasts, December 1978; and MEED, Special Report, Telecommunications, April 1979, pp. 19 and 20.

a/ 1973
b/ 1975
c/ 1974

1/ The International Telecommunication Union (ITU), jointly with UNDP and in collaboration with the countries concerned, has drawn up a master plan for telecommunications for the Middle East and the Mediterranean, which covers all the ECWA countries.

Examples of the telephone expansion projects in the region include the enormous Saudi Arabian project to add 770,000 telephone lines to its 120,000 lines network and the Syrian plan to boost the Damascus network by 200,000 lines. In Kuwait, where telephone communication is regarded as reasonably adequate, new computerized telephone exchanges have been contracted out and the existing exchanges are to be upgraded. In Jordan, the 1976-1980 development plan aimed at expanding the telephone network, raising the number of telephones in the Amman area from 4 to 13 per 100 inhabitants.

Another area which has received considerable attention is that of satellite communications. Several earth satellite stations are already under operation and others are planned.

TOURISM

In the early oil boom period, many ECWA countries experienced shortages in hotel accommodation. Hotel booking several weeks in advance was necessary in the Gulf area. The tight hotel market led to a hotel construction spree. By the late 1970s, excess capacity in hotel accommodation was already developing in several countries including Bahrain and the United Arab Emirates. Kuwait and Saudi Arabia, having been more cautious in their hotel building programme, have not experienced such an over-supply of hotel accommodation. Where over-supply exists, efforts are made to utilize the facilities for different purposes. For example, in Sharjah, one hotel was converted into a hospital. Meanwhile, the slackness in the hotel market has helped to moderate or at least keep the excessive hotel rates from rising further.

However, some countries, such as the Syrian Arab Republic and Yemen, continue to suffer from shortages in hotel accommodation. The total number of hotel beds in the Syrian Arab Republic is only about 20,000, but hotel construction plans for the next few years should raise the number to about 70,000.

Tourism has been a major industry in several ECWA countries, including Egypt, Jordan, Lebanon and to a lesser degree , the Syrian Arab Republic. However, the situation in Lebanon since 1975 has cut off the flow of tourists into the country almost completely. Tourism facilities, including hotel accommodation, have also dwindled. The near absence of tourism in Lebanon has been very costly to the Lebanese economy, in terms of losing sizable foreign exchange earnings.

In Jordan, the tourism situation is much brighter. In 1978, the number of tourists rose by 13 per cent over 1977 to reach about 1.1 million. Serious efforts have been made to that the country's touristic potential may be fully utilized. These efforts include the expansion and the upgrading of hotel services, improvement of the telephone and telex networks and the development of the travel system, including the organization of chartered flights and group tours.

Travel to the Gulf area, particularly for business purposes, has been very active in recent years as a direct consequence of the oil boom. A number of international airports and numerous other facilities, including hotels, have been built or expanded. The Gulf countries have made great efforts to raise the quality of travel in the area to international standards.

E. WATER RESOURCES

As a result of rapid socio-economic growth in the ECWA region, the demand for water has risen significantly in all sectors. Surface water, being relatively more readily available, has been accorded the first priority in water resourc development. Significant efforts have been made to assess and develop surface water in the region both quantitatively and qualitatively. A nu oer of dams and storage reservoirs have been constructed in many parts of the region.1/

Saudi Arabia has been able to utilize some of its surface run-offs. The estimated storage capacity of the existing hydraulic structures is about 100 million cubic meters (cbm). New dams and reservoirs are planned to secure an additional storage capacity of 140 million cbm. In Jordan, about 65 million cbm of the annual surface run-off is being stored in the existing main water structures in the country. Future plans aim at raising capacity to about 285 million cbm by constructing the Maqarin Dam, 200 million cbm at River Yarmouk and the Wadi Arab Dam, 20 million cbm.

A number of hydrological and hydrogeological investigations were carried out on storage dams and reservoirs at different localities in the Syrian Arab Republic. The major storage dams which have so far been constructed in the Syrian Arab Republic are: Euphrates, Al-Rastan, Mouhardeh and Taldo. Other studies are being undertaken to construct more dams, such as: Barada, Al-A'waj, Maqarin (a joint project with Jordan) at River Yarmouk, Al-Asi, Afrin, North Al-kabir, South Al-khabir (a joint project with Lebanon) and Khabour.

The Iraqi Government has been making more efforts in the area of flood control. A number of surface-water reservoirs were built and work on new projects is under way. The target is to achieve a total storage capacity of 55 billion cbm, in addition to the Tharthar Lake and the existing marshes.

The development of ground-water resources has been receiving increasing attention in the region. The coverage and reliability of ground-water resources investigations vary between member countries. In some countries, ground-water studies are patchy or limited in coverage. In others, more extensive and relatively more reliable hydrological and hydrogeological investigations have been conducted. In some cases, water resources studies are carried out on the basis of short-term observations and assumptions that render their conclusions inadequate and occasionally misleading.

The near exhaustion and/or the deteriorating quality of ground-water in the Gulf area has caused the oil-rich countries to trun to desalination2/ of sea and brackish water.

1/ Expenditures on water-related projects, as a percentage of total expenditures on the development plans in the second half of the 1970s, were estimated at about 13 per cent in Jordan, 3 per cent in Oman, 7 per cent in Saudi Arabia, 18 per cent in the Syrian Arab Republic and 5.6 per cent in Yemen.

2/ Desalination, which refers to any established process through which the salt content of sea or brackish waters is totally or partially removed, may be accomplished either by distllation, which is the most widely used process at the present time, or through the use of specially designed and manufactured films or membranes.

Kuwait has been a leader in the field of desalination, especially distillation. From one million gallons per day (mgd) in 1958, Kuwait's production of desalted water climbed to 62 mgd in 1975, and is expected to reach 80-100 mgd when the Doha plant, which has been under construction since 1979, goes on stream. The progress achieved in the utilization of desalination technology in Kuwait over the past decade has led to a considerable reduction in related costs.

Saudi Arabia has also made significant progress in desalination. In 1974, annual production stood at about 12 mgd; it is expected to reach 500 mgd by 1982. The allocation in the second five-year plan (1975-1980) to desalination projects in the Kingdom is estimated at 4.5 billion Saudi Riyal. Saudi Arabia has also commissioned, at Jeddah, early in 1979 the largest membrane (reverse osmosis) desalting plant in the world with a capacity of 3.5 mgd.

The rest of the Gulf States, including Bahrain, Oman, Qatar and the United Arab Emirates, have also been constructing modern and large distillation plants.

Shortages in specialized manpower remain a serious problem, especially in the poorer countries. A number of oil-producing states have been attempting to establish the institutional infrastructure and appropriate training programmes and research centres. Saudi Arabia has the Agricultural Research Centre at Riyadh, and the Marine Sciences Institute at Jeddah. The College of Science at Jeddah has conducted studies on water pollution, fisheries development, water resources development and meteorology. In addition, a research programme was supposed to have been established for environment and water resources in 1978-1979 at the University of Petroleum and Minerals in Dhahran Iraq has the Foundation for Scientific Research, which deals, among other things, with water-related research. Also under construction in Iraq is the Irrigation Water Research Centre. Similar research is being carried out at the university level. Kuwait has the Water Resources Development Centre and the EUROARAB Institute for desalination. In the United Arab Emirates and in Kuwait, FAO maintains an experimental farm to conduct research programmes related to water and agriculture.

Probably, the most serious problem affecting the development of water resources in the ECWA region is the lack of centralized national water authorities. Except for Jordan and Oman, water-related responsibilities are still shared by various departments. For instance, there are seven ministries and agencies that deal with water resources development and management in the United Arab Emirates. Furthermore, water legislation in the region lags behind modern water management practices and techniques, thus perpetuating an undesirable fragmentation of adminsitrative responsibilities. Provisions to regulate water resources development and management are often contained in different laws and regulations. To remedy this situation, some countries, including Iraq, Jordan, Oman, Saudi Arabia and the United Arab Emirates, are reviewing their legislation, regulations and codes on water, with a view to improving and strengthening water development and protecting the quality of water supplies.

F. SCIENCE AND TECHNOLOGY

The link between science and technology and development has recently acquired increasing importance in most of the ECWA countries. In implementing development plans and large development projects, these countries have made extensive use of the results of science and technology in terms of machinery, physical structure and ready-made processes but have acquired very little in terms of absorbing science and technology proper. This is mainly due to the fact that most of the projects being implemented within the region follow the turn-key mode. This tends to isolate indigenous scientific and technological capabilities and to limit the participation of local skills in choosing among foreign technologies, and in absorbing and adapting them to the needs of the ECWA region.

The slow progress made by ECWA member countries in formulating and incorporating comprehensive science and technology policies as part of their development plans remains a serious impediment to the effective utilization of these tools in the development process. Economic and financial criteria remain the determining factors in deciding the choice of projects and the methods of implementation. Technological objectives, such as a higher degree of technological self-reliance, the unpackaging of technology, greater acquisition of knowledge, greater local involvement and learning by doing, are rarely, if at all, taken into account.

The lack or ineffectiveness of science and technology policies in the region is due to a number of factors, including the absence of adequate infrastructure, the shortage of scientific and technical manpower, an inadequate research and development base, and the absence of important linkages between scienfific research, on the one hand, and consulting design and engineering services and the productive sectors, on the other. Although the majority of member States have established central planning machinery and scientific research councils, none of these have succeeded in integrating scientific and technological inputs in the development plans. However, initial steps have been taken by some countries, notably Jordan and Iraq, to remedy this situation by establishing within their planning machinery units dealing with technology planning and policies.

Recent information on scientific and technical manpower resources in the ECWA region is lacking. Table 29 shows the availability of these resources in selected countries during the first half of the 1970s; it also shows the wide variation that existed among member States in terms of the relative size of technical manpower, which ranged between 2.1 per 10,000 inhabitants in Yemen and 166.6 in Egypt. The relatively high average for Kuwait and Qatar is explained by the presence of expatriate scientists and engineers. The average number of scientists and engineers engaged in research and development per million inhabitants was estimated in 1974 at 86 for the ECWA region1/, far below the world

---

1/ Excluding the United Arab Emirates, Oman and Egypt. The corresponding number for the African Arab States was estimated at 171 in the same year.

average of 1,019 and lower than the averages for most other regions1/. The share of the ECWA region2/ in the world total number of such scientists and engineers stood at a mere 0.12 per cent in 1974. Most research and development capabilities are still concentrated in the developed countries3/.

The table also shows that, apart from Egypt and Kuwait, none of the ECWA countries have reached the target of 200 scientists/engineers per million inhabitants, a target set for the end of the 1970s by the World Plan of Action for the Application of Science and Technology to Development. Serious deficiences exist in the R & D technician category, in which most member States have not yet reached the technician/scientist-engineer ratio of 2:1, normally used for developing countries. The low ratio of less than 1:10 for the region confirms the particular need for this manpower category. Plans are however being made by the Syrian Arab Republic to achieve a technician/scientist-engineer ratio of 1:3, and substantial efforts are being made by Iraq to reach a similar target by the end of the 1980s.

Developed countries continue to account for approximately 97 per cent of world research and development expenditure. The average of R & D expenditure as a percentage of GNP for the ECWA region (excluding Egypt, the United Arab Emirates and Oman) was as low as 0.23 per cent in 1974, which compared unfavourably with the corresponding figures for other developing regions, let alone developed ones4/. The latest available data on R & D expenditure for countries of Western Asia (see table 30) show that few countries have indeed reached or approached the target of 0.5 per cent of GNP set in the International Development Strategy for the Second United Nations Development Decade. Egypt surpassed this target and both Jordan and Kuwait are approaching it. Efforts are being made by Iraq to increase expenditure substantially on R & D, so as to reach 1.2 per cent of GNP by the end of 1985.

1/ The corresponding figures for South America, North America and Europe (East and West) are respectively, 191, 1741, and 1513. (See Estimation of Human and Financial Resources devoted to R & D at the World and Regional Level (UNESCO publication CSR-S-7, May 1979) P.23).

2/ Excluding the United Arab Emirates, Oman and Egypt. The corresponding number for the African Arab States was estimated at 171 in the same year.

3/ The corresponding 1974 figures are: for Africa, 0.90 per cent (0.37 per cent for Africa excluding the Arab States, and 0.53 per cent for the Arab States in Africa); for Asia excluding the Arab States, 14.5 per cent; for South America, 1.33 per cent; for North America, 19.10 per cent; for Europe, 23.8 per cent, and for the USSR, 39.3 per cent (ibid).

4/ The 1974 figures were: for Africa, 0.47 per cent, for Arab Africa, 0.38 per cent, for South America, 0.32 per cent, for North America, 2.13 per cent and for Western Europe, 1.63 per cent (ibid).

Table 29

Scientific and technical manpower resources in selected countries of the ECWA region

Country	Total of scientists and engineers			Scientisits and engineers engaged in R&D			Number of R&D technicians per R&D scientist or engineer
	Year	Total	Per 10,000 of population	Year	Total	Per 10,000 of population	
Egypt				1968 a/	6,522	2.0	...
	1973	593 254	166.6	1973	6,913	1.9	...
Iraq	1971 b/c/	7,862	8.1	1969 b/c/	116	0.1	0.2
	1972 b/e/	43,645*	43.3*	1974 f/	1,486	1.4	...
Jordan g/	1973 b/	4,288	16.9	1971 a/	43	0.2	1.4
	1975	9,787*	36.4*	1976	208	0.7	0.5
Kuwait	1970 h/i/	4,063	54.9				
	1973 h/	10,754	120.8	1973	205	2.3	0.1
Lebanon	1969 j/	5,134	21.4*	1967 i/	253	1.1*	0.6
Qatar	1974/75 b/d/	1,352	150.2*				
Saudi Arabia	1974/75	33,376*	37.8*				
Syrian Arab Republic	1970	27,369	43.7				
Yemen	1974/75	1,394	2.1	1974/75 a/	60	0.1	0.9

Source: Data compiled from UNESCO publication entitled: "Development in Human and Financial Resources for Science and Technology", CSR-S-5, April 1978.

... = Not available
* = Provisional or estimated data
a/ Full-time scientists and engineers only.
b/ Data refer to the number economically active.
c/ Data refer to engineers only.
d/ Data refer to the Council of Scientific Research only. In 1974, the corresponding figure for scientists and engineers at this institution was 240.
e/ Data refer to persons employed in government institutions only (the number of registered engineers in 1972/73 was 10,511).
f/ Data refer only to persons working in government departments concerned with scientific activities.
g/ Data refer to East Bank only.
h/ Of which non-national scientists and engineers are as follows: Kuwait, 1970:3746 (total); 1973:8603(total); Qatar 1974: 90 per cent (total)
i/ Not including data for social sciences and humanities.
j/ Not including data for law, humanities and education.

An important challenge facing the countries of the ECWA region in the area of science and technology is the need to develop and encourage the participation of local engineering skills in the design and execution of investment projects. Measures have been taken by some countries in that direction. Thus, Iraq has intensified its efforts to involve local consulting engineers increasingly in pre-feasibility and feasibility studies, design work and on-site supervision of project construction. With government support, the proportion of Iraqi expertise in contractual works implemented is likely to rise from 8 per cent in 1976 to about 40 per cent in 1980. This is again made possible by the existence in Iraq of a relatively large number of local consulting and engineering firms operating within the public and private sectors.

In the Syrian Arab Republic, efforts are being made to involve local engineers and technicians with foreign firms in infrastructural and industrial projects. In Saudi Arabia, a national centre for science and technology has been established inter alia to formulate policies, develop resources and facilities for research work, set up the appropriate scientific and technological infrastructure and contract out and co-ordinate research programmes. Another institution, the Centre for Industrial Research and Development, assists the industrial sector in identifying suitable sources of technology, undertakes feasibility studies and provides advisory services in the design of equipment.

To date, only few countries have taken steps towards developing scientific and technological information systems which are essential for building indigenous scientific and technological capabilities. In the Syrian Arab Republic, consideration is being given to the establishment of a national centre for scientific and technological documentation. In Jordan, the Royal Scientific Society envisages the initiation of scientific and technological information services. In Iraq, a number of institutions, including the Scientific Documentation Centre, the Institute for the Engineering Industries and the Technological University, publish information in the field of science and technology. The dissemination of scientific and technological information in Kuwait is now being aided by the National Scientific and Technology Information Centre and by a patent office. In Egypt, the National Information and Documentation Centre publishes a number of specialized periodicals. The National Research Centre, together with a large number of institutes of higher education, also issue periodicals on their research activities.

The main problems which still face member countries in the area of technical information are due to the inefficient processing of locally generated information, the absence of a national scientific and technological information network and the weak linkages between potential information users and national information centres and between the latter and international scientific and technological information sources.

Table 30

Financial resources for research and experimental development activities in some countries of the ECWA region

Country	National currency	Fiscal year beginning	Total expenditure on R & D: in national currency (000's)	Total expenditure on R & D: in US dollars (000's)	Total expenditure on R & D: As percentage of GNP	Per capita expenditure on R &D (in US $)
Bahrain	Dirham	1976	498	1,259	0.2 a/*	4.7*
Egypt	Pound	1973	29,940	75,646	0.8	2.1
		1976 b/	33,440	85,459	0.7 a/*	2.2
Iraq c/	Dinar	1971	1,840	5,189	0.1	0.5
		1974	7,409	25,026	0.2	2.3
Jordan d/	Dinar	1975	1,540	4,821	0.4	1.8
		1976	2,074	6,246	0.5 a/*	2.2
Kuwait e/	Dinar	1973	230*	780*	0.01	0.9*
		1976	13,279	45,416	0.5 a/*	44.1
Lebanon f/ g/	Pound	1967	10,000	3,121	...	1.4*
		1974	13,175	5,665	...	2.0*
Oman	Rial	1976	427	1,236	0.07 a/*	1.6
Qatar	Rial	1976	3,775	953	...	9.5
Syrian Arab Republic	Syrian Pound	1976	27,077	6,965	0.1 a/*	0.9
Yemen	Rial	1974	9,923	2,171	...	1.3

Source: Data compiled from UNESCO publication entitled: "Development in Human and Financial Resources for Science and Technology", CSR-S-5, April 1978.

a/ GNP data related to 1975.
b/ Not including data for productive enterprises.
c/ Data refer to government departments concerned only with scientific activities.
d/ Data related to East Bank only.
e/ Not including data for the higher education sector.
f/ Not including data for law, humanities and education.
g/ Not including data for the productive sector (integrated R & D)
*= P-ovisional or estimated data.

In conclusion, the ECWA member States need to continue efforts to develop, within the framework of a comprehensive science and technology policy, their scientific and technical manpower; to strengthen local consulting, engineering and design capabilities; to set-up an appropriate scientific and technological infrastructure, including a national scientific and technological information system; to establish a strong R & D base; and to arrange for effective linkages between scientific and technological research and productive activities. The importance of the above is obvious, if the ECWA countries are expected to build their technical and scientific capabilities and the necessary mechanisms to absorb and adapt foreign technologies and to lay down a solid basis for the development of indigenous technology.

G. TRADE AND PAYMENTS

INTRODUCTION

During the second half of the 1970s, world trade was characterized by considerable fluctuations. The high rates of expansion recorded in 1973 and 1974 were followed by a sharp decline in 1975, relfecting the worst post-war recession experienced in many parts of the world. The rate of the increase in inflation, which had assumed alarming proportions during 1973 and 1974, decelerated significantly in 1976[1/].

The sharp rise in the price of crude petroleum in late 1973 and early 1974 was followed by mild increases during 1975-1978[2/]. In 1979, however, the export price index for crude petroleum rose by 34 per cent. Consequently, the terms of trade between crude petroleum and manufactured goods fluctuated considerably, being in 1978 markedly below their 1974 level[3/].

Apart from petroleum, the prices of primary commodities exported by the developing countries fluctuated sharply during 1974-1978. The peak they attained in 1974, at the height of the commodity boom, was followed by a sharp downturn, with the index falling by over 20 per cent in 1975. The modest recovery recorded in 1976 in the average price of primary commodities accelerated sharply in 1977, with the index rising by some 25 per cent, before falling by 7 per cent in the following year[4/]. Forecasts for 1979 and 1980 indicate that, notwithstanding the improvement expected in the prices of primary commodities[5/], excluding petroleum, their terms of trade vis-à-vis manufactured goods will be only marginally better than in 1978.

1/ The price index of manufactured goods exported by the developed market-economies, which had increased by over 60 per cent between 1972 and 1975, rose by only 0.5 per cent in 1976. In 1977, the price index rose by 9.3 per cent; this was followed by another increase of 14.7 per cent in 1978. Projections for 1979 and 1980 point to further increases in the index of 10.6 per cent and 6.8 per cent, respectively. (See UNCTAD, World Economic Outlook, 1979-1980 (TD/B/756), September 1979).

2/ The export unit value index of crude petroleum rose by 306 per cent in 1974. This was followed by increases of 5.6 per cent, 6.1 per cent, 9.1 per cent, and 2.4 per cent in the four subsequent years.

3/ The terms of trade index deteriorated from 352 (1970 = 100) in 1974, to 331 in 1975, but recovered to 349 in 1976, where it remained in 1977. In 1978, the index dropped to 312. Forecasts for 1979 and 1980 indicate a substantial improvement, to 377 and 407, respectively (ibid).

4/ The index of primary commodities exported by developing countries fell in 1975 from 229 to 182; rose to 195 and 244 in the two subsequent years; then dropped to 226 in 1978. (See UNCTAD, The World Commodity Situation and Outlook (TD/B/C.1/207), March 1979).

5/ In 1979, prices of food exported by developing countries are expected to rise by 11 per cent, agricultural raw materials by 14.7 per cent and minerals by 9 per cent.

On the average, the value of world exports expanded by around 11 per cent between 1974 and 1978, compared with 29 per cent during 1970-1974. The slower rate of growth could largely be attributed to the combined effect of a reduction in oil output in the oil-exporting countries and a poor agricultural growth in the non-oil developing countries. The volume of world trade, which expanded by over 12 per cent in 1973 and only 5 per cent in 1974, dropped by 5 per cent in 1975 before recovering by 12 per cent in 1976. The rate of expansion was not sustained in the subsequent two years, with the volume of world exports growing by 3.6 per cent and 5.2 per cent, respectively. The prospects for an actual growth in the volume of world exports during 1979 and 1980 appear to be poor1/.

In value terms, the expansion in developing countries' exports during 1970-1974 was significantly higher than the world average, owing mainly to higher prices. During 1974-1978, however, exports from developing countries expanded at a slower pace than those of the world, reflecting differences in price trends. Growth in real terms averaged 4 per cent annually in both cases. The trade performance of the developing countries, however, has fluctuated considerably since 1974. After the poor performance in 1975, there was a considerable improvement in 1976, in both nominal and real terms. In 1977, the expansion in the value of exports by about 13 per cent was virtually due to price increases. In 1978, exports from developing countries grew by less than 4 per cent, in line with the expansion in volume.

OVER-ALL EXPORT AND IMPORT PERFORMANCE

The external sector plays a crucial role in the economies of the ECWA region, both as a generator of income and as a source of raw materials and consumer and capital goods. The ECWA region is characterized by a highly concentrated commodity structure of exports and an uneven geographical districution of trade. This is illustrated by the overwhelming dominance of crude oil and few other primary commodities in export trade, heavy dependence on food imports, the concentration of trade with developed market economies and the paucity of intraregional trade. The region's high degree of "openness" renders it extremely vulnerable to external factors.

Export trade

Following their phenomenal growth by 246 per cent in 1974, the region's aggregate dollar value of exports grew slowly at an average annual rate of over 4 per cent between 1974 and 1978 (see table 31), reaching about $ 78 billion in 1978. Exports from the non-oil economies, however, declined marginally at the average rate of over one per cent per annum during the same period2/.

1/ The rate of real growth of world exports is expected to slow down to between 4 and 4.5 per cent in 1979, and further to between 2 and 2.5 per cent in 1980 (ibid).

2/ For the third consecutive year, beginning in 1975, total exports from the non-oil economies declined; in 1978, however, exports grew by some 15 per cent.

Table 31

Average annual percentage change in the value of exports of Western Asia,[a] 1970-1978

	1970-1973	1974-1978	1974	1975	1976	1977	1978[b]
Total ECWA region	38.0	4.1	245.7	-8.4	20.6	9.2	-2.6
Oil economies	40.0	4.3	252.5	8.5	21.7	9.5	-3.0
Bahrain	14.1	12.9	185.8	-1.4	20.8	33.0	2.7
Iraq	21.0	13.6	237.8	25.7	11.7	4.1	14.1
Kuwait	26.0	-1.2	186.6	-16.1	7.2	-0.9	7.0
Oman	17.0	8.5	248.8	26.1	8.7	0.4	0.8
Qatar	45.0	4.1	183.9	-10.3	22.1	-4.8	12.6
Saudi Arabia	60.0	2.5	291.3	-16.6	29.0	13.5	-9.8
United Arab Emirates	48.0	9.1	254.9	7.6	24.3	11.3	-4.9
Non-oil economies	20.5	-1.1	126.2	-8.0	-8.4	-1.5	14.9
Democratic Yemen	-8.2	-1.2	114.2	-29.3	3.5	13.0	15.0
Jordan	19.5	17.7	167.2	-1.3	36.6	19.1	19.3
Lebanon	36.0	-13.7	127.2	-22.7	-42.7	-18.8	...
Syrian Arab Republic	20.0	7.7	123.4	18.6	14.5	-0.2	-0.9
Yemen	39.0	-2.0	62.5	-15.4	-27.3	37.5	9.1

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

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

b/ Provisional.

The year 1976 was an exceptionally good year for exports from the region, except for Lebanon and Yemen. During the two subsequent years, the region's exports fluctuated and their growth varied condiderably among individual countries and between the two sub-groups. Thus, in 1977, while exports from the oil-producing economies, as a group, grew by close to 10 per cent, those from the non-oil-producing economies fell by 1.5 per cent; with performance ranging between a high growth of 38 per cent in Yemen to a drop of 19 per cent in the case of Lebanon. In 1978, the reverse took place, with aggregate exports from the oil-producing economies declining by 3 per cent.

The pattern of the region's exports during 1974-1978 is largely explained by developments affecting the oil industry. The slow growth in oil exports reflected a sluggish growth in volume1/, combined with only small price increases2/. This in turn was the result of a slackening world demand for crude oil, deliberate conservation production policies in some member countries (Kuwait) or the attainment of capacity limits (Bahrain and Oman).

The level of exports of the non-oil economies3/ is to a considerable extent a function of climate, which determines agricultural output, and of movements in world prices of primary commodities. In 1977, the volume of these exports expanded by 11.5 per cent. This was followed in 1978 by a 2.6 per cent growth4/. However, the rise in export prices of 10.8 per cent compensated for the slow growth in volume, resulting in a 15 per cent growth in value.

At the country level, Bahrain benefited from the rapid development of aluminium exports after 1973, as its oil and non-oil exports, including those of shrimps, declined.

1/ The oil market moved from a period of glut in 1977 and early 1978 to one of tightness in late 1978 and early 1979.

2/ In 1978, the export volume index of the major oil exporters was 11 percentage points below that in 1974; and, throughout 1974-1978, it kept fluctuating, recording an average decline of 2.5 per cent annually. Over the same period, the unit value index, however, rose by 5.9 per cent per annum.

3/ consisting mainly of agricultural commodities and raw materials (cotton and phosphates).

4/ Inter-country variations are illustrated by the different growth patterns of real exports. In Jordan, for example, the volume index of exports declined sharply in 1975, but rose during the two subsequent years by 70 per cent and 27 per cent, respectively. In the Syrian Arab Republic, the volume index was stagnant during 1975 and 1976, and declined by 6 per cent in 1977.

The relatively more favourable trend[1/] in Iraq's crude oil exports explains why it recorded the highest rate of export growth among the oil economies during 1974-1978. Exports of refined oil products increased rapidly after 1973 and replaced dates as the country's leading non-crude-oil export. But exports of agricultural and animal products declined in relative terms, reflecting increased domestic consumption. Moreover, exports of manufactured and semi-manufactured goods have been limited by the diversion of output to satisfy local demand, as in the case of fertilizers and cement. By 1976, there were no exports of cement at all, but exports of fertilizers increased considerably in 1978.

In Kuwait, the decline in the volume of crude oil exports after 1973 resulted in a marginal decline in export earnings, despite some improvements in prices. However, in 1978, there was an expansion of 9.3 per cent in the volume of crude oil exported; this expansion was expected to continue in 1979. Refined oil exports, which also declined between 1973 and 1975, rose sharply thereafter in both absolute and relative terms, to comprise in 1978 17 per cent of total oil exports.

Fertilizers, shrimps, metal pipes and cement constitute the major non-oil export items in Kuwait. Exports of fertilizers, however, have fluctuated in recent years. In 1976, they declined by 20 per cent in volume and by 62 per cent in nominal terms[2/] to resume growth (by 12 per cent) in 1977 with the general recovery in both export volume and prices. Exports of metal pipes have been curtailed during 1977, reflecting the large deliveries to the gas liquification project and the boom in construction. Finally, exports of cement, which have been gaining ground, rose by 220 per cent and 17 per cent in 1976 and 1977, respectively.

In Oman, total export earnings almost stagnated during 1977 and 1978, as a result of the decline in the volume of crude oil exported; this decline was due to capacity limitations.

Qatar's output of crude oil, which reached its peak in 1973, fluctuated thereafter. In 1978, a 13 per cent increase restored production to its 1972 level and raised total export earnings to a corresponding extent. The value of fertilizer exports (urea and ammonia) rose rapidly during 1974-1978.

The expansion in Saudi Arabia's production and exports of crude oil was interrupted in 1975, when output fell by 16.5 per cent, and in 1978, when production declined by 9.2 per cent[3/]. Crude oil production expanded in 1979 to a new peak; coupled with the new round of increases in oil prices, this is expected to raise export earnings to new heights. Refined oil exports remained of relatively limited significance during 1974-1978, ranging between 6 and 7 per cent of total oil exports. Moreover, the volume of refined oil exports declined, on the average, by 4 per cent annually during the period under review, as compared to the first half of the 1970s, when it has been growing, on the average, by 2 per cent annually.

1/ Over the period 1974-1978, the volume of crude oil exports increased at an average rate of 5.7 per cent annually; in 1977, however, there was a drop of over 8 per cent.

2/ Reflecting mainly the discontinuation of production of ammonium sulphate and a slump of 54 per cent in world prices induced by weakened demand and economic recession, together with surplus production and stocking of fertilizers in major consuming countries.

3/ Failure to agree on another price rise for oil at the Caracas OPEC meeting in December 1977 contributed to depress export receipts in 1978.

In the United Arab Emirates, crude oil output and exports, which have been steadily rising since the beginning of the 1970s, fell by 8.4 per cent in 1978. In an effort to diversify the production base, the United Arab Emirates have recently established a number of industries which produce pipes, cement, lime, beverages and other light manufactured goods. These industries began to export in small quantities to neighbouring countries.

Exports from Jordan have been growing rapidly since 1974, resulting in the highest growth rate among the non-oil economies during 1974-1978. The price of phosphates quadrupled in 1974, reached a maximum in 1975, and subsequently declined until 1978, when it was almost 50 per cent below its 1975 level. This was compensated for by the larger quantities exported, which in 1978 were almost double those of 1975. The proportion of phosphate in total Jordanian exports fell from around 50 per cent to 30 per cent between 1974 and 1978.

Jordan has experienced a rapid expansion in the export of fruits and vegetables to Saudi Arabia and other Gulf countries since 1974, with higher prices more than compensating for the quantity shortfalls which resulted from the poor crops, notably in 1975 and 1976. In 1978, exports of citrus fruits declined, while tomato exports increased. Exports of manufactured and semi-manufactured goods (pharmaceuticals and, to a lesser extent, cigarettes, paper, pulp, hides and skins and woollen textiles) have expanded at an encouraging pace, except for cement, of which there were practically no exports in 1976 as a result of increased domestic demand brought about by the construction boom.

The events in Lebanon produced a sharp decline in exports, a significant portion of which has traditionally been absorbed within the region. Manufactured exports, which dropped sharply due to destruction, closures, absenteeism, transport, communications and power disruptions, and shortages of raw materials, picked up momentum in 1977 1/.

In the Syrian Arab Republic, crude oil exports have risen sharply in value since 1974, replacing cotton as the leading export item. In 1978, these exports constituted more than 60 per cent of total exports. The volume of crude oil exported reached its peak in 1976, declined sharply by 18 per cent in 1977 and rose slightly by 2.4 per cent in 1978. The volume of cotton exports has been steadily rising since 1975, and in 1978 it was 24 per cent above its 1975 level; the price of cotton reached its peak in 1975 and declined thereafter. Adverse climatic conditions, together with rising domestic demand, have tended to limit the availability of exportable agricultural products. The decrease in the volume of oil exports during 1977 and of cotton in 1978 has marginally depressed export earnings during these two years.

1/ Prior to the unrest in Lebanon, manufactured exports comprised 67 per cent of total exports; in 1977, the share rose to 73 per cent. It is worth noting that total exports in 1977 were about one third their level in 1974.

In Yemen, the generally poor performance as regards exports reflects, inter alia, the narrow domestic resource base and the limited range of exportable commodities. Most exports are agricultural and are therefore subjected to weather conditions and to the fluctuations of international prices. Exports in the 1970s reached their peak in 1974 but declined in the two subsequent years, after which they started expanding. By 1978, they had almost regained their 1974 level. Earnings from cotton and coffee exports have fluctuated markedly under the influence of movements of world prices and climatic conditions. Exports of manufactured and processed agricultural products have been gaining importance with the establishment of textile manufacturing and food industries. Another significant development has been the cessation of rock salt exports due to considerable production and marketing difficulties.

The export performance of Democratic Yemen has been mixed. While exports of fish realized substantial gains, those of cotton, the major agricultural commodity export, followed a declining trend and finally levelled off, as a result of increased domestic consumption generated by the newly installed textile factory. There is unlikely to be any substantial commodity export growth in the near future other than in the fisheries sector.

Import trade

The average annual growth rate of the dollar value of total imports into the ECWA region rose sharply from 29 per cent during the period 1970-1973 to 82 per cent in 1974 but slowed down in subsequent years1/. In 1978, the combined imports into the region grew by 18 per cent only (see table 32), reaching $ 47 billion. During 1974-1978, imports of the oil economies have expanded much more rapidly than those of the non-oil economies, growth rates varying between 60 per cent in Saudi Arabia and 14 per cent in Bahrain. The policies of restraint pursued by the latter group have helped to curb the growth in their imports, particularly in 1976 and 1978.

The over-all import performance of the non-oil economies varied among countries and over time. Whereas, in 1975 and 1977, the value of imports grew by 15 and 65 per cent respectively2/, the years 1976 and 1978 witnessed a contraction in total imports. This largely reflected the drop of imports into Lebanon during 1976, the non-growth of imports in Democratic Yemen resulting mainly from the limited availability of foreign exchange and the Government's policy aimed at self-sufficiency in fruits and vegetables, and the Syrian Government's stringent control over the level of imports in 1978.

The substantial rise in import prices, particularly in 1978, adversely affected the purchasing power of exports and the terms of trade of the region as a whole (see table 33). In 1979, the terms of trade were expected to have improved as a result of higher oil prices relative to those of manufactured imports.

1/ Except in 1977, reflecting the resurgence of world inflationary tendencies.

2/ In 1977, imports grew at rates which ranged between a high 154 per cent in the case of Yemen and about 35 per cent in Jordan and in the Syrian Arab Republic.

Table 32

Average annual percentage change in the value of imports of Western Asia, a/ 1970-1978

	1970-1973	1974-1978	1974	1975	1976	1977	1978 b/
Total ECWA region	29.0	33.5	81.5	40.5	31.6	46.0	18.1
Oil economies	33.0	39.0	86.4	50.9	42.6	42.2	22.3
Bahrain	29.0	14.3	124.9	- 3.42	44.0	21.6	0.8
Iraq	21.0	15.5	165.2	77.8	- 7.6	15.0	- 6.0
Kuwait	19.0	31.0	47.7	53.7	39.3	33.6	3.8
Oman	100.0	19.1	189.0	47.3	5.2	19.8	8.3
Qatar	35.0	45.0	37.6	51.3	103.2	47.1	- 3.3
Saudi Arabia	42.0	60.0	44.6	47.4	106.3	68.5	26.3
United Arab Emirates	45.0	33.0	107.0	56.6	29.0	30.5	19.5
Non-oil economies	22.5	15.5	69.9	14.1	- 5.7	65.4	- 0.1
Democratic Yemen	- 5.2	10.2	137.4	-22.9	7.0	79.1	0.0
Jordan	21.0	32.0	47.4	49.8	39.8	35.1	8.5
Lebanon	29.0	- 2.4	52.6	- 5.6	-57.7	136.5	- 3.4
Syrian Arab Republic	19.7	18.7	100.7	35.6	19.1	33.8	- 8.3
Yemen	60.0	60.0	54.5	54.7	39.5	153.7	15.4

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

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

b/ Provisional.

Table 33

Index numbers, terms of trade[a/] and purchasing power of exports[b/]

	Rates of growth (percentage)			Indices (1970 = 100)		
	Export volume	Import volume	Purchasing power of exports	Export unit value	Import unit value	Terms of trade
West Asia[c/]						
1970-1975	1.8	19.5	30.8	...	...	...
1977	1.5	18.4	- 1.8	773	217	357
1978	-6.3	6.0	-14.4	786	241	326
1979	-7.8	- 4.5	11.6	1050	266	395
1980	2.5	15.8	6.9	1204	293	411
of which: Non-oil exporters						
1970-1975	8.0	9.1	4.3	...	...	...
1977	11.5	9.4	6.9	204	234	87
1978	2.6	8.4	4.6	226	254	89
1979	4.5	8.5	10.6	279	296	94
1980	2.6	8.5	5.4	314	325	97
Major petroleum exporters[d/]						
1974	-15.9	28.9	120.4	625	186	335
1975	-16.2	-14.2	-15.0	675	198	341
1976	12.9	98.7	20.1	722	199	362
1977	-	20.5	- 0.5	788	218	361
1978	- 4.8	1.1	-15.0	787	243	324

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1979; and World Economic Outlook, 1979-1980 (TD/B/756), September 1979.

a/ The "net barter" terms of trade, defined as the ratio of the export unit value index to the import unit value index.

b/ The value index of exports deflated by the import unit vlaue index.

c/ West Asia comprises the 12 original ECWA countries plus Iran, Cyprus and Turkey.

d/ Includes, in addition to the oil economies of the ECWA region, Algeria, the Libyan Arab Jamahiriya, Iran and Venezuela.

Note: 1978 figures are preliminary. 1979 and 1980 figures are forecasts.

... = not available; - = nil or negligible.

The rapid growth of imports into the oil economies was made possible by the steep rise in foreign-exchange receipts from the oil sector, resulting in higher demand for capital and consumer goods to meet increased consumption, construction and development projects. The value of imports was inflated by the very high import prices, especially of manufactured goods. However, the rate of imports slowed down after 1974, owing to limited absorptive capacity and to deliberate economic restraints.

Substantial official transfers and sharply growing private remittances originating in the oil economies continued to enable Jordan, the Syrian Arab Republic and Yemen to expand their imports on a scale well beyond what it would have been possible to finance from traditional sources. Shortfalls in food production, as well as rising demand for consumer and investment goods, largely explain the surge in the demand for imports.

The trade surplus of the oil economies, which has marginally declined from an average of $ 47.8 billion in 1974-1975 to $ 46.7 billion in 1976-1977, dropped sharply in 1978 to $ 35.6 billion, Saudi Arabia being mainly responsible for this development. During 1974-1978, the oil economies, other than Bahrain with its traditional trade deficit, recorded declining surpluses, with the exception of Iraq, whose trade surplus continued to improve.

Over the period reviewed, the export/import ratio in the oil economies, which averaged 4.6 in 1974-1975, sharply declined to 2.7 in 1976-1977 and further to 1.9 in 1978. In 1978, Iraq had the highest ratio of 2.6, while Saudi Arabia had the highest export/import ratio during the first two sub-periods. In the non-oil economies, the ratio remained very low, averaging 0.3 in 1976-1978.

From the above, it may be concluded that the relationship between exports and imports, whether expressed in terms of the trade balance of the export/import ratio, has deteriorated during the three years beginning in 1976, as compared to the 1974-1975 period.

EXPORT DIVERSIFICATION

The structure of exports in the region has undergone relatively minor but not insignificant diversification. This may be the result of the growing emphasis on the diversification and expansion of the production base, particularly through industrializatio This trend is reflected in the marginal decline in the relative importance of oil in region exports in favour of manufactured goods during 1974-1978.

The average share of fuels in the combined exports of the oil economies declined marginally from 98.3 per cent in 1974-1975 to 97.7 per cent in 1976-1977 (see table 34). Furthermore, the share of crude oil exports in oil output remained unchanged during 1974-1977 at an average of 92.6 per cent and declined to 91.2 per cent in 1978, indicating an improvement, though minimal, in the volume of refined products exported. These exports are of vital importance for Bahrain[1/], which supplements its small and declining domestic crude oil output with crude imports from Saudi Arabia. Exports of refined oil products are also significant in the case of Kuwait, and to a lesser extent in that of Saudi Arabia[2/] Meanwhile, Iraq has expanded its refinery capacity significantly in recent years. This has been reflected in a decline in the share of crude oil exported in total oil output from an average of 93 per cent in 1974-1975 to 91 per cent in 1978, and in the growing importance of exports of refined products.

1/ Bahrain's fuel exports consist entirely of refined oil products. These constituted 83 per cent of exports in 1974-1975, 78 per cent in 1976-1977 and 80 per cent in 1978.

2/ The average share of refined oil exports in the total oil exports of Kuwait has risen from 13.4 per cent in 1974-1975 to 17.5 per cent in 1976-1977 and 17.2 per cent in 1978. In the case of Saudi Arabia, the corresponding share declined from 7.4 per cent to 6.7 per cent and to 6.5 per cent over the same years.

Table 34

Structure of exports[a] in the ECWA region by major commodity group[b] 1974-1978

(percentage shares; period averages)

		Food items	Agricultural raw materials	Ores and metals	All Primary commodities	Fuels	Manufactured goods
Total ECWA[c]	1974-1975	0.5	0.3	0.3	1.0	97.6	1.2
	1976-1977	0.5	0.4	0.3	1.1	96.9	1.8
Oil economies	1974-1975	0.2	-	0.2	0.4	98.3	1.1
	1976-1977	0.3	-	0.2	0.5	97.7	1.7
Bahrain	1974-1975	1.7	0.1	7.9	8.4	83.1	6.8
	1976-1977	1.6	0.2	6.9	8.3	78.2	12.9
	1978	1.3	0.2	9.6	15.2	79.9	9.0
Iraq	1974-1975	0.5	0.2	-	0.8	99.1	0.1
	1976-1977	0.5	0.2	-	0.8	99.1	0.1
	1978	0.7	0.2	-	1.0	98.5	0.5
Kuwait	1974-1975	0.3	-	0.3	0.5	95.1	4.2
	1976-1977	0.6	0.1	0.7	0.8	92.0	6.6
Oman	1974-1975	0.2	-	-	0.2	99.8	-
	1976-1977	0.2	-	-	0.2	99.7	-
	1978	0.6	-	-	0.6	99.4	-
Qatar	1974-1975	0.1	-	-	0.1	97.7	2.1
	1976-1977	-	-	-	-	98.8	1.1
	1978	0.1	-	0.2	0.1	97.9	2.0
Saudi Arabia	1974-1975	0.1	-	-	0.1	99.6	0.3
	1976-1977	-	-	-	0.1	99.7	0.2
	1978	0.1	-	0.2	0.2	99.2	0.6
United Arab Emirates	1974-1975	0.3	-	-	0.3	98.3	0.9
	1976-1977	0.8	-	-	0.8	96.2	2.4
Non-oil economies[c]	1974-1975	11.7	15.9	6.7	30.2	61.7	7.8
	1976-1977	10.0	16.6	5.0	31.5	57.9	10.4
Democratic Yemen[d]	1974-1975	2.6	1.0	-	3.6	94.4	0.1
	1976	7.5	6.5	-	14.0	85.7	0.2
Jordan	1974-1975	28.3	1.3	49.2	78.8	0.5	20.7
	1976-1977	36.9	2.2	33.2	72.4	0.6	27.0
	1978	29.2	1.9	30.3	61.5	-	38.5

Table 34 (Cont'd.)

		Food items	Agricultural raw materials	Ores and metals	All Primary commodities	Fuels	Manufactured goods
Lebanon	1977	18.0	1.7	7.0	90.4	0.1	73.2
Syrian Arab Republic	1974-1975	11.4	20.9	2.3	28.7	63.4	7.8
	1976-1977	6.0	20.3	1.4	27.7	62.6	9.6
	1978	7.3	18.7	2.3	28.2	62.8	8.9
Yemen	1974-1975	25.3	68.7	0.4	94.3	-	5.0
	1976	36.1	53.8	0.7	89.8	-	9.3

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

(a) Domestic exports for Democratic Yemen, Iraq and Jordan; special exports for ahrain, Kuwait, Lebanon, Oman, Saudi Arabia and the Syrian Arab Republic; general exports for Qatar, the United Arab Emirates and Yemen.

(b) All products (SITC 0 to 9)
- Food products (SITC 0+1+22+4)
- Agricultural raw materials (SITC 2-22-27-28)
- Ores and metals (SITC 27+28+67+68)
  All primary commodities excluding fuels (0+1+2+4+68)
- Fuels (SITC 3)
- Manufactured goods (SITC 5 to 8 less 67 and 68)

(c) Excluding Lebanon for all years

Note: - = Nil or negligible; ... = not available.

Mention should also be made of the importance of fuel exports in the case of the Syrian Arab Republic and Democratic Yemen. In the Syrian Arab Republic, crude oil exports accounted for 63 per cent of total exports in 1978. The extreme dependence of Democratic Yemen on refined oil exports is reflected by the fact that the share of those exports in total exports in 1976-1977 averaged 86 per cent.

In the oil economies, manufactured goods1/ which comprised 1.1 per cent of total exports in 1974-1975, increased to 1.7 per cent in 1976-1977. Exports of manufactures appear to be relatively significant in the case of Bahrain and to a lesser extent in Kuwait2/. Moreover, these exports have been growing in relative importance in both Iraq and Saudi Arabia.

With the exception of Oman, manufactured goods, however, are increasingly dominating the non-oil export trade of the oil economies. Their combined share rose from 66 per cent in 1974-1975 to 71 per cent in 1976-1977. In 1978, this share ranged in member countries between 97 per cent in the case of Qatar and 45 per cent in that of Bahrain3/. While this situation could largely be explained by the importance of re-export trade in most of these countries4/, it has been strongly influenced over the past few years by the expansion in the production and export of chemical fertilizers in Kuwait, Qatar and Saudi Arabia. In addition, the appearance of few other commodities on the export lists of Kuwait (building materials and metal pipes5/), and the United Arab Emirates (cement, pipes, and beverages) reflect these countries attempts towards diversifying their production and export base. Cement has previously been a significant export item, particularly in Kuwait and Iraq, but virtually disappeared in 1976 from the latter s exports, as a result of increased domestic demand; cement exports declined in Kuwait before rising substantially in 1978.

Aluminium is the largest non-oil export item for Bahrain, accounting for 10 per cent of total in 1978 and for around 38 per cent of non-oil exports, while exports of shrimps, upon which Bahrain once depended considerably, have been declining.

1/ Defined as the sum of SITC 5 to 8 less 67 and 68.

2/ In the case of Bahrain, the share of manufactures in total exports almost doubled, rising from an average of 6.8 per cent in 1974-1975 to 12.9 per cent in 1976-1977. However, this share dropped to 9 per cent in 1978, owing to a fall in re-exports. In Kuwait, this share averaged 6.6 per cent in 1976-1977.

3/ In Iraq, the share of manufactured goods in non-fuel exports rose from an average of 13.3 per cent in 1974-1975 to 14.3 per cent in 1976-1977, after which it increased sharply to 35 per cent in 1978 mainly owing to a rise in exports of fertilizers.

4/ Bahrain, Kuwait, Qatar and the United Arab Emirates.

5/ The share of indigenous exports in Kuwait's non-oil exports, mainly fertilizers, chemicals, building materials, metal pipes and shrimps, fell from about 86 per cent in 1974-1975 to 83 per cent in 1976-1977, reflecting mainly the increase in the local demand for these products.

In 1978, low rainfall and a relatively cool summer retarded the growth and hence the export of young shrimps, the share of which in non-oil exports has declined from 11 per cent in 1974 to 4 per cent in 1978.

In addition to Lebanon, where exports of manufactured goods were responsible for almost three quarters of total exports in 1977[1/], Jordan's exports of manufactured goods almost doubled in relative importance[2/] between 1974 and 1978. In the Syrian Arab Republic and Yemen, the share of manufactured goods exported has gained some ground in recent years.

However, the dependence of the non-oil economies, taken as a group, on the export of primary commodities[3/] remained strong, with an average share in total exports in 1976-1977 of over 30 per cent. The experience of Jordan in this respect is worth noting. The average share of primary commodities in total exports has fallen from 79 per cent in 1974-1975 to around 62 per cent in 1978, largely as a result of the decline in the share of phosphate exports, with exports of fruits and vegetables almost maintaining the same share.

In the Syrian Arab Republic, apart from petroleum, primary commodities, as a group, have maintained their relative position in total exports, comprising, on the average, 28 per cent of the total during 1974-1978. At the same time, the combined share of exports of food items and cotton declined from one third to one fourth as a result of crop shortfalls due to unfavourable weather and increased local consumption, while exports of phosphates have approximately maintained their share in total exports, at around 2 per cent.

GEOGRAPHICAL DISTRIBUTION OF TRADE

The paucity of intraregional trade is reflected in its share in total trade accounting, on the average, for around 5 per cent of exports and 12 per cent of imports during 1974-1978. On the export side, this situation is mainly a reflection of the predominance of crude oil, and to a much lesser extent of cotton and phosphates, which are almost entirely marketed outside the region. For the non-oil economies, however, the ECWA region represents a major outlet for food products and manufactured goods, absorbing almost one third of their exports, over the same period.

The European Economic Community (EEC) stands as the largest supplier of imports and the most important export market for both the oil economies and the non-oil economies. The other major trade partners of the oil economies are the United States of America and Japan, and for the non-oil economies the countries of the Council for Mutual Economic Assistance (CMEA) and, to a lesser extent, the United States.

1/ Manufactured goods represented 67 per cent of total exports in 1973, dropping sharply thereafter.

2/ Reflecting the substantial increase in 1977 and 1978 of exports of pharmaceutical paper and pulp, and woollen textiles; while exports of cement virtually disappeared owing to increased local consumption.

3/ Defined as the sum of SITC 0 + 1 + 2 + 4 plus 68.

A number of significant shifts in the over-all geographical pattern of the region's exports took place during recent years. The European Economic Community, while maintaining its position as the leading export market, absorbed, on the average, only 33 per cent of total exports in 1976-1978, compared with around 39 per cent in 1974-1975. The United States' share increased from an average of 4 per cent in 1974-1975 to 7 per cent in 1976-1977 and further to 11 per cent in 1978; while the share of Japan rose from 8 per cent in 1974-1975 to 20 per cent in 1978.

These developments can be traced mainly to export trends in the oil economies where exports to EEC declined, with the exception of Iraq and the United Arab Emirates. With respect to the exports of the non-oil economies, the share of the EEC market increased, on the average, from about 20 per cent in 1974-1975 to 26 per cent in 1976-1978 1/. A relatively important market for the exports of this group is the countries of the Council for Mutual Economic Assistance (CMEA), the share of which has risen from 10 per cent in 1974-1975 to 11.4 per cent in 1978. Meanwhile, the small share of exports going to the United States increased from 1.5 per cent in 1974-1975 to around 5 per cent in 1978. Other markets, which absorbed a significantly large share of regional exports in 1974-1975, declined in importance in recent years 2/.

Despite the decline in its share, EEC remains the leading extraregional supplier of imports for the ECWA region, followed, in relative importance, by the United States and Japan, which acquired equal shares in the region's imports The already small share of the CMEA countries in total imports has fluctuated, declining from 4.2 per cent in 1974-1975 to 3.4 per cent in 1976-1977, and then rising to 5.4 per cent in 1978.

1/ Early in 1977, EEC concluded special preference agreements with Jordan, Lebanon and the Syrian Arab Republic, thereby introducing significant improvements in the Customs treatment accorded to most EEC imports from these countries. For details of these agreements, see ECWA, Survey of Economic and Social Development in the ECWA Region, 1970-1978 (E/ECWA/80).

2/ Including developing countries and developed countries not members of regional economic groupings. For example, the share of non-oil economies' exports going to non-traditional markets has declined from 34 per cent in 1974-1975 to 17 per cent in 1978.

Intraregional trade

Despite the efforts to promote it, intraregional trade continued to assume a relatively insignificant share in the total trade of the region. Its performance during the past two decades has not been up to expectations[1], as the experience of the Arab Common Market (ACM)[2] shows.

Intraregional exports rose slightly from 4.5 per cent of aggregate exports in 1974-1975 to around 5 per cent in 1978, with an average growth rate of 11.4 per cent annually over the period 1974-1978 (see table 35). The proportion of the non-oil economies' exports absorbed within the region grew from over 30 per cent in 1974-1975 to around 36 per cent in 1978, reflecting a rising share for all countries, except for a slight decline in that of Yemen. The small share of the oil economies in intraregional exports improved slightly from 3.2 to 4 per cent over the same period. Meanwhile, the share of imports originating within the region rose from 13.2 to 14.2 per cent, reflecting a general improvement in the non-oil economies. Finally, the share of the oil economies' imports from the region declined from 15.6 per cent in 1974-1975 to 7.4 per cent in 1978, largely as a result of a drop in Saudi Arabia's imports from Bahrain.

Of the total value of exports absorbed within the region in 1978, Saudi Arabia supplied 31 per cent, followed by Kuwait, Lebanon and Bahrain with 18, 15 and 12 per cent, respectively. Saudi Arabia's exports to the region are heavily weighted by its exports of crude oil to Bahrain. The exports of Kuwait, Lebanon and Bahrain, on the other hand, have gone mainly to Saudi Arabia, and are mainly food items and to a lesser extent semi-manufactured and manufactured goods. On the import side, Saudi Arabia remained the main market, although its share in total intraregional imports has fallen from 51 per cent in 1976 to around 30 per cent in 1978, followed by Iraq and the United Arab Emirates, accounting for one fifth and over one tenth respectively in 1978.

1/ For a detailed review of the main factors hampering the flow and expansion of intraregional trade, see E/ECWA/80. For recent developments on regional co-operation, see the related section in the present survey.

2/ The share of intra-ACM trade in the total trade of the original four members (Egypt, Iraq, Jordan and the Syrian Arab Republic) improved slightly in 1978, rising from 1.4 per cent and 1.8 per cent of average exports and imports in 1976-1977 to 2.1 per cent and 2.2 per cent, respectively, in 1978. This may be attributed to the recent conclusion of bilateral trade agreements between the Syrian Arab Republic with Jordan (1975) and Iraq (1978).

Table 35

Share of intraregional trade in total trade 1974-1978

(percentage shares; millions of US dollars)

	Exports			Imports			Trade values 1978	
	1974-1975	1976-1977	1978	1974-1975	1976-1977	1978	Exports	Imports
Total ECWA region	4.46	4.87	4.98	13.15	8.54	14.15	3740.5	4355.2
Oil economies	3.20	4.15	4.00	15.56	12.78	7.36	2906.1	3173.9
Bahrain	18.94	35.76	27.62	58.39	45.69	45.94	465.8	939.0
Iraq	2.09	1.78	2.6	2.47	1.1	0.86	236.0	50.0
Kuwait	4.85	7.23	7.05	4.56	2.08	2.14	691.0	111.0
Oman	0.15	0.23	0.45	22.55	20.09	15.07	6.8	154.3
Qatar	1.04	2.14	2.70	14.19	11.16	8.58	63.5	103.6
Saudi Arabia	2.72	3.23	3.21	24.63	17.07	5.9	1173.0	1302.0
United Arab Emirates	2.15	2.51	2.24	6.52	6.09	8.95	220.0	514.0
Non-oil economies	30.91	28.60	35.70	10.37	14.76	15.00	834.4	1181.2
Democratic Yemen	7.34	9.56	28.94	34.06	29.60	26.07	30.4	153.8
Jordan	33.47	36.29	43.83	15.01	13.7	15.98	124.4	244.2
Lebanon	49.84	63.65	70.34	6.85	13.6	11.86	570.7	256.9
Syrian Arab Republic	9.58	9.75	9.42	10.16	12.70	14.48	103.9	368.8
Yemen	15.12	26.27	14.43	12.54	17.38	15.11	4.9	157.6

Source: ECWA, based on national and international sources.

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 (from exports of goods and services, transfers and capital inflows) and payments (for imports of goods and services, transfers, loans and other capital outflows). These transactions are reflected in the movements of reserves. The cumulative movement of reserves over a period of time is reflected in turn in the country's international liquidity position1/.

The oil economies

A distinctive feature of the balance of payments of the oil economies during the post-1973 period has been the emergence of substantial trade surpluses2/ and the accumulation of huge reserves, which is inter alia, an **indication** of the limited absorptive capacity of those economies. These trade surpluses, however, have been generally tapering off in recent years3/, in line with the over-all trend in the production and export of crude oil4/, which were associated with small price increases and a rapid expansion in the volume and prices of imports5/, particularly those of manufactures. However, the increase in the price of crude oil during 1979, coupled with a significant expansion in output, was expected to boost trade surpluses to new heights.

1/ Major balance-of-payments flows relating to the ECWA region in the period 1974-1978 are given in table 36 for the oil economies, and in table 37 for the non-oil economies.

2/ Bahrain differs in this respect from the other oil economies by having a persistently deteriorating trade deficit, except in 1974, when the balance was in surplus.

3/ In Saudi Arabia, for example, the trade surplus declined in 1975 to $ 21 billion from $ 26.4 billion in 1974; in 1976 and 1977, it stood at $ 25 billion and $25.7billion, respectively. Available information for 1978 indicates a deceleration in the trade surplus rate of increase.

4/ Except in Iraq, where crude oil production has been rising since 1972.

5/ Except in Kuwait, where the value of imports declined in 1978 owing to over-stocking induced by the over-estimation of prospective demand, based on the rapidly rising rates of the past few years, and where exports grew moderately, producing a slight increase in the trade surplus.

Table 36

ECWA oil economies: major balance of payments flows, 1974-78
(millions of U.S. dollars; period averages)

	(1) Trade balance (F.O.B.) a/	(2) Services (net)	(3)=(1)+(2) Balance on goods and services	(4) Transfers (net) private	(4) Transfers (net) public	(5)=(3)+(4) Balance on current account	(6) (net) Capital flows long-term	(6) (net) Capital flows short-term	(7) Errors and omissions	(8)=(5)+(6)+(7) Overall balance	(9) Counterpart items SDRs allocation	(10) Counterpart items valuation change	(11) Reserves and related items (-=increase)
Bahrain													
1974-1975	-10.6	25.6	14.9	-	2.8	17.7	45.0	55.8 b/	...	118.6	-	...	-118.6
1976-1977	-189.0	59.2	-129.8	-	1.9	-127.9	162.1	-5.0 b/	...	29.2	-	...	-29.2
Iraq													
1974-1975	4182	-1271	2912	2	-252	2662	-484	-1314	-158	706	-	...	-708
Kuwait													
1975	6138	822	6960	-276	-793	5891	-1937	-93	-1	3860	-	...	-3860
1976-1977	5732	1020	6751	-342	-551	5858	-2295	132	346	4042	-	...	-4041
1978	5945	1455	7400	-433	-800	6167	-477	-687	-2607	2396	-	...	-2395
Oman													
1974-1975	504	-341	163	-160	116	119	106	-132	-112 c/	-19	-	...	19 d/
1976-1977	483	-292	192	-256	160	95	141	44	-176 c/	103	-	...	-103 d/
1978	338	-207	131	-233	19	-83	8	16	-45 c/	-95	-	...	95 d/
Qatar													
1974-1975	1470	75 e/	1545	-215	-180	1151	-358 b/	-32	...	760	-	...	-760
1976	1431	120 e/	1551	-468	-77	1006	-657 b/	-31	...	318	-	...	-318
Saudi Arabia													
1974-1975	23765	-2540	21226	-685	-2072	18469	-4884	-280	-	13304	-	-3576	-9723
1976-1977	25400	-7009	18391	-1488	-3608	13295	-9071	-1887	-	2338	-	1012	-3355
United Arab Emirates													
1974-1975	5112	-1902 f/	3210 f/	...	-751 g/	2460	-314	-433	-	1713	-	...	-1713
1976-1977	5282	-2630 f/	2652 f/	...	-1068 g/	1585	-254	-1	-	1330	-	...	-1330
1978	4466	-2774 f/	1692 f/	...	-1033 g/	659	661	-207	-	1113	-	...	-1113

Source: ECWA, based on national and international sources.

a/ Exports are valued FOB and imports CIF in the case of Bahrain, Oman, Qatar and the United Arab Emirates

b/ Includes net errors and ommissions,

Table 36 (Cont'd.)

c/ Includes private non-oil capital movements.
d/ Includes exchange valuation changes.
e/ Consists of profit transfers by foreign oil companies, investment income earnings on foreign assets and other receipts.
f/ Includes private transfers, i.e., remittances by expatriate workers in the United Arab Emirates.
g/ Official grants and loans.

Notes: Figures were rounded to the nearest hundred thousand; details, therefore, may not add up to totals.

- = Nil or negligible.
... = Not available.

Table 37

ECWA non-oil economies: major balance-of-payment flows, 1974-1978

(millions of U S dollars; period averages)

	(1) Trade a/ balance (F.O.B.)	(2) Services (net)	(3)=(1)+(2) Balance on goods and services	(4) Transfers (net) private	Transfers (net) public	5=(3)+(4) Balance on current account	(6) (net) Capital flows Long-term	Capital flows Short-term	(7) Errors and omissions	8=(5)+(6)+(7) Overall balance	(9) Counterparts items SDRs allocation	(10) Counterparts items valuation change	(11) Reserves and related items (-increase)
Democratic Yemen													
1974	-128	-14	-142	41	1	-100	53	25	-2	-24	-	...	24
Jordan													
1974-1975	-386	70	-316	6	350	40	87	12	-33	105	-	1	-104
1976-1977	-838	445	-393	4	438	48	75	8	4	109	-	19	-129
1978	-1038	408	-630	13	335	-282	284	142	106	251	-	118	-369
Syrian Arab Republic													
1974-1975	-376	-78	-453	48	535	130	-5	54	-7	172	-	...	-172
1976-1977	-1179	-130	-1310	72	769	-468	292	99	10	-68	-	...	68
1978	-1141	-195	-1336	94	777	-465	386	-36	-19	-134	-	...	134
Yemen													
1974-1975	-207	-19	-226	203	85	62	31	-14	32	111	-	...	-111
1976-1977	-583	-42	-625	813	112	299	47	20	74	441	-	...	-441
1978	-913	-58	-971	923	120	72	123	-47	25	173	-	...	-173

Source: ECWA, based on national and international sources.

Notes: - = nil or negligible; ... = not available.

The trade surpluses have been used largely to meet payments for services rendered by foreign residents, mainly in the form of investment income payments to foreign oil companies until recently, and increasingly for services associated with non-oil activities (for example construction) as remittances of expatriate workers1/; thus reflecting these countries' extreme dependence on imported labour and technology. However, in recent years, investment income payments have generally declined2/, with the establishment of control on oil resources, while earnings on foreign asset holdings3/ grew very rapidly, particularly in the larger oil countries. The services accounts of the larger oil producers, with the exception of Kuwait4/, remained in deficit throughout the period 1974-1978, reflecting the large and increasing payments for freight, insurance and travel. In contrast, the services accounts of the smaller oil producers, with the exception of Oman, were in surplus5/.

Despite the sizable public and private transfers and the deficit in the services account, the current account balance of the larger oil producers remained in surplus during the post-1973 period. In 1977 and 1978, however, this surplus contracted with the continued expansion in imports, rising remittances by expatriates and huge official transfers, which were not matched by a rise in export earnings6/.

1/ In Saudi Arabia, for example, these remittances rose from $ 267 million to $ 1504 million between 1972 and 1977; in Kuwait, from $ 276 million in 1975 to $ 433 million in 1978; in Oman, from $ 41 million in 1973 to $ 233 million in 1978; in Qatar, from $ 43 million in 1972 to $ 468 million in 1976.

2/ Except in Saudi Arabia, where payments to foreign oil companies rose from $ 2075 million to $ 2539 million between 1973 and 1977. These payments declined in Qatar (from $ 106 million to $ 36 million between 1973 and 1976), the United Arab Emirates (from $ 481 to $ 356 million between 1973 and 1975), and Iraq (from $ 976 million in 1974 to $ 533 million in 1975); while, by 1978, they had completely disappeared from Kuwait's services account.

3/ Available information shows that investment income receipts, i.e., average yields on foreign asset holdings, have risen substantially in Saudi Arabia (from $ 208 million in 1973 to $ 4191 million in 1977) and Kuwait (from $ 479 million in 1973 to $ 3084 million in 1978); and to a much lesser extent in the United Arab Emirates, Iraq (between 1973 and 1975, from $ 47 million to $ 243 million and from $ 63 million to $ 176 million, respectively) and Qatar (from $ 24 million in 1973 to $ 134 million in 1976).

4/ Largely owing to investment income receipts and earnings on its rapidly developing shipping industry, which offset payments on other services.

5/ Travel and tourism, in addition to investment income, have been important foreign exchange earners in Bahrain. Qatar's services account swung into a surplus in 1974, largely due to increasing investment income receipts.

6/ In Saudi Arabia, the current account surplus contracted from $ 23 billion in 1974 to $ 13.8 billion in 1976 and to $ 13.0 billion in 1977. Tentative information in 1978 indicates that this surplus continued in a downward trend. The surplus declined from $ 7.0 billion in 1976 to $ 4.8 billion in 1977 and $ 6.2 billion in 1978, in Kuwait; and from $ 2.4 billion to $ 0.8 billion and $ 0.6 billion in the United Arab Emirates, over the same interval.

Among the smaller oil producers, Qatar has consistently shown a surplus on its current account, except in 1975 and 1976. Bahrain's current account had been consistently in deficit (except in 1974) and during 1976 and 1977 it deteriorated considerably as a result of rapidly expanding imports. Oman's current account, in which receipts from Omanis working abroad and official transfers have increased in importance, followed a mixed pattern, being in deficit in 1973, 1976 and 1978, and in surplus during 1974, 1975 and 1977.

The current account surpluses of the larger oil producers have generally gone to finance capital outflows, in particular, long-term capital in the case of Saudi Arabia and Kuwait, and, in 1977, short-term capital (mainly private flows) in the case of Saudi Arabia. In 1978, there was a substantial reduction in long-term capital outflows from Kuwait, which was matched by a rise in short-term capital outflows. In the case of the United Arab Emirates, a substantial inflow of long-term capital (net official borrowings) was recorded during 1978.

The over-all balance was used to augment official international reserves held by the monetary authorities. In Kuwait, for example, additions to reserves represented 40 per cent of the 1978 current account surplus, as compared to an average of 70 per cent for the 1976-1977 period. In Saudi Arabia, the contribution to reserves declined from 72 per cent in 1974-1975 to 18 per cent in 1976-1977. In the United Arab Emirates, additions to official reserves increased from an average of 70 per cent of the current account surplus to 84 per cent over the two sub-periods. In 1978, additions to reserves in the United Arab Emirates were made possible by net capital inflows and a substantially reduced current account surplus.

The non-oil economies[1/]

The non-oil economies' payments situation continues to be characterized by the existence of large and deteriorating trade deficits. These deficits were the result of high rates of growth in the volume and prices of imports that were not matched by a rise in export earnings. Since 1973, the non-oil economies have generally benefited from substantial financial transfers (loans and grants) from the oil-producing member countries. At the same time, the ensuing economic boom in the Gulf countries has attracted labour in large numbers from other parts of the ECWA region, notably Jordan, Lebanon and the two Yemens, thus generating sizable factor income flows into these countries.

1/ Excluding Lebanon (for lack of recent information).

In the case of Jordan, the trade deficit has been largely offset by public transfers, mainly from within the ECWA region, remittances from Jordanians working in the Gulf area and from tourism and travel (ALIA airlines) particularly since 1976, partly because of the situation in Lebanon and in response to tourism promotion policies. The year 1978 witnessed a widening of the trade deficit, a marginal decline1/ in the services account surplus and a fall in foreign aid below its 1977 level. The combined effect of these factors was to produce a deficit on the current account for the first time in a number of years. At the same time, a substantial increase was recorded in capital inflows benefiting both the public and the private sectors, and in foreign investments in Jordan (new foreign firms and banks), while loan repayments decreased. The result was a substantial addition to the country's international reserves in 1978, compared to previous years.

In the case of the Syrian Arab Republic, the services account, an important foreign exchange earner up to 1973, was in deficit in the period 1974-1977 and deteriorated considerably in 1978, thus accentuating the trade deficit2/. This deficit rose sharply from $ 0.5 billion in 1975 to $ 1.0 billion in 1976 and further to $ 1.3 billion in 1977. In 1978, however, the trade deficit improved slightly and stood at $ 1.1 billion3/. These deficits have been largely offset by the sharp expansion in official grants from the larger oil producers, which reached a peak of $ 1.1 billion in 1977 but declined to $ 0.8 billion in 1978. While capital inflows helped to close the gap in the current account in 1974-1975 and 1977, and hence made additions to reserves possible, in 1976 and 1978, reserves were reduced by $ 354 million and $ 134 million, respectively4/.

1/ With the exception of remittances of Jordanians abroad and income from travel (ALIA), net receipts from all other services declined (reflecting lower earnings from tourism and large increases in students' expenditures abroad)

2/ Reflecting mainly the sharp rise in travel expenditures abroad, the effect 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 the closure of the borders in 1977, and higher payments on account of freight and insurance on the largely expanded volume of imports since 1976, coupled with a decline in receipts from other items on the services account.

3/ The marginal decline in export earnings was more than offset by the Government's deliberate contraction of imports.

4/ Resulting mainly from the large trade and services deficits, coupled with a decline in the level of financial transfers from their 1975 and 1977 levels.

Yemen's import capacity, which is only marginally based on its export earnings, depends mainly on foreign exchange receipts from remittances of Yemenis working abroad (mainly in Saudi Arabia and other Gulf States) and from foreign aid and loans. Thus, unrequited transfers are by far the most important item in Yemen's balance of payments. Interest received on Yemen's foreign exchange reserves and earnings from transportation are also relatively important. The balance on the current account, which was in deficit until 1974, recorded large surpluses during 1975-1977. In 1978, however, this surplus declined considerably with the deterioration in the trade deficit resulting from the sharp expansion in imports. The 1978 capital account recorded an increase in concessional loans and official borrowings, and an outflow of short-term capital. Thus, after Yemen had been able to accumulate large and rising foreign exchange reserves during 1974-1977[1/], additions to reserves fell considerably from $ 497 million in 1977 to $ 173 million in 1978.

In contrast, the balance of payments position of Democratic Yemen, while still showing great vulnerability on the trade account[2/], strengthened considerably, as a result of the growth of workers' remittances from $ 41 million in 1974 to $ 180 million in 1977, earnings from activities associated with Aden port, and foreign assistance, which rose from $ 0.6 million in 1974 to $ 55.1 million in 1977. Foreign exchange earnings from exports of goods and services covered about 70 per cent of corresponding expenditures in 1977.

1/ Reflecting the rapidly rising earnings from workers' remittances and foreign aid, and the country's limited absorptive capacity.

2/ Exports cover much less than 10 per cent of imports.

INTERNATIONAL LIQUIDITY

The rate of reserve accumulation[1/] in the ECWA region accelerated rapidly after 1973, but slowed down in 1978; there are indications of a resumption of the upward trend in 1979. The combined reserves of the 12 countries shown in table 38, with gold valued at SDR 35 per ounce, rose from an average of $ 27.6 billion in 1974-1975 to $ 43.1 billion in 1976-1977, but fell to $ 36.2 billion by the end of 1978[2/]. This fall is largely accounted for by the drop in Saudi Arabia's reserves from $ 30.0 billion to $ 19.4 billion between 1977 and 1978[3/], and, to a much lesser extent, in those of the United Arab Emirates. In contrast, the over-all reserve position of the non-oil economies recorded significant improvements over the same period, attaining $ 5.2 billion by the end of 1978[4/], compared with $ 4.5 billion in 1977 and an average of $ 3.0 billion during 1974-1975. Significant additions were made by Jordan, Lebanon and Yemen, with declining total reserves in the Syrian Arab Republic.

Though both reserves and imports rose very sharply after 1973, the faster rise in reserves has resulted in a significant improvement in the region's reserves/imports coverage (in terms of months of imports[5/]), particularly

---

1/ Data on international reserves of the ECWA countries for the period 1974-1978 are given in table 38. This table also gives the months of imports covered by reserves for the years 1974-1977, computed on the basis of reserves with gold at SDR 35 per ounce and then compared with gold at London market prices.

2/ For comparison, international reserves with gold valued at London market prices rose from an average of $ 30.3 billion in 1974-1975 to $ 45.6 billion in 1976-1977 but fell in 1978 to $ 40.4 billion.

3/ It should be noted that in part, the recorded fall in Saudi Arabia's reserves could be attributed to the modification introduced in the definition of "reserve coverage". Beginning in April 1978, foreign exchange holdings exclude foreign exchange cover against note issue, which in March 1978 amounted to $ 5.3 billion.

4/ In the case of Lebanon, the 1978 reserves, with gold valued at SDR 35 per ounce, were $ 2.2 billion but $ 5.9 billion when valued at London market prices. In 1978, Lebanon had the highest gold holdings (9.218 millions of fine troy ounces) in the ECWA region, with Saudi Arabia holding less than half that total (4.539 million ounces).

5/ Defined as the reserve stock for the year divided by the average monthly imports of the year in question and the following one.

Table 38

ECWA: international reserves[a/] and reserve/imports coverage[b/], 1974-1978

A. International reserves[a/] (millions of US dollars; period averages)

	With gold at SDR 35 per ounce			With gold at national valuation	With gold at London market prices	Reserves minus gold	Gold (millions of fine troy ounces)
	1974-75	1976-77	1978	1978	1978	1978	1978
Total ECWA region	27565.4	43085.6	(36250.3)*	...	(40442.8)*	...	...
Oil economies	24573.1	39157.1	...	...	...	...	...
Bahrain	213.6	476.3	500.3	499.9	527.3	493.4	0.150
Iraq	3000.2	5798.2	...	...	...	...	...
Kuwait	1527.1	2459.2	2616.7	2676.7	3071.0	2500.4	2.525
Oman	216.4	367.8	396.0	415.0	429.4	387.4	0.186
Qatar	88.0	149.6	222.8	222.2	267.4	210.7	0.251
Saudi Arabia	18802.0	28529.5	19407.8[c/]	19407.0[c/]	20225.8[c/]	19200.0[c/]	0.539
United Arab Emirates	720.8	1376.5	837.7	887.1	942.0	811.8	0.576
Non-oil economies	2992.3	3928.5	5243.7	5246.7	7206.3	4747.8	10.878
Democratic Yemen	61.0	91.4	188.9	189.1	194.5	187.9	0.029
Jordan	419.3	584.4	922.4	966.7	1068.9	885.6	0.811
Lebanon	1626.4	1819.0	2255.1	2224.1	3918.2	1834.9	9.218
Syrian Arab Republic	617.5	453.5	416.9	407.0	563.3	380.0	0.811
Yemen	263.1	980.2	1460.4	1459.8	1461.4	1459.4	0.009

Table 38 (Cont'd.)

	B. Reserves /imports coverage (Months of imports b/)							
	Reserves with gold valued at SDR 35 per ounce				Reserves with gold valued at London market prices			
	1974	1975	1976	1977	1974	1975	1976	1977
Total ECWA region	14.8	16.2	14.4	13.4	16.9	17.3	15.2	14.1
Oil economies	17.8	18.2	16.0	...	19.2	18.9	16.5	...
Bahrain	1.4	2.5	2.9	3.0	1.8	2.6	3.0	3.1
Iraq	12.0	8.5	15.0	20.2	14.1	9.8	16.2	21.7
Kuwait	8.5	6.9	5.9	7.9	11.7	8.6	7.5	8.7
Oman	2.6	2.7	3.1	3.9	2.7	2.7	3.1	...
Qatar	2.5	2.0	1.6	1.6	3.5	2.4	1.8	1.8
Saudi Arabia	48.5	43.4	27.8	21.7	50.5	43.9	28.1	22.0
United Arab Emirates	2.5	3.9	5.8	2.1	2.5	3.9	6.0	2.3
Non-oil economies	6.8	8.0	6.9	...	10.6	10.8	9.0	...
Democratic Yemen	2.3	2.0	2.1	2.0	2.3	2.1	2.6	...
Jordan	6.8	6.7	4.9	5.8	9.1	7.8	5.6	6.7
Lebanon	9.0	13.7	17.3	13.7	16.1	21.6	26.3	...
Syrian Arab Republic	4.1	4.8	1.9	2.6	5.1	5.3	2.2	3.0
Yemen	9.8	11.5	11.9	13.3	9.9	11.5	11.9	13.3

Source: ECWA, based on IMF, International Financial Statistics (December 1979); and UNCTAD, Handbook of International Trade and Development, 1979.

* ECWA staff estimates

a/ End of period data on gold and foreign exchange holdings by monetary authorities, reserve position with IMF plus SDRs, where applicable. International reserves reflect exchange valuation changes. For Kuwait, reserves with the Central Government are not included, and only those with the Central Bank are reported.

b/ Defined as the reserve stock for the year divided by the average monthly imports of the year in question and the following one.

c/ Beginning in April 1978, foreign exchange holdings exclude foreign exchange cover against the note issue, which, as at March 1978, amounted to $ 5.3 billion.

in 1974 and 1975. However, this coverage started declining in 1976 and 1977, with regional imports expanding at the same pace as reserves. Thus, after the region's reserves[1] import coverage had risen from 14.8 to 16.2 months of imports between 1974 and 1975, it dropped to 14.4 and 13.4 months of imports in 1976 and 1977, respectively. This was largely due to the recorded deterioration in Saudi Arabia's reserves in 1978, coupled with a sharp expansion of its imports in 1977 and 1978.

The coverage of imports by reserves was the least adequate in Bahrain, Oman, Qatar, Democratic Yemen and the Syrian Arab Republic, with reserves sufficient to cover only between 2 and 4 months of imports in the period 1974-1977. In contrast, Iraq's ability to import improved dramatically, the reserves/imports coverage rising from 12 months of imports in 1974 to 20 months in 1977. Over the same period, Saudi Arabia's reserves/imports position deteriorated by over 50 per cent, from about 48 months of imports in 1974 to 22 months in 1977.

In the case of Yemen and Lebanon, the coverage of imports by reserves has been adequate and improving. In both countries, reserves were sufficient to cover a little over one year of imports, at prevailing 1977 rates. The sharp expansion in Yemen's imports since 1974 has been associated with an even faster rise in reserves. In the case of Lebanon, the contraction in imports has contributed to the maintenance of an adequate reserves/imports ratio.

1/ With gold valued at SDRs 35 per ounce.

H. DEMOGRAPHIC LEVELS AND TRENDS

The population situation[1/] in the ECWA region is in several respects unique. Life expectancy at birth, for example, varies from a high of about 72 years in Kuwait - which is comparable to levels in developed countries - to around 40 years in Yemen. Relatively large and rapid movements of population, internally, regionally and internationally, have greatly affected cities, districts and countries and have had major economic, demographic and social implications. In Jordan, for instance, the population of Amman increased from 246,500 in 1961 to 727,800 in 1979, or at an average rate of 6 per cent per annum; about one half of this expansion was due to internal migration.

In 1978, about 30 million persons were estimated to be living in the countries of the ECWA region, representing approximately 2 per cent of the world population. While the average overall density in the ECWA region is only 11 inhabitants per square kilometre, the densities where most of the population resides are among the highest in the world. In Bahrain, Kuwait and Qatar, more than 80 per cent of the resident population live in urban areas. In addition, primate cities in the region have grown very rapidly, accounting in Bahrain and Lebanon, for example, for more than 43 per cent of the total population.

The population situation in the ECWA region is marked by high levels of mobility, whether from rural or desert areas to urban areas, or from one country to another. Given its high levels and its serious demographic, social, economic, and political effects, population movement within and outside the region has been an overriding concern of most ECWA member countries. The state of the population is also characterized by the existence of large numbers of displaced Palestinians.

The recent annual rates of population growth recorded in most of the ECWA countries were of the order of 3 per cent or higher, implying a doubling of the population in less than 24 years. As a result of the rapid expansion of employment opportunities, the annual rates of population growth in the Gulf area reached exceptionally high levels, ranging from 6 per cent for Kuwait to 8.5 per cent for Qatar, and 11.1 per cent for the United Arab Emirates. The rapid influx of workers in certain ECWA oil-producing countries has been accompanied by an inflow of professionals and skilled workers from the non-oil-producing countries in the region. Thus, when account is taken of the migration of workers from Yemen, where the natural rate of population increase is 2.4 per cent, the net rate of population growth drops to 1.8 per cent per annum, which is the lowest in the region.

1/ It is to be noted that during the 1970s, major efforts have been made in the collection of demographic and related socio-economic data in the region. Whereas previously only few countries possessed even the most basic demographic information, the past ten years have seen most ECWA countries undertake or plan to carry out national censuses. More emphasis has also been put on multi-purpose and multi-round surveys to supplement census and vital statistics information.

Another demographic feature of the ECWA region is the high rate of fertility. With the exception of Egypt and Lebanon, where the levels of fertility are approximately 36 and 33 per 1,000 respectively, the crude birth rates are all above 40 per 1,000, with the majority falling close to 50. The lowest crude birth rate, 42 per 1,000, occurs in Iraq and the highest, 51 per 1,000, is in Kuwait.

The patterns of mortality in the ECWA region are substantially less uniform than those of fertility. Whereas fertility is generally high, mortality varies considerably. As a result of high fertility combined with relatively low and declining mortality, and immigration, population growth in the ECWA region is expected to remain high in the next two decades. By the year 2000, the total population of the region is expected to be close to 150 million.

The high rates of population growth have significant economic and social consequences. For example, educational opportunities will have to be expanded dramatically to keep pace with the rate of population growth. Similarly, medical, housing and other social services will have to be expanded and improved.

None of the ECWA countries have explicit and comprehensive population policies. However, in Egypt, the large population size, high rates of growth and limited resources induced the Government to be concerned with population issues relatively early. Egypt has thus established population commissions and nation-wide family planning programmes aimed at bringing about reductions in fertility. Several countries (Jordan, Lebanon and the Syrian Arab Republic), while not having national family planning programmes, have provided various levels of support for more effective access to family planning information and materials.

I. EMPLOYMENT GROWTH AND MANPOWER DEVELOPMENT

There is reason to believe that total employment in the ECWA region continued to grow, though at a slower pace, over the last two years. This process was accompanied by an improvement in the occupational and educational structures of the labour force.

GROWTH OF EMPLOYMENT

Available statistics show that employment growth in the oil economies was above the world levels of about 2 per cent over the period 1970/1975. The average annual growth rate of employment ranged between 3 per cent (Iraq) and 6.6 per cent (Saudi Arabia). In the non-oil economies, the over-all annual employment growth rate ranged between 3 (Jordan) and 3.5 (Syrian Arab Republic) per cent over the same period.

The ECWA countries suffer from manpower under-utilization, under-employment and structural imbalances in the labour force. This under-utilization is evidenced by the very low participation rates in the region, reflecting mainly the high percentage of young persons in the population and the low rates of female participation in economic activity. In 1975, the activity rate of females aged 15 years and over ranged between 3.7 per cent for Iraq and 15.3 per cent for Lebanon. The low level of educational attainment of the female population, social norms, the low level of wages and the lack of employment opportunities have all contributed to sustain the low female activity rate.

The problems of employment and poverty are closely interrelated. Low activity rates imply high dependency ratios. In the ECWA countries, for every active person there are at least three who are inactive, including children and incapable persons. This high dependency ratio represents a major constraint on standards of living in the region.

Open unemployment in the ECWA region is not widespread or high at the present time. In 1975, it ranged between 5.9 per cent of the labour force in Iraq and 2 per cent in Kuwait. It is believed that it has decreased considerably since the early 1970s in the majority of ECWA countries, owing to the increased economic activity in the oil-producing countries and the consequent growth of intraregional labour mobility. In mid-1970s, there were about 1.6 million migrant workers in the Gulf States, of which 75 per cent were Arabs. Their number, in 1979, is believed to have exceeded at least 2½ million , according to some estimates.

Under-employment, in its various forms, is the most important aspect of labour force under-utilization1/. Although adequate data and studies on the extent of under-employment are lacking in the ECWA region, it is generally agreed that this phenomenon is rife and needs to be systematically investigated, in order to reduce the misallocation of labour resources and to promote manpower development and redeployment.

In those ECWA countries with an adequate supply of labour, the growth of employment, as reported by official statistics, does reflect growth in productive employment. This is particularly true of the employment situation in the rural areas and the "informal sector" of the urban areas, where growth is believed to be highly over-stated as a result of the presence of disguised unemployment and under-employment.

1/ It is estimated that no less than one third of those declared employed are in fact under-employed.

The sectoral distribution of the labour force in the ECWA region varies considerably according to the individual country's pattern and stage of economic development. The share of the primary sector in the total labour force remained unchanged in Iraq and the Syrian Arab Republic, at about one half of total employment, fell dramatically in Jordan and Saudi Arabia and reached an extremely low level of 2.5 per cent in Kuwait over the period 1975-1976. The secondary sector in almost all the countries of the region absorbs only a small proportion of the labour force. This situation reflects the relatively low stage of industrialization attained and the use of capital-intensive techniques in newly established industries. Meanwhile, the tertiary sector continues to absorb increasing proportions of the labour force, especially in Kuwait (73 per cent), Jordan (56 per cent) and Saudi Arabia (42 per cent).

The construction boom in most of the ECWA countries, and particularly in the oil-producing countries, has absorbed a relatively large share of total employment in recent years. This share reached, for example, 31 per cent in 1975 in the United Arab Emirates and in the non-agricultural sector 55 per cent in Oman (1975), 24 per cent in Saudi Arabia (1977), 23 per cent in Jordan (1971), 19 per cent in Bahrain (1971), 17 per cent in Qatar (1970) and about 15 per cent in both the Syrian Arab Republic and Yemen (1975).

INTER-COUNTRY LABOUR MOVEMENT

Acute shortages of manpower and the growing need to meet the development objectives of the capital-surplus countries led to a considerable growth in the number of migrant workers. Recently published data1/ show that, in 1975, the economically-active migrants in these countries numbered about 1.4 million. As a percentage of the total labour force, they reached 82 per cent in the United Arab Emirates, 81 per cent in Qatar, 69 per cent in Kuwait, 52 per cent in Oman and 48 per cent in Saudi Arabia. The persisting shortage of labour, particularly in construction, prompted these countries to permit the importation of labour from other regions, including the Far East. Japanese construction companies, for example, are now using Chinese workers in at least two major construction projects in Iraq; and perhaps as many as 80,000 South Koreans are employed in the Gulf countries.

The dramatic growth of the migrant worker population is claimed to have created some problems in the host countries, leading in recent years to restrictive measures on the part of some Governments. Over the last two years, Saudi Arabia expelled large numbers of illegal migrants and tightened control over the granting and extension of work permits. The United Arab Emirates introduced new labour laws which could lead to the deportation of thousands of foreign workers2/.

1/ J.S. Birks and C.A. Sinclair, International Migration and Development in the Arab Region (Geneva, International Labour Office, 1979).

2/ This law provides that employees may not change jobs or sponsors before leaving the country, for at least a year.

EDUCATIONAL AND OCCUPATIONAL STRUCTURE OF THE LABOUR FORCE

The change in the educational structure of the labour force is an important indicator of the spread of education among the labour force and its technological potentialities. In general, the more educated the labour force is, the higher its productivity and propensity to absorb new technologies will be. Data on the distribution of the labour force by levels of education are available for only few ECWA countries, as shown in table 39 below.

Table 39

Educational structure of the labour force in four ECWA countries (percentages)

Degree of education	Kuwait		Saudi Arabia a/	Syrian Arab Republic		United Arab Emirates b/
	1970	1975	1977	1970	1976	1975
Illiterates	36.5	33.8	38.0	48.9	33.6	43.7
Below primary	32.3	24.8	23.2	30.3	31.9	27.1
Primary	8.3	10.4	9.9	12.2	17.3	7.9
Sub Total	77.1	69.5	71.1	91.4	82.8	78.7
Intermediate	6.2	9.2	6.6	2.7	5.2	6.5
Secondary and post-secondary	10.9	13.1	12.3	4.2	8.3	10.3
University graduates	5.6	8.2	10.0	1.7	3.7	4.3
Not specified	0.2	-	-	-	-	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kuwait, Statistical Abstract, 1977; Syrian Arab Republic Statistical Abstract, 1977; United Arab Emirates, Annual Statistical Abstract, 1977; Saudi Arabia, Ministry of Economics and Finance, Manpower Statistics in the Kingdom of Saudi Arabia, 1977.

a/ Refers to the population aged 12 years and above and not to the labour force.

b/ Refers to the population aged 10 years and above and not to the labour force.

The labour force in the region is generally characterized by high rates of illiteracy. Improvement, however, is noticeable in several ECWA countries. For example, in Kuwait and the Syrian Arab Republic, the ratios of the labour force with less than the intermediate level of education dropped between 1970 and 1975 from 77.1 to 69.5 per cent and from 91.4 to 82.8 per cent, respectively. In both countries, the proportion of the labour force with intermediate, secondary and university education increased sharply over the same period, doubling in the Syrian Arab Republic. Nevertheless, the proportion of the labour force with intermediate and secondary levels of education remains very low in all ECWA countries.

The occupational structure of the labour force for four ECWA countries is shown in table 40 below:

Table 40
Occupational structure of the labour force in four ECWA countries
(percentages)

	Kuwait		Saudi Arabia a/		Syrian Arab Republic		United Arab Emirates b/
	1970	1975	1970	1977	1970	1975	1975
Professional, technical and related workers	10.5	13.7	4.5	10.7	4.6	4.5	7.4
Administrative and management workers	0.7	1.0	0.8	2.3	0.4	0.1	2.0
Clerical and related workers	11.6	12.5	5.5	10.9	4.0	5.2	10.6
Sales workers	8.7	7.9	8.0	9.0	7.0	8.9	6.1
Service workers	23.7	25.7	9.0	10.0	4.5	1.7	15.7
Agricultural workers	1.6	2.5	39.4	31.9	47.8	49.9	4.6
Production and related workers	39.6	34.7	32.8	25.2	27.8	27.3	52.0
Workers not classified by occupation	0.2	-	...	...	0.1	-	0.2
Unemployed	3.4	2.0	...	...	3.8	2.4	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kuwait, Statistical Abstract, 1977; Syrian Arab Republic, Statistical Abstract, 1977; United Arab Emirates, Annual Statistical Abstract, 1977; Saudi Arabia, Ministry of Economics and Finance, Manpower Statistics in the Kingdom of Saudi Arabia, 1977.

a/ Refers to the population aged 12 years and over.

b/ Refers to the labour force aged 10 years and over.

Among the major occupational groups, the "professional, technical and related workers", and "administrative and managerial workers" play a major role in the development process. As shown in the table, the proportion of the first group in 1975 was relatively high in both Kuwait and Saudi Arabia, reaching 13.7 and 10.7 per cent, respectively. Furthermore, the share of the higher two occupational groups grew sharply in Saudi Arabia and the United Arab Emirates but appears to have fallen in the Syrian Arab Republic, possibly as a result of the taking up of employment abroad. The table also shows that the shares of the second occupational group was extremely low, particularly in the Syrian Arab Republic, where it amounted to a mere 0.1 per cent in 1975. While Kuwait, Saudi Arabia and the United Arab Emirates are relatively well endowed with high-level manpower (though mostly expatriate), an imbalance exists between the professional and technical category and the managerial and administrative category of manpower.

The development of manpower in the ECWA region through education and training is still inadequately related to member countries economic and social development goals. The impressive expansion in education over the past 10 years has not proceeded along lines consistent with the requirements of the development process. This has resulted in structural imbalances between occupational supply and the demand for labour.

Irrespective of the increased emphasis by Governments of ECWA member States on employment aspects in their development plans, employment is in most countries not yet considered as a priority target of development or as an objective on its own. Very few development projects, if any, emphasize the creation of jobs. Employment generation is still viewed as a by-product of the development process.

WAGES AND SALARIES IN THE PUBLIC SECTOR

Wages and salaries constitute a major determinant of the labour-market mechanism and of the employment structure. They affect, inter alia, the intersectoral mobility of labour, the occupational and educational choices of individuals, the extent, nature and structure of unemployment, the size of the labour force and employment and the extent and forms of under-employment.

Prior to 1970, wages in the ECWA region were generally stagnant at low levels, with the possible exception of Kuwait, where wages were greatly influenced by the recruitment of expatriate workers and the capacity of the Kuwaiti economy to pay higher wages.

Since the beginning of the 1970s, but particularly since 1973, wage levels moved up sharply under the double effect of inflation and the increasing demand for labour, especially in the capital-surplus States. In the market-oriented economies of the region, market forces determined, to a large extent, the rising trends in the wage level. However, as in many other developing countries, and in spite of a well-developed private sector, Governments were the major determinants and regulators of employment, wages and salaries. This situation is particularly evident in the oil-producing countries, where wage policies reflected the declared political target of reducing reliance on expatriate labour.

In the region's public-sector economies, such as those of Iraq and the Syrian Arab Republic, wage levels in the public sector tended to match wages and benefits paid in the private sector. In their efforts to retain their skilled manpower and to discourage them from moving to the private sector or to the Gulf States, the Governments of these countries started implementing, after 1975, policies aimed at granting major pay increases to public-sector workers and employees.

Information on wage levels in the countries of the region is extremely difficult to obtain, as private sector wage surveys are almost non-existent.1/ The following table depicts the upward trend in the nominal salaries of government employees in some ECWA countries.

Table 41

<u>Indices of nominal salaries for government employees in selected ECWA Countries</u>

	1970	1973	1975	1976	1977	1978	1979	1980
Iraq				100.0	-	-	157.3	
Jordan	100.0	-	-	-	115.7			
Kuwait								
Kuwaitis		100.0	-	-	-	-	111.3	
Non-Kuwaitis		100.0	-	-	-	-	124.9	
Lebanon				100.0	143.0	164.3	194.0	
Saudi Arabia								
In-cadre civil servants		100.0	-	-	130.0			
Out-cadre civil servants		100.0	-	-	157.4			
Syrian Arab Republic								
Civil servants	100.0	113.8	156.1	-	-	183.9	.	296.5
Other State employees	100.0	122.3	178.5	-	-	213.3	-	363.6

Source: Civil servants' laws and regulation of the respective countries.

- = No change took place during this period.

1/ Kuwait and the Syrian Arab Republic are the only exceptions.

In Jordan, civil servants' salaries have apparently shown very small increases in the 1970s. An unweighted average of total pay increases of only 15.7 per cent was granted between 1966 and 1977. In 1977, the base salaries ranged from JD 26 to JD 120 per month. In compensation, various allowances were paid to the highly educated, reaching in some cases 200 per cent of the base salary, thus pushing the average earnings for this professional category to more than JD 200 per month. Civil servants with lower educational qualifications have been entitled to less in the way of allowances. However, these allowances were never incorporated in the base salary, which explains in turn the low percentage growth in 11 years.

In Kuwait, nominal salaries of civil servants and employees were relatively high even before 1970. Various allowances raised earnings to very high levels. This was particularly true of Kuwaiti nationals, who, in 1976, represented 40 per cent of the total of civil servants. In 1979, un-weighted average increases in wages of 11 per cent and 25 per cent were granted to Kuwaitis and non-Kuwaitis, respectively. The higher increase granted to the latter group was meant to narrow pay differences which had prevailed between Kuwaitis and non-Kuwaitis.

In Lebanon, salaries of government employees, after remaining stagnant for 16 years (1961-1976), were raised substantially between 1977 and 1979, by an average of 94 per cent.

Salaries and wages paid by the Government of Saudi Arabia tended to be lower than those paid in the private sector. Substantial increases, however, were granted during the period 1973-1977, in order to raise the competitiveness of the public sector. The average rise in 1977 was 30 per cent for the "in-cadre" civil servants and more than 55 per cent for the lower or "out-cadre" categories of employees.

In the Syrian Arab Republic, nominal salaries in the public sector did not change for almost two decades until 1973. Average salary increases of 14 per cent for civil servants and 22 per cent for State employees were then granted to compensate for price increases. Similar increases were also granted to the public-sector workers. After 1973, further salary increases were granted to all public-sector employees. The latest wage and salary increase (January 1980), was the most substantial, averaging 61 per cent and 70 per cent for civil servants and other public-sector employees, respectively. Thus, in the last six years, the salaries of civil servants tripled, while those of other State and public-sector employees almost quadrupled (table 41).

With the oil boom and imported inflation, prices soared in most ECWA countries. As a result, much of the increase in money wages has been eroded by inflation, to the extent that real wages have, in some cases, actually declined.

For instance, the real average monthly salary[1/] of civil servants in Jordan declined by 54 per cent between 1970 and 1977. Similarly, in Kuwait, the real average monthly salary declined by 25 and 16 per cent between 1970 and 1979 for Kuwaiti and non-Kuwaiti government employees respectively. In the Syrian Arab Republic, the real average monthly salary for the civil servants declined by 31 per cent between 1970 and 1977. However, this decline did not exceed 8 per cent for the State employees. Saudi Arabia, by contrast, experienced between 1973 and 1977 a minor increase of only one per cent in the real average monthly salary of the "in-cadre" civil servants and 9 per cent for the "out-cadre".

1/ Representing the base salary deflated by the consumer price index.

J. SOCIAL DEVELOPMENT AND HUMAN SETTLEMENTS

It is difficult to assess achievements on an annual basis in the fields of social development and human settlements, not only because of the nature of social change, but also because of paucity of up-to-date data in the ECWA region. However, an attempt has been made below to discuss some of the areas in which, it appears, substantial achievements have been made.

SOCIAL DEVELOPMENT

Education

The countries of the ECWA region view educational expansion as an important factor in socio-economic development. Educational development in the ECWA region is marked by a rapid expansion of the education systems, which is reflected in higher enrolment ratios at the various levels of education, increased numbers of teachers, greater differentiation in the types of education and in the emergence of educational planning. Access to education has been considerably facilitated during the 1970s in all countries of the region.

Expenditure on education (table 42), as a percentage of total public expenditures increased from 14.7 to 18.6 per cent in Democratic Yemen, from 8.2 to 13.5 per cent in Saudi Arabia, and from 6.3 to 11.4 per cent in Yemen, between 1975 and 1977, but it fell in most of the remaining countries. Nevertheless, as a fraction of GNP, these expenditures rose in the majority of countries.

The ECWA region has been experiencing a marked expansion in the number of pupils enroled, particularly females. By 1977, Jordan, Kuwait and the Syrian Arab Republic nearly attained universal education at the primary level. In Saudi Arabia and Yemen, enrolment ratios at the first level remained low, although they have been rising rapidly.

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

Table 42

Public expenditure on education in selected ECWA countries (1975 and 1977)

Country	As a percentage of GNP		As a percentage of total public expenditure	
	1975	1977	1975	1977
Democratic Yemen	-	4.1	14.7	18.56
Jordan	3.9	3.1	9.4	6.1
Kuwait	2.6	4.16	14.7	6.25
Oman	2.1	1.13	-	5.55
Qatar	4.7	2.1	7.0	6.17
Saudi Arabia	4.6	9.29	8.2	13.5
Syrian Arab Republic	3.7	4.5	8.5	7.4
Yemen	0.6	1.45	6.3	11.4
United Arab Emirates	1.7	2.94	18.6	9.44

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

The proportion of female students at the primary level has been increasing, with females now constituting about one third of the enrolment. In Jordan, females comprised 46.3 per cent of the total enrolment in the first level in 1977, as compared to 41 per cent in 1975. In Yemen, the same proportion rose by only one percentage point, from 11 to 12 per cent, over the same period. In 1977, female enrolment at all levels accounted for approximately 45 per cent in Kuwait, 54.6 per cent in Bahrain, 40 per cent in the Syrian Arab Republic and a little over 50 per cent in Qatar.

Secondary education in the ECWA region has traditionally given first priority to general education, followed by vocational education and teacher training. In the past, technical and vocational school enrolment was within 2 per cent of total enrolment in the region. In Jordan, however, the rate had reached 15 per cent by 1975. In view of the current and future demand for technicians, present efforts in this regard need to be strengthened.

Higher education has been expanding in the region, with the rapid growth of new universities in Kuwait, Jordan, Saudi Arabia, Democratic Yemen and the United Arab Emirates and the increase in enrolment in educational facilities in other countries of the region. There still exists, however, an imbalance between the relatively low number of graduates in science, medicine and technological subjects and the large numbers in the humanities and law, resulting in simultaneous surpluses and shortages in several professional categories. Thus, a major challenge confronting nearly all member countries is to match educational growth with employment opportunities and development requirements.

Another problem is that of illiteracy, which, in spite of the expansion in education, is still widespread in the region, particularly among female and older age groups. The illiteracy rate (based on 1975 figures) for the region as a whole is about 70 per cent and in some member countries reaches 90 per cent. Furthermore, illiteracy among females is markedly higher than among the male population. In Jordan, for example, the 1975 illiteracy rate was 19 per cent among males and 46 per cent among females.

Member countries have intensified their efforts to reduce drastically the illiteracy levels. Iraq, for example, launched in December 1978 a campaign for the eradication of illiteracy among the 15-45 years age group. This ambitious effort, which involves the massive mobilization of some 20,000 literacy centres and 78,000 teachers, is expected to reach about 2 million people through two 7-month courses over a 3-year period. The campaign is compulsory and is backed by tough enforcement legislation and severe employment consequences in cases of non-compliance. Early results are encouraging. It has been received with enthusiasm, espically by women, whose enrolment was significantly above expected levels.

Inadequate facilities, coupled with teaching and instruction weaknesses, have resulted in many students graduating with inadequate standards of skills, which has made it difficult for them to find the type of employment which they believe their education and training qualify them for. This is particularly apparent in higher education, which has expanded in a number of countries to the point of graduating more students than their economies could absorb. One result of this is the migration of talents abroad. The "brain drain" from the ECWA region originates mainly from Jordan, Lebanon and the Syrian Arab Republic and among the Palestinians. It is estimated that an average of 4,000 professionals leave the region every year.[17]

A third major educational problem in the region relates to the quality of education. It is no secret that many teachers are under-trained and unqualified. The curricula in many countries are often not adapted to local requirements, although some countries, including Egypt, the Gulf States and the Syrian Arab Republic have been keenly interested in curriculum standardization and development. In general, the formal system of education and training is neither adequate nor geared to meeting, within a reasonable time, the region's needs for skills and specialized education. There are few specialized institutions in the region adequately equipped to meet the special training requirements in developing administrative capabilities. Furthermore, salary levels and career development opportunities in the public sector are often unsatisfactory.

Health

The ECWA region is experiencing a steady trend towards health improvement, in terms of falling mortality rates and rising life expectancy. Also, a more effective communicable disease control is in the process of development. However, the control of major infectious diseases like malaria, tuberculosis and cholera remains a high priority in many member countries.

Public expenditure on health as a percentage of total government spending in 1977 ranged between 0.52 per cent in the Syrian Arab Republic and 6.9 per cent in the United Arab Emirates (table 43).

17/ See "The brain-drain in the ECWA countries " (E/ECWA/57/Add.2), 5 July 1978, p.18.

Table 43

Public expenditure on health in selected countries of the ECWA region for the year 1977

Country	As a percentage of GNP	As a percentage of total public expenditure
Democratic Yemen	1.2	5.5
Jordan[a/]	1.2	2.3
Kuwait[a/]	1.7	2.6
Oman	0.3	1.6
Qatar	1.0	2.9
Saudi Arabia	2.1	3.1
Syrian Arab Republic	0.3	0.5
Yemen	0.6	4.9
United Arab Emirates	2.1	6.9

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

a/ Estimates.

The systematic planning of health programmes is being practiced in most ECWA countries. Formal health plans consisting of curative and preventive components have been formulated in Bahrain, Democratic Yemen, Egypt, Iraq and the Syrian Arab Republic.

Throughout the region, the health sector is characterized by the predominance of curative and related services such as hospitals, out-patient units and laboratories. For example, in Saudi Arabia the major portion of the health budget goes to the construction and maintenance of hospital buildings. Some ECWA countries have strengthened their public health institutes and introduced public health training courses (Egypt, Iraq, Kuwait and Saudi Arabia). This is a positive step in the direction of consolidating the preventive aspects of health such as immunization, environmental sanitation and maternal and child health care.

Whether in the field of curative or preventive medicine, existing health plans aim at relieving the critical shortages of trained personnel at various levels, improving the administrative structure and machinery of health services, and achieving a more equitable distribution of those services. These plans also aim at the improvement of populations' public health knowledge, the inculaction of health consciousness and practices, the provision of adequate and safe water supplies, the sanitary disposal of waste, the provision of a full range of basic health services and the control and eradication of communicable diseases.

In spite of the population growth experienced in all of the ECWA countries, the doctor/population ratio has improved considerably in many countries. However, throughout the region, this ratio remains low, varying in 1977 from one doctor per 721 persons in Kuwait and to one doctor per 2,515 persons in the Syrian Arab Republic. Moreover, the distribution of doctors favours urban areas, to the neglect of rural ones. Although the availability of medical manpower resources continues to improve, some ECWA countries still rely heavily on expatriate personnel.

The ECWA region suffers from an inequitable distribution of health facilities at the country level. In Democratic Yemen, Oman and Yemen, access to medical facilities by the rural population is extremely difficult. However, Iraq, Jordan and the Syrian Arab Republic have been attempting to cover both the rural and urban population adequately. In the United Arab Emirates, all major population centres now have hospitals, while small towns and rural areas have clinics.

The training of physicians and other professional categories has greatly improved in the region. Medical, pharmacy and dental schools have been established in a number of ECWA countries. Despite a wide variation in the availability of trained health manpower, most ECWA countries are making progress towards the provision of a more comprehensive, co-ordinated and more technically capable health services. There continues, however, to be an urgent need for middle-level manpower to support the high-level medical expertise. But recruitment into middle-level occupations has been slow and a number of ECWA countries have relied heavily on expatriates.

The problem of attracting physicians to work in rural areas is particularly difficult. Though many Governments in the region are aware of this problem and are making efforts to develop a cadre of medical personnel trained to meet the demands of rural areas, more needs to be done in this regard. The training courses and curricula are very often not oriented towards the actual needs and realities of rural communities.

Social welfare

Social welfare in the region is increasingly being interpreted as a body of activities and an organized function designed to enable individuals, families and groups of people to cope with changing conditions. At present, the social welfare sector is characterized by a dichotomy between non-developmental and developmental programmes. However, social welfare planning is being increasingly integrated in the national development effort in such countries as Jordan, Kuwait and Saudi Arabia, where current development plans incorporate specific targets and related policy measures.

Particular segments of the population (children, young persons, widows, the aged or the unemployed) are increasingly becoming the subject of specific social policies in countries like Democratic Yemen, Egypt, Jordan, Kuwait and Saudi Arabia. Social welfare services for vulnerable groups have received 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 forms the bulk of social welfare programmes. Other social welfare programmes which have been initiated in several member countries include vocational preparation centres in Jordan, school social work in Kuwait, community education centres in Saudi Arabia and guidance units for women and girls in the Syrian Arab Republic.

Participation of women

Progress has been made in the integration of women in the region's development process. There is evidence of a long-term trend towards providing more education and a bigger role for women in economic, social and political life.

There exist among the countries of the ECWA region great differences in the extent of women's participation in economic activity. In some countries, large numbers of educated women are active in many sectors. In others, the number of educated women is small, their literacy rate is low, and their activity is confined mainly to the family, teaching and certain traditional occupations. Government policies also vary among member countries. In some, the participation of women in many activities, including politics and the army, is encouraged, other countries restrict it to a narrow range of activities.

Education is the field where the opportunities for women in the ECWA region have expanded the most. There has been a steady increase in the over-all female enrolment and in the number of girls reaching post-elementary levels. Furthermore, the enrolment of more girls in scientific and technical areas of specialization at the secondary and higher levels of education is also expanding. This new trend is already having a noticeable effect on women's employment. Nevertheless, more than one half of the region's girls of elementary school age are still not at school.

Female education in the region suffers from several weaknesses, including a high drop-out rate, especially in rural areas, and limited access to technical, scientific and vocational education. While female enrolment rates in the ECWA region are slightly higher than the average for developing countries, illiteracy rates are the highest in the world and activity rates are among the world's lowest.

The proportion of the economically active female population in the ECWA region varies between 3.5 and 18.5 per cent of the total population. Excluding work in the agricultural sector, the average activity rate of women over the age of 15 years does not exceed 6 per cent. The agricultural sector employs 60 to 80 per cent of all economically active women in member countries where agriculture constitutes the principal economic activity.

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 small proportion working in the industrial and other commodity-producing sectors.

The increasing interest in the advancement of women in the region can be seen in the establishment of special institutions for women's affairs in several countries. Both Egypt and Lebanon have semi-autonomous national commissions on women, composed of representatives of voluntary associations. Kuwait has set up a Task Force for Women's Affairs in its Ministry of Planning. Jordan has established a Department of Women's Affairs in its Ministry of Labour. Furthermore, Egypt and the Syrian Arab Republic have each a bureau of Women's Affairs within their respective Ministry of Social Affairs. Saudi Arabia's Ministry of Social Affairs has a Women's Bureau in each Governorate. In Iraq, a Rural Women's Development Centre is part of the State Organization of Peasant Culture. Democratic Yemen has adopted similar initiatives.

HUMAN SETTLEMENTS

The ECWA countries have recently experienced a dramatic urban growth. The movement of people from rural to urban areas proceeds at a time when the modernization and diversification of agricultural activities is taking place. The pressure of the rural population and the expectation of more stable and remunerative employment, better education and health care in the cities have led to a steadily growing flow of people to the urban and industrial centres. Rural people and those living in smaller towns tend either to move to large metropolitan areas,[1/] or to shift from one metropolitan area to another. The absence of medium-sized towns and the lack of deliberate national urbanization policies hinder the formation of a sound hierarchy of urban settlements.

Prevailing laws and administrative systems hamper considerably the execution of the planned development of human settlements. The paucity of specialized personnel and the continuous "brain drain" out of the region are exacerbating the problem of establishing and staffing proper institutions. At present, fragmented decision-making with regard to the physical development of human settlements is the rule. Legislation is often inadequate and difficult to implement. Because of poor zoning regulations, solutions for land-use problems have often been inappropriate, resulting, *inter alia,* in high speculation in land, the explosive growth of housing estates and heavy traffic congestion.

The housing situation in the ECWA region still suffers from considerable backlogs, insufficient replacement, overcrowding and lack of careful and comprehensive planning. Current trends indicate that, for most member countries, housing construction will remain below housing needs for a long time to come.

1/ Urban growth rates over the past few years in capital cities have ranged between 5 and 15 per cent annually.

The successful accomplishment of any housing programme is dependent on the availability of materials, manpower, financial resources and proper management. Comprehensive policies and construction programmes and an in-depth analysis of the various factors involved are needed.

The production of building components, including fittings, fixtures and sheet glass, is in the infant stage. The region imports most of the basic building materials, including steel, cement and wood. Even when locally produced, building materials are usually in short supply. The scarcity of fresh water supply in Bahrain, Democratic Yemen, Jordan, Oman, Saudi Arabia, Yemen Arab Republic, United Arab Emirates and Qatar has led to a rapid increase in the use of prefabricated building components.

A comprehensive approach to the question of human settlements seems to be under consideration in a number of member countries. Such an approach is aimed at ensuring the growth of a balanced and stable market for the building industry, fostering co-ordinated research, and accumulating knowledge on the adaptation, innovation and diffusion of appropriate technologies. One favourable development has been the establishment by some ECWA countries of specialized institutions capable of conducting relevant research in human settlement technology.

With regard to housing financing institutions, Iraq, Jordan, Kuwait, Saudi Arabia and the Syrian Arab Republic have created national housing banks during the 1960s and 1970s. In 1977, Lebanon and Yemen created their own housing financing institutions.

Rural settlement development programmes and policies in the region, when they exist, are given low priority. They are predominantly isolated measures planned as a part of agricultural development plans. Moreover, most Governments, in coping with the growing housing crisis in their capital cities, emphasize urban requirements at the expense of housing needs in rural areas.

K. OPERATIONS OF TRANSNATIONAL CORPORATIONS IN THE ECWA REGION

Cognizant of the fact that transnational corporations, with their capacity for mobilizing substantial financial resources and deploying specialized technological and managerial capabilities, can play an important role in the development process, several ECWA countries explicitly referred to these corporations in their national development programmes as a source of capital, technological and managerial services. The pattern and degree of penetration by such corporations varies among the countries of the region, depending principally on the extent to which domestically-owned enterprises have developed in various economic activities, on government policies towards foreign companies and on the availability of investment opportunities.

On the basis of various indicators and developments, it appears that the role of the transnational corporations as suppliers of capital to the region has declined in recent years, whereas the importance of new sources of finance, including international and indigenous capital markets, international and regional financial agencies, has increased.

One measure of the growth of the corporations' activities can be derived from data on the stock and flows of direct investment, although they are increasingly providing services in non-equity forms, as shown below[1/].

The distribution of private foreign direct investment in ECWA countries reveals a high degree of concentration in the oil-producing countries, specifically in the petroleum sector. Foreign direct investment flows from countries members of the Development Assistance Committee of OECD to Saudi Arabia's non-oil sectors rose to $ 397 million in 1977. In that year, total flows amounted to 5.6 per cent of total gross fixed capital formation compared to 11 per cent for Kuwait Although the stock of private foreign direct investment continued to be low in Egypt, its flow rose steadily since 1974 and amounted to $ 105 million in 1977 (all of it in non-oil sectors).

Meanwhile, in recent years returns on portfolio investments abroad have increased sharply in some of the oil economies. For example, total income receipts by Saudi Arabia from investments abroad rose very rapidly over the period 1973-1977, reaching about $ 4 billion in 1977, which was nearly equal to income payments on foreign direct investment in the country. In the case of Kuwait, investment income receipts have largely outstripped payments. In 1977, income payments amounted to about 13 per cent of income receipts. By contrast, in Egypt, income payments on foreign investment increased three-fold during the period 1973-1977 and exceeded income receipts by $ 727 million in 1977.

1/ The data referred to in this section are estimates of the Transnational Corporations Unit and of other international organizations. The figures used are undeflated.

Payments abroad for technical services have been rising very fast for several ECWA countries. It is estimated that such payments amounted in 1977 to \$ 536 million in Egypt, \$ 53 million in Kuwait and \$ 766 million in Saudi Arabia[1].

The sectoral distribution of the activities of transnational corporations varies considerably among the ECWA countries, although, on the whole, these corporations seem to be predominant in services, particularly in the oil sector. Despite the establishment of control over their oil resources, and the formation of national oil companies, some of the oil-producing member countries still rely heavily on the corporations for managing their oil sectors.

Foreign direct investment in non-oil industrial activities continues to be low, although it seems to have risen in both Kuwait and Saudi Arabia during 1979. The latter country issued 60 new industrial licenses with foreign equity participation. A notable feature of such investment in the region is that a large segment of it originates from Arab countries.

The growth in the financial resources of the region's oil-producing countries has led to an expansion of the activities of both local and international banks. There are some countries in the region, including Democratic Yemen, Iraq, and the Syrian Arab Republic, where the banking system is nationalized. In Kuwait, the system is domestically run. In Saudi Arabia, branches of foreign banks[2] are not permitted to operate.

In comparison, the number of foreign banks operating in Bahrain, Lebanon and the United Arab Emirates is strikingly high. In Bahrain, there were 20 commercial banks operating at the end of 1979, of which four were locally incorporated. The domestic banking business is concentrated between the two banks, viz., National Bank of Bahrain (100 per cent Bahraini) and Bank of Bahrain and Kuwait (50 per cent Bahraini and 50 per cent Kuwaiti). The total assets and liabilities of the domestic banking sector were BD 1032 million at the end of 1978 and the market share of these two banks amounted to 50 per cent, which indicates the relative importance of their operations. It is worth noting that the domestic banking market is highly competitive with some of the principal transnational banks (such as Chase Manhattan, Citibank, Grindlays and the British Bank of the Middle East) operating there.

As at the end of March 1979, there were 20 commercial banks operating in Oman; 14 were branches of foreign banks and 6 were locally incorporated banks with Omani equity participation varying between 40 to 80 per cent.

1/ Available information for Iraq shows that in 1975 payments for technical services amounted to \$ 152 million.

2/ As opposed to locally incorporated subsidiaries.

A survey of registered companies in Oman for the period 1974-1977 covering 5646 companies reveals that in oil and finance more than 70 per cent of the companies were completely foreign. In terms of capitalization, 92 per cent of the invested capital was foreign in the oil sector. The corresponding percentages in transport, finance and building construction were 82, 76 and 60 per cent, respectively. Firms with mixed capital were important only in the fisheries sector. The average size of a foreign company in terms of capital was much larger (RO 1.4 million), compared to mixed companies (RO 78,200) or Omani companies (RO 18,500); the latter companies are predominant in sectors such as commerce, whereas foreign companies are active in capital-intensive industries[1/].

As at the end of 1979, there were ten commercial banks operating in Yemen, of which one was 100 per cent local, two were joint ventures and seven were branches of foreign banks. The local bank ranked top in terms of volume of deposits, with 60 per cent of the market.

Saudi Arabia has been following the policy of "Saudiisation" of foreign banks since 1976. Under this policy, foreign banks operating in the country are required to be 60 per cent Saudi-owned joint-stock companies[2/].

In recent years, transnational corporations have been increasingly active as contractors and providers of services. In several respects, these activities have implications similar to those of direct foreign investment. For instance, non-investment activities of these corporations in Yemen absorbed a considerable portion of investment out-lays.

The large increases in the financial resources of the oil economies have enabled them to initiate ambitious development programmes and projects. However, the limited supply of complementary local inputs, such as skilled and unskilled labour, management and technical expertise, has resulted in heavy reliance on external sources, including transnational corporations, for these inputs. One indicator of this reliance can be obtained from the fact that the share of expatriates in the total labour force in the ECWA oil-producing countries (excluding Iraq) ranged between 39 and 85 per cent in 1975.

1/ Central Bank of Oman, Annual Report, 1977, pp. 132-201.

2/ Citibank, the last transnational bank in Saudi Arabia, was soon to be incorporated into the Saudi-American Bank, thus completing the full implementation of this policy. (see Middle East Economic Digest (MEED), 11 January 1980, p. 36).

Transnational corporations are active in consulting, contracting and technical service activities in many ECWA countries. For example, in Saudi Arabia, where the extent of such activities is perhaps higher than anywhere else in the region, 128 construction firms and 70 technical service and maintenance companies, with foreign equity participation, were granted licences during 1979. Of some 200 construction contracts awarded in Saudi Arabia in 1977-78, South Korea won 29, the United States of America 25, the Federal Republic of Germany 23, and Japan and the United Kingdom won 22 each[1/]. In recent years, the United States and European construction companies have faced strong competition from companies based in developing countries, particularly South Korea and Taiwan. The success of the latter companies is attributed to high productivity, efficient organization and work methods, lower managerial costs and the avoidance of excessive price mark-ups on material and equipment[2/].

At the end of 1979, there were 60 constructing and contracting firms operating in Yemen. The experience of this country in dealing with transnational corporations is similar to that of Saudi Arabia, where prices asked by transnationals based in developing countries could be significantly lower than those of transnationals from the developed countries.

As mentioned earlier, transnational corporations continue to provide numerous services in the oil sector; the national oil companies have generally continued to resort to their services (such as consulting, contracting, engineering, management etc.). The national oil companies' dependence on them in marketing is manifested in long-term marketing agreements entered into with these corporations for crude oil volumes which were traditionally lifted by the major international oil concessionaires.

In the case of oil refining, the situation is similar. For example, the Aden Refinery, which was established by British Petroleum (BP) was transferred to Democratic Yemen in May 1977. But at the same time, a technical service contract was signed with BP and was renewed in May 1979.

The rapid growth of banking institutions and services in some Gulf countries has entailed heavy dependence for management and banking expertise on foreign banks and personnel. For example, although foreign banks have been "Saudiized"

1/ Saudi Business and Arab Economic Report, January 4, 1980, p. 34.

2/ Ibid.

in Saudi Arabia, many banks[1/] have management contracts with the parent companies of the original banks. Government policy aims at encouraging the training of local staff, but it has been observed that, in practice, expanded operations have led to the hiring of proportionately more foreigners[2/]. In Bahrain, three out of four operating commercial banks are known to have signed management contracts with foreign banks[3/].

Aware of the implications of excessive dependence on expatriates, some ECWA countries have taken steps to remedy the situation. Expatriate employment is now subject to a number of restrictions. Minimum local employment quotas for various categories of personnel, subject to the availability of suitably qualified indigenous personnel, are established under the labour laws of some of the countries and are applicable to the transnationals, as well as to local companies. However, the establishment of manpower training programmes by foreign companies is not mandatory in any of the countries of the region. One of the main issues arising in relation to management contracts is the extent to which they provide adequately for the absorption of management skills by nationals. The most advantageous form of management agreement could be one which is self-liquidating, in the sense that it provides for a clear progression in the assumption of responsibilities by local personnel. Similar consideration could be applied to technical service agreements.

1/ Such as the Arab Bank, Bank-Al-Jazira, Saudi-Cairo Bank, Saudi-British Bank, Al-Bank Al-Saudi Al-Fransi, Al-Bank Al-Saudi Al-Hollandi and the Saudi-American Bank (now Citibank). See MEED, op.cit., p. 36.

2/ Saudi Arabia, MEED Special Report, June 1979, p. 16.

3/ The Bank of Bahrain and Kuwait is run by Chemical Bank, the National Bank of Bahrain by Irving Trust and Al-Ahli Commercial Bank by Bank of America.

L. ENVIRONMENTAL CONSIDERATIONS OF DEVELOPMENT

The environment is seen as the pool of resources whence man can draw the necessary inputs for development. As these resources are depletable, an environmentally sound policy of development becomes necessary, implying that environmental considerations and goals be fully integrated in the development process.

Various environmental aspects will continue to pose important implementation questions in many developing countries in their efforts to develop and expand their economies, to use rationally and effectively their resources and to improve the quality of life of their people. Unless environmental factors are taken into account, these countries are likely to incur sizable social and economic costs.

Development efforts are expected to be increasingly concerned with environment. The United Nations General Assembly, for example, emphasized that the international development strategy of the third United Nations development decade, inter alia, "should reflect in an appropriate manner, the need for the protection of the environment and taking environmental considerations into account, in accordance with the development plans and priorities of developing countries[1/]".

Agricultural productivity in many ECWA countries has been affected by such ecological phenomena as the salinization of soil, residues of agro-chemicals, loss of genetic variety and desert encroachment. The implementation of an environmentally sound policy should avert, or at least minimize, these impairments. Such a policy should include among other things, a proper choice of crops and cropping patterns, reafforestation and control of soil degradation and loss.

In formulating a development strategy, particular attention needs to be paid to the issue of desertification, which vitally affects the development process and the food producing capacity of the region. Desert encroachement is becoming a great threat to the ecological balance of many countries through the loss of productive lands. Some of these lands could be recovered if measures, such as controlled grazing, the establishment of green belts, the rational utilization of range lands, revegetation, nomad settlement and dune fixation, are taken.

The availability of an adequate and clean drinking water supply is becoming a subject of concern. Many localities in the region suffer from water pollution and/or insufficient supplies. Efforts to provide safe water for drinking should receive greater attention than hitherto.

1/ See assembly resolution 33/193 of 29 January 1979.

Next to drinking water, the demand in most ECWA countries for irrigation water has prompted many projects of paramount importance for economic and social development. Nevertheless, many environmental problems such as the spreading of water borne diseases, sedimentation of reservoirs, changes in the regime of rivers and soil properties and alteration in the vegetation cover have frequently been associated with these projects.

A review of industrial developments in the ECWA countries reveals that only recently has there been any concern for the impact of industrial activities on the environment. Pollution emanating from industrial development represents a potential but increasing threat to the environment in many of the ECWA countries. A major threat is the oil pollution of the sea and the atmosphere in the oil-producing member countries1/.

Environmentally sound policies of development are a new concept, even in the developed countries; it is, therefore, a special obligation of the international community to assist developing countries in establishing their industries and in the choice of techniques along environmentally sound lines.

Rural areas in most countries of the ECWA region often suffer from the inadequacy of services. Problems of health, nutrition, potable water supply, and unemployment are severe, leading to a drift of population towards urban centres and to the formation of unhealthy slums, which in turn cause major environmental and social problems.

The development of national scientific and technological capability can play a determining role in evolving appropriate and new ways of applying science and technology to produce environmentally sound development. The most appropriate technology does not have to be the most up to date.

Technical and economic co-operation among ECWA member countries is very important, in order that an environmentally sound pattern of development may emerge. Areas of co-operation should include the exchange of information, knowledge of and experience in matters of mutual interest, such as appropriate technologies for environmental problems, co-operation in the exploitation of shared natural resources, including river basins and regional seas, co-operation in solving common problems relating to air quality, and desertification. Furthermore, co-ordination of scientific policies and research, a division of labour among various research centres, and joint work between teams from different ECWA countries could contribute to the region's scientific capabilities.

1/ Pollution has sometimes been made worse by the poor choice of industrial cities or by the lack of maintenance. Thus, an organic fertilizer factory and a tannery were built in Cairo when they should have been located far from the city. In the Syrian Arab Republic, a number of factories were built west of Damascus, whereas a consideration of prevailing wind patterns would have avoided such a choice. See T.Z. Ismail, Present Trends of Industrialization and Urbanization and Their Economic, Social, and Environmental Implications. (E/ECWA/ENV/W.G.16/7), pp. 48-50.

M. REGIONAL CO-OPERATION AND INTEGRATION

Economic co-operation and integration among the Arab countries has passed through two main phases. During the first and longer phase, extending from the end of the Second World War up to the early 1970s, trade liberalization was the main theme. The second and contemporary phase witnessed a resort to alternative approaches of regional co-operation, involving the setting-up of development funds and joint ventures and building channels-cum-institutions for co-operation, including intergovernmental specialized organizations, producers' associations and functional services federations. This phase has been characterized also by massive financial transfers from the major oil-producing countries to the deficit countries in the wake of the sharp increase in oil prices beginning in the last quarter of 1973. In the more recent period, increasing attention and efforts have been directed towards co-ordinating the activities and policies of organizations and institutions with similar objectives.

Compared with the early boom period (1974-1976), the tempo of regional co-operation efforts slowed down during 1977-1979, as is evidenced by the smaller number of co-operation schemes established, and by the contraction in the volume of financial transfers and assistance disbursed[1/]. Another development, of a political nature, which has had a negative impact on regional co-operation was the signature by Egypt of the Camp David Agreements and the consequent suspension of its membership in all regional organizations and institutions, and the relocation of their headquarters away from Egypt[2/].

1/ The slowdown in member countries' crude oil production in response to depressed world economic conditions, deliberate national and conversation policies and/or capacity limitation, together with a rising import bill, served to reduce drastically the size of the oil producers' surpluses on current account and, consequently, affected aid disbursement.

2/ For Example, the League of Arab States moved to Tunisia; the Council of Arab Economic Unity (CAEU) and the Arab Company for Pharmaceuticals and Medical Supplies to Amman, and the Arab Labour Organization and the Industrial Development Centre for Arab States to Baghdad.

While the formation of a common market remains a major aim1/, with current emphasis on the construction of a common external tariff2/, the shift in focus towards measures3/ that would complement existing preferential trade arrangements continued during 1978 and 1979.

However, the emphasis which was placed on production and finance in the immediate post-1973 period, and had found its main expression in the establishment of joint ventures, regional producers associations and services federations, in the proliferation of development finance institutions4/ and in the formation and the promulgation of supporting institutions and legislation aimed at promoting the investment of Arab capital within the region, was less conspicuous.

1/ The membership of the Arab Common Market originally comprised four countries (Egypt, Iraq, Jordan and the Syrian Arab Republic). In 1977, the Libyan Arab Jamahiriya and Sudan announced their official membership; however, Sudan did not finalize the ratification formalities. In 1979, the membership of Egypt was suspended. Meanwhile, Sudan, Yemen, Mauritania, Somalia and Democratic Yemen had declared their intention to join, at the latest, by the end of 1979 or early 1980.

2/ Efforts by CAEU to construct a common external tariff have met a number of difficulties. Chief among these is inadequate response and action on the part of member countries, and the inability of the CAEU secretariat to retrieve the relevant basic documentation from Cairo (its original headquarters). As a result, the harmonization of Customs laws and regulations - the first phase initially conceived as a five-year transitional period ending June 1980 - was delayed until June 1982, when the second phase of standardizing tariff schedules and the gradually adoption of a common external tariff can commence.

3/ Chief among these are measures for the expansion of production, the co-ordination of investment policies, the development of infrastructure, the mobilization of financial resources and the harmonization of development plans and policies. Particular attention was given to integrated industrial and agricultural planning, with a view to creating new production and trade structures and diversifying existing ones.

4/ See ECWA, Survey of Economic and Social Development in the ECWA Region, 1970-1978 (E/ECWA/80) April 1979, p. 229.

During 1978 and 1979, the Arab Industrial Investments Company1/ the Arab General Investment Company2/ and the Arab Wells Drilling and Maintenance Company3/ were established.

While it may be too early to assess the performance of the newly established joint ventures, available information and reports indicate that the take-off period for the relatively older joint ventures, particularly those established in the shipping industry and related services, had not been altogether smooth. A number of these ventures4/ have already incurred considerable losses during relatively short periods in existence.

With respect to joint ventures in agriculture and industry, while performance indicate that serious work and research have been undertaken, production has not yet reached the marketing phase. The prevalence of serious bottlenecks, relating, *inter alia*, to the clarification of the legal status of these companies in host countries, the removal of tariff and non-tariff barriers affecting their products and the delay in issuing a common charter to govern the behaviour of these companies5/, have greatly impeded their functioning.

1/ The Company was established under the auspices of CAEU in June 1976. However, it commenced operations only in November 1978, when the minimum subscription requirements had been met. Based in Baghdad with a capital of ID 150 million, it aims to engage in the establishment of mechanical, industrial and electronic industries.

2/ Established in March 1979 in Dubai, with a capital of 50 million Arab dinars, (where one Arab dinar is equivalent to three units of SDRs) and mainly concerned with mobilizing Arab capital and savings for investment in development projects, whether in the form of establishing other subsidiary firms for industrial, agricultural, financial, commercial investment or equity participation.

3/ The first subsidiary established by the Arab Petroleum Services Company of OAPEC, with a capital of 10 million Libyan dinars ($ 29 million). It commenced its activities by ordering three rigs for delivery by mid-1979.

4/ Including the Arab Shipbuilding and Repairs Yard, the Arab Maritime Petroleum Transport Company and the United Arab Shipping Company.

5/ The CAEU secretariat has prepared a draft "Common Charter" for Arab joint ventures which will be submitted to the Council for adoption in 1980. It has also held several meetings of the heads of Arab joint ventures, in an effort to co-ordinate their activities, avoid duplication, and exchange information. During these meetings, the last of which was held in Amman in October 1979, the annual reports of the joint ventures were discussed.

Through the co-sponsorship of CAEU and the Industrial Development Centre for Arab States (IDCAS), the Arab Association for Leather Producers (Damascus) was established in November 1978. In the field of infrastructural services, the Arab Maritime Transport Union (Aqaba), the Arab Land Transport Union (Amman) and the Arab Railways Union (Aleppo) were established in April 1979.

Reports of existing producers' associations outline some basic problems encountered by them in performing their activities, including problems connected with their legal status in host countries, limited participation by national firms or government agencies, limited financial resources due to laxity in payments of subscription fees and difficulties in establishing satisfactory relations with other intergovernmental agencies 1/.

Despite the many difficulties encountered by the CAEU secretariat as a result of its relocation from Cairo to Amman (in March 1979), which included the disruption in the implementation of its work programme, inability to retrieve essential documents and basic reference material, and the loss of a number of its experienced staff, it managed to pursue activities in such important areas as planning and plan harmonization, the extension of technical assistance for the development of a sound statistical base, follow-up on the conclusion of multilateral agreements and their enforcement, the holding of several regional meetings and follow-up on pending issues.

The development of production capabilities in member countries along complementary lines highlights the importance of co-ordinating and harmonizing national development plans, a task which CAEU had originally set out to achieve by 1981. A two-phase joint CAEU/UNDP project, starting January 1980, was initiated to assist CAEU in this task. In the first phase, to be completed by September 1980, the project will concentrate on the formulation of a general framework for a Pan-Arab development plan. In the second phase, scheduled for completion in September 1981, a detailed model of the Plan for 1981-1985, with long-term projections for the year 2000, will be constructed. The CAEU secretariat has also managed to hold a development experts meeting on an Arab Development Strategy for the 1980s at Amman during December 1979. At that meeting, development issues relating, inter alia, to (a) a strategy for joint Arab economic efforts, its priorities, programmes and mechanics and (b) a preliminary view of the basics of a joint Arab development plan for 1981-1985 were discussed.

1/ In its efforts to find solutions to problems encountered by producers' associations, the CAEU secretariat has called for meetings (the last of which was held at Amman during October 1979) to co-ordinate the activities of the producers' associations and to disseminate information about their activities. Moreover, it has completed the final draft of the associations statutes for consideration and adoption by the Council in 1980.

Within the context of planning and its requisites, the development of a sound statistical base has been one of the preoccupations of the CAEU secretariat and other regional bodies. For the first time since its foundation, CAEU extended technical assistance to the Palestine Liberation Organization, Yemen and Democratic Yemen during 1978 and 1979 for the purpose of strengthening their statistical base, including training workshops1/ for the development of a qualified cadre and the establishment of adequate statistical machinery.

Systematic project identification and preparation, and technical assistance for identifying investment opportunities and preparing feasibility studies at the country level continued to receive attention during 1978 and 1979, particularly from the Arab Fund for Economic and Social Development (AFESD) and the Kuwait Fund for Arab Economic Development (KFAED). Thus, a survey to identify potential Arab joint ventures and plans and determine the economic feasibility of a communications network and for manufacturing of agricultural tractors and industrial implements was completed within the context of the joint UNDP/AFESD Project for the Identification and Preparation of Inter-Arab Projects and Related Feasibility Studies.

The issues of food security, the development of an indigenous technology, the development of manpower resources, the co-ordination of fiscal and monetary policies, the development of a communications and telecommunications networks and the development of natural resources continued to be among the priorities of regional co-operative efforts. In this context, the Arab Petroleum Institute2/, the OAPEC Judicial Board, the first of its kind in the region for the settlement of disputes among its members3/, and an Arab Mineral Resources Organization (Rabat) were set up. Also, an Arabic Glossary of Fiscal and Monetary Terms was finalized by the CAEU secretariat and submitted to a regional meeting on fiscal and monetary policies which was held in Kuwait in December 1979. Furthermore, considerable preparatory work has been carried out by the CAEU secretariat on the establishment of an Arab Export and Import Bank, an Arab Agency for Trade in Agricultural and Food Commodities, a Compensation Fund for Customs revenue losses, an Arab International Land Transport Company, a Regional Centre for the Transfer and Adaptation of Technology, a Regional Documentation Centre, and a Committee for the Settlement of Economic Disputes among CAEU member countries. The CAEU secretariat also completed the preparation of two regional maps for railway and land networks to be implemented at the latest by 1985.

1/ A Training Workshop in Trade Statistics was held in the Arab Institute for Training and Research in Statistics (Baghdad) during December 1979, under the auspices of CAEU.

2/ The decision to establish the Institute in Baghdad was adopted by the OAPEC Council in May 1978.

3/ The Protocol for the establishment of the Judicial Board was signed in May 1978 by eight countries members of OAPEC; the board was expected to commence its activities in early 1979.

Co-operation in the financial field has continued to be a dominant feature of regional co-operation in recent years. Its benefits have also been extended beyond the ECWA region and the Arab world, to reach other developing countries.

Financial flows from ECWA countries members of OPEC, which rose very sharply, beginning in 1973, from $ 1.3 billion to $ 4.2 and $ 6.0 billion in 1974 and 1975, respectively, and only modestly in the two subsequent years, fell sharply in 1978 to $ 4.0 billion. The concessional assistance component followed a similar pattern to that of the total official flows, declining from $ 5.3 billion in 1977 to $ 3.2 billion in 1978 (see table 44).

As a proportion of GNP, these flows have almost invariably surpassed the 0.7 per cent international target for official development assistance1/ flows from the developed to developing countries. Concessional flows have ranged between 4 and 11 per cent of GNP in four of the five ECWA/OPEC countries during 1973-1977, reaching at times about 16 per cent, as in the case of Qatar. In 1978, however, the proportion dropped drastically to a range of between 1 and 6.6 per cent (see table 44). This performance, however, still compares very favourably with that of the countries members of the Development Assistance Committee (DAC) of OECD2/.

The portion of concessional aid from ECWA donor countries which was channelled multilaterally rose from 9 per cent in 1975 to 17 per cent and 31 per cent in the two subsequent years, but dropped to 27 per cent in 1978 (see table 45). Over the same period, the share of bilateral concessional assistance going to non-Arab developing countries3/ rose from 23.5 to 32 per cent (see table 46). Within the ECWA region, the main beneficiaries of bilateral and multilateral concessional assistance have been Egypt, closely followed by the Syrian Arab Republic and Jordan, and to a lesser degree, Yemen.

1/ It is worth noting that Saudi Arabia alone was responsible for about 45 per cent of the total concessional aid flows provided by the five ECWA/OPEC countries considered in the period 1973-1978, followed by Kuwait (23 per cent) and the United Arab Emirates (22 per cent). These three countries have come to occupy leading positions in the list of world donors of concessional assistance in absolute terms.

2/ Net official development assistance from DAC countries to developing countries and multilateral agencies represented only 0.32 per cent of their combined GNP in 1978.

3/ In the absence of detailed information on the direction of aid from ECWA/OPEC countries, it may be assumed that the share of concessional assistance from them to non-Arab countries has also increased, as these countries have been responsible for over 80 per cent of total OPEC concessional assistance during 1973-1978.

Table 44

A. Total official flows and concessional assistance from ECWA countries, members of OPEC, to developing countries, 1973-1978
(net disbursements)

Donor country	Total 1973	Total 1974	Total 1975	Total 1976	Total 1977	Total 1978[a/]	Concessional assistance 1973	Concessional assistance 1974	Concessional assistance 1975	Concessional assistance 1976	Concessional assistance 1977	Concessional assistance 1978
A. In million of U.S. dollars												
Iraq	11.1	440.2	254.4	254.7	135.2	211.2	11.1	422.9	218.4	231.7	56.0	144.2
Kuwait	555.7	1186.1	1711.2	1874.7	1863.6	1149.7	345.2	621.5	975.3	614.3	1442.0	855.3
Qatar	93.7	217.9	366.7	240.3	265.9	133.6	93.7	185.2	338.9	195.0	194.3	100.8
Saudi Arabia	334.9	1622.1	2466.7	2817.3	2709.7	1745.0	304.9	1029.1	1997.4	2407.1	2400.8	1453.6
United Arab Emirates	288.6	749.4	1206.6	1144.5	1395.2	761.4	288.6	510.6	1046.1	1060.2	1229.4	616.5
Total	1284.0	4215.7	6005.6	6331.5	6369.6	4000.9	1043.5	2769.3	4576.1	4508.3	5322.5	3170.4
Total OPEC	1745.9	5887.9	8168.0	8137.6	7590.6	5294.2	1307.8	3445.6	5515.9	5593.7	5845.1	3700.7
B. As a percentage of GNP												
Iraq	0.21	4.15	1.92	1.59	0.70	0.96	0.21	3.98	1.65	1.44	0.29	0.66
Kuwait	9.21	10.89	14.22	13.28	13.03	6.09	5.72	5.71	8.11	4.35	10.08	4.53
Qatar	15.62	10.90	16.90	9.79	10.65	4.61	15.62	9.26	15.62	7.95	7.83	3.48
Saudi Arabia	4.43	7.02	6.67	6.70	4.86	2.78	4.04	4.46	5.40	5.73	4.30	2.31
United Arab Emirates	15.96	11.12	16.29	11.89	12.11	6.63	15.96	7.57	14.12	11.02	10.67	5.37

Source: OECD, *Development Co-operation, 1979 Review* (Paris, 1979).

a/ Provisional.

Table 45

Net disbursements of concessional assistance by ECWA countries, members of OPEC, through bilateral and multilateral channels, 1976-1978

(millions of US Dollars)

	1976			1977			1978 a/		
	Bilateral	Multilateral	Total	Bilateral	Multilateral	Total	Bilateral	Multilateral	Total
Iraq	187.3	44.4	231.7	27.6	28.4	56.0	120.3	23.9	144.2
Kuwait	376.2	238.1	614.3	792.2	649.8	1442.0	590.1	265.2	855.3
Qatar	143.9	51.1	195.0	176.7	17.6	194.3	48.0	52.8	100.8
Saudi Arabia	2065.0	342.1	2407.1	1687.8	713.0	2400.8	1051.4	402.2	1453.6
United Arab Emirates	969.3	90.9	1060.2	977.6	251.8	1229.4	514.7	101.8	616.5
Total	3741.7	766.6	4508.3	3661.9	1660.6 b/	5322.5	2324.5	845.9	3170.4

Source: OECD, Development Co-operation, 1979 Review (Paris, 1979)

a/ Provisional.

b/ Of which $ 1.2 billion went to the Gulf Organization for Development of Egypt (GODE), with Saudi Arabia and Kuwait each contributing $ 0.5 billion, and the United Arab Emirates $ 0.2 billion.

Table 46

Flow of resources from Arab/OPEC multilateral institutions[a/]
1975-1978
(Net disbursements in millions of US dollars, percentage of total bilateral disbursements)

	1975	1976	1977	1978
Total bilateral disbursements,	215.22	552.39	1505.13	1471.20
of which to:				
Bahrain	-	-	-	7.13
Democratic Yemen	0.18	6.70	4.53	13.45
Iraq	0.80	5.20	-	-
Jordan	-	5.33	6.14	15.07
Kuwait	0.33	0.30	-	-
Lebanon	0.23	0.22	-	7.13
Oman	2.20	1.16	6.50	6.04
Qatar	-	-	-	-
Saudi Arabia	-	-	-	-
Syrian Arab Republic	10.73	6.85	6.60	8.07
United Arab Emirates	-	1.15	-	-
Yemen	1.55	12.59	10.56	6.66
Total to ECWA	16.02	39.50	34.33	63.55
As percentage of total	(7.4)	(7.2)	(2.3)	(4.3)
For reference:				
Egypt	14.10	284.40	985.87	704.08
As percentage of total	(6.6)	(51.5)	(65.5)	(47.8)
To rest of Arab States (8)	63.34	108.05	59.91	106.52
As percentage of total	(29.4)	(19.6)	(4.0)	(7.2)
Total share to all Arab League States (23)	(43.4)	(78.3)	(71.8)	(59.3)

Source: OECD, Development Co-operation, 1979 Review (Paris, 1979).

a/ Arab Fund for Economic and Social Development (AFESD), Arab Bank for Economic Development in in Africa (ABEDA), Gulf Organization for Development of Egypt (GODE), the Islamic Development Bank (IDB), Special Arab Aid Fund to Africa (SAAFA), OPEC Special Fund (1977) and OAPEC Special Account, which was not replenished after 1976.

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 the inclusion in their statutes of provisions enabling them to extend their mandate and scope of operations to developing countries outside the region. Moreover, some institutions were established with the specific aim of assisting non-Arab developing countries (e.g. the Arab Bank for Economic Development in Africa (ABEDA), and the Special Arab Aid Fund for Africa (SAAFA), or for aiding developing countries in general (e.g. the OPEC Special Fund).

Total disbursements made by the Arab/OPEC multilateral financial institutions to developing countries almost tripled between 1976 and 1977, to reach $ 1.5 billion, which was maintained in 1978. Egypt was, by far, the largest beneficiary, obtaining, on the average, around 56 per cent of these flows during 1976-1978, while other ECWA countries received less than 4 per cent during 1976-1978 (see table 46).

Table 47

Bilateral official flows of resources to ECWA countries from OPEC countries, 1975-1978
(Net disbursements in millions of US dollars, percentage of total bilateral disbursements)

	Total				Concessional assistance			
	1975	1976	1977	1978	1975	1976	1977	1978
Total bilateral disbursements	6444.30	6147.12	4777.27	3544.26	4946.76	4532.79	3887.60	2524.26
of which to:								
Bahrain	84.09	213.51	101.52	44.10	21.67	147.62	34.52	44.10
Democratic Yemen	49.14	135.09	73.15	32.35	34.14	135.09	63.15	27.35
Iraq	30.01	1.20	-1.92	-2.00	30.01	-	-1.92	-2.00
Jordan	256.93	390.55	332.23	263.12	249.83	361.55	325.60	239.10
Kuwait	-	-	-	-	-	-	-	-
Lebanon	13.40	8.11	14.75	120.59	1.31	8.11	14.75	120.59
Oman	230.00	45.76	58.40	23.89	203.00	45.76	50.45	16.69
Qatar	-	-	-	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-
Syrian Arab Republic	557.67	458.73	559.53	338.99	535.45	448.67	559.53	338.99
United Arab Emirates	11.30	1.32	32.80	-	10.30	-	32.80	-
Yemen	139.43	190.58	186.32	177.77	139.43	190.58	174.47	122.47
Total to ECWA	1344.97	1444.85	1356.78	998.81	1225.14	1337.38	1253.35	907.29
As percentage of total	(20.9)	(23.5)	(28.4)	(28.2)	(24.8)	(29.5)	(32.2)	(35.9)
For reference:								
To Egypt	2923.45	1270.38	949.12	575.58	2072.70	1022.45	881.72	508.18
As percentage of total	(45.4)	(20.7)	(19.9)	(16.2)	(41.9)	(22.6)	(22.7)	(20.1)
To rest of Arab States (8)	600.13	664.65	557.88	376.85	487.63	439.91	491.20	302.05
As percentage of total	(9.3)	(10.8)	(11.7)	(10.6)	(9.8)	(9.7)	(12.6)	(12.0)
Total share to all Arab States (23)	(75.6)	(55.0)	(60.0)	(55.0)	(76.5)	(61.8)	(67.5)	(68.0)

Source: OECD, Development Co-operation, 1979 Review (Paris, 1979).

BORROWER	DATE DUE