SUPPLEMENT TO

# World Economic Survey 1983

- Recent experience in economic co-operation among developing countries and possibilities for progress in the 1980s
- Some effects of rising public expenditure in developed market economies
- The impact of workers' remittances on the balance of payments

United Nations

ST/ESA/136

Department of International Economic and Social Affairs

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# PREFACE

The present Supplement to the World Economic Survey 1983 contains three articles: "Recent experience in economic co-operation among developing countries and possibilities for progress in the 1980s"; "A note on some effects of rising public expenditure in developed market economies"; and "The impact of workers' remittances on the balance of payments". Each study was initially prepared as a working paper for use in the preparation of the World Economic Survey 1983. Much of the information and analysis is of a more specific character than normally appears in the Survey itself. Since the studies are on topics of wide interest, however, it was decided to make them generally available.

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<u>Explanatory notes</u>

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (-) indicates that the amount is nil or negligible.

A blank in a table indicates that the item is not applicable.

A minus sign (-) indicates a deficit or decrease, except as indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a financial year, e.g. 1970/1971.

Use of a hyphen (-) between dates representing years, for example, 1971-1973, signifies the full period involved, including the beginning and end years.

Reference to "tons" indicates metric tons and to "dollars" ($) United States dollars, unless otherwise stated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Forecast magnitudes are rounded to the nearest half percentage point or half billion dollars.

The following abbreviations have been used:

| | |
|---|---|
| ECDC | Economic co-operation among developing countries |
| GATT | General Agreement on Tariffs and Trade |
| GDP | gross domestic product |
| GNP | gross national product |
| OECD | Organisation for Economic Co-operation and Development |
| OPEC | Organization of Petroleum Exporting Countries |

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term "country" as used in the text of this report also refers, as appropriate, to territories or areas.

For analytical purposes, the following country classification has been used:

| | |
|---|---|
| <u>Centrally planned economies</u>: | China, Eastern Europe and Union of Soviet Socialist Republics |
| <u>Developed market economies</u>: | North America, southern and western Europe (excluding Cyprus, Malta and Yugoslavia), Australia, Japan, New Zealand and South Africa |
| <u>Developing countries</u>: | Latin America and the Caribbean area, Africa (other than South Africa), Asia (excluding China and Japan) and Cyprus, Malta and Yugoslavia |

For particular analyses, developing countries have been subdivided into the following groups:

<u>Capital surplus countries</u>: Brunei, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia and United Arab Emirates

<u>Deficit countries</u>, subdivided into the following two subgroups:

<u>Other net energy exporters</u>: Algeria, Angola, Bahrain, Bolivia, Congo, Ecuador, Egypt, Gabon, Indonesia, Malaysia, Mexico, Nigeria, Oman, Peru, Syrian Arab Republic, Trinidad and Tobago, Tunisia, United Republic of Cameroon and Venezuela (in the text these countries are identified as the deficit energy exporters)

<u>Net energy importers</u>: All other developing countries

The designations of country groups in the text and the tables are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

# RECENT EXPERIENCE IN ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES AND POSSIBILITIES FOR PROGRESS IN THE 1980s

## Introduction

There have been significant changes in international economic relations over the past decade or so. A variety of efforts directed at advancing economic co-operation among developing countries (ECDC) have given rise to institution building, trade expansion, greater financial co-operation and more homogeneous international negotiating positions.

The present paper has two interrelated objectives. On the one hand, it assesses the impact of the global recession on the growing trade and financial ties among developing countries, as well as on other forms of ECDC. On the other hand, it comments on the role which policies to strengthen such relationships may have on lessening the vulnerability of the development process to the vagaries of the economic situation of the main industrial centres. The discussion is focused on programmes in the fields of trade, resource flows, technological co-operation and in a few sectoral dimensions of ECDC. The aim is to identify priorities for immediate implementation, recognizing the particularly difficult circumstances and the shortage of resources being experienced by developing countries at the present time. While institution building and enhanced co-operation to improve the bargaining power of developing countries vis-à-vis the industrial countries and transnational corporations are very important channels for co-operation, they are not dealt with here. 1/

## Recent trends in trade flows among developing countries

ECDC in its many forms has been recognized by developing countries as a major policy tool to achieve self-sustained development. 2/ In pursuance of this objective, during the 1970s the economic ties among developing countries were strengthened in a number of important areas: trade and financial flows, the establishment of infrastructure, the exchange of information relevant to the fostering of stronger trade ties, and the pooling of resources in the fields of transportation and other commercial services. However, the scope for furthering greater co-operation among developing economies remains vast, and the potential economic benefits are still largely untapped.

Since 1970, trade among developing countries has expanded substantially faster than total world trade, going from 3.5 per cent of world trade to about 7.5 per cent. To a certain extent, this phenomenon can be explained by the more buoyant pace of economic growth in developing countries than in other regional groupings of the world economy: on the one hand, demand for imports has risen more strongly than elsewhere; on the other hand, exports of raw materials, increasingly diverted to developing country markets, have been supplemented by a rapidly growing capacity to produce and export manufactures competitively.

While trade among developing countries is still a relatively small proportion of their total trade flows, this proportion has been growing. As a share of the total exports of developing countries, intra-group trade exhibited a very remarkable increase between 1970 and 1981, even after fuels are excluded (see table I-1). This implies that trade among developing countries has expanded at

considerably faster rates than the exports of developing countries to other areas - mainly the developed market economies.

However, when fuels are excluded, the rise in intra-group trade as a proportion of total imports has been considerably more modest. To some extent, this surprising result may reflect the fact that the value of imports from the developed countries has risen faster than the value of exports to them. 3/ While the share of intra-group trade in the imports of developing countries has risen, almost 85 per cent of their non-fuel imports comes from other regions.

An examination of the evolution of the share of intra-group trade in the exports of developing countries by major commodity group reveals some significant characteristics of recent developments in trade among developing countries. Table I-2 shows these shares for trade among all developing countries and for the trade of developing countries with non-OPEC countries for total non-fuel exports, food, raw materials and manufactures. These figures reveal that between 1970 and 1981 the increase in the importance of intra-group trade in the exports of developing countries was stronger in food and raw materials than in manufactures, although the share of manufactured exports going to developing country markets also rose significantly.

When trade with OPEC countries is excluded, the rise in the proportion of intra-group trade appears to have been less impressive. While the share of intra-group trade in food and raw materials still rose, only in the latter commodity group was the increase significant. In manufactures, the share of intra-group trade remained roughly constant. Up to 1978, there was an actual decline in the share of manufactured exports going to non-OPEC countries. From 1978 to 1981, both trade with OPEC countries and among non-OPEC countries rose as a share of total exports of manufactures, but the former grew considerably more rapidly.

The evidence available is consistent with the hypothesis that most of the increase in intra-group trade among developing countries that did take place in the 1970s came about as a more or less spontaneous result of underlying trends in world economic activity. The emergence of strong growth poles in some parts of the developing world has been a powerful stimulus to trade among developing countries. Perhaps the most significant impetus to intra-group trade has come from the energy exporters. The relaxation of the foreign exchange constraint that resulted from the oil price increases allowed those countries to achieve rapid rates of growth in their non-fuel sectors. Most of these countries are resource-poor. Therefore, their imports of raw materials grew rapidly. In addition, a number of more industrialized developing countries were in a position to supply at competitive prices a growing number of manufactures required by the industrialization process of the energy exporters. This complex of factors led to an acceleration in the non-fuel mutual trade of developing countries.

Another growth pole among developing countries has been the newly industrializing countries (e.g., the Republic of Korea, Singapore, Hong Kong, Brazil, Yugoslavia). By and large, an important component of growth in these countries has been the rapid expansion in the exports of manufactures and highly skilled services (construction and engineering), mainly to the developed market economies but also to developing countries. Over the years, these countries' manufactures have become competitive with those of the main industrial countries over a growing range of products (textiles, electronics, ships, steel, some capital

Table I-1. Percentage share of mutual trade in total exports and total imports of developing countries

| Year | Exports: Including fuels | Exports: Excluding fuels | Imports: Including fuels | Imports: Excluding fuels |
|---|---|---|---|---|
| 1970 | 19.8 | 16.4 | 19.0 | 13.5 |
| 1973 | 21.0 | 21.5 | 21.9 | 15.0 |
| 1974 | 21.3 | 23.9 | 27.7 | 14.7 |
| 1978 | 23.6 | 26.5 | 23.6 | 14.4 |
| 1979 | 24.3 | 28.1 | 27.8 | 16.5 |
| 1980 | 24.8 | 30.0 | 29.9 | 16.8 |
| 1981 | 26.4 | 31.9 | 28.7 | 16.7 |

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on United Nations Conference on Trade and Development, *Handbook of International Trade and Development Statistics*, and United Nations, *Monthly Bulletin of Statistics*.

Table I-2. Percentage share of non-fuel trade among develping countries in total non-fuel exports of developing countries

| | 1970 | 1973 | 1974 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|
| Total non-fuel (excluding SITC 3) | | | | | | | |
| All countries | 16.4 | 21.5 | 23.9 | 26.5 | 28.1 | 30.0 | 31.9 |
| Non-OPEC countries | 17.6 | 18.9 | 19.4 | 20.3 | 22.7 | 23.4 | 23.7 |
| Food (SITC 0+1) | | | | | | | |
| All countries | 12.9 | 16.6 | 20.7 | 18.9 | 20.5 | 22.9 | 25.4 |
| Non-OPEC countries | 13.8 | 14.6 | 15.9 | 13.3 | 15.4 | 15.8 | 16.5 |
| Raw materials (SITC 2+4) | | | | | | | |
| All countries | 14.9 | 16.8 | 17.2 | 23.7 | 24.4 | 24.2 | 25.8 |
| Non-OPEC countries | 18.0 | 18.9 | 17.1 | 23.2 | 24.8 | 24.4 | 24.5 |
| Manufactures (SITC 5+6+7+8-67-68) | | | | | | | |
| All countries | 27.0 | 32.2 | 33.1 | 33.9 | 34.7 | 36.9 | 37.3 |
| Non-OPEC countries | 27.9 | 23.8 | 24.2 | 24.0 | 25.7 | 27.0 | 26.6 |

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on United Nations, Yearbook of International Trade Statistics and Monthly Bulletin of Statistics.

goods). They have thus been able to penetrate successfully the markets of the industrial countries and, to a growing extent, compete with exports from the developed countries in developing country markets. With a few exceptions, these countries also tend to be resource-poor or to import key raw materials. Therefore, high rates of economic growth have been accompanied by rapidly growing imports of primary commodities from other developing countries.

Undoubtedly, efforts to promote intra-group trade, particularly within regional groupings, have also played a role in the intensification of trade relations among developing countries. Since the late 1950s, developing countries have gathered considerable experience with integration schemes at the regional and subregional levels. 4/ If progress appears to have been slow, it has been due to the difficulties inherent in attempting to balance the distribution of costs and benefits of such schemes with equity in the context of wide disparities in levels of economic development among participating countries. 5/ Perhaps a major contribution of deliberate policies to foster trade flows has been to increase the flow of information available to countries as to the possibilities for mutual gains from intra-group trade.

While the difficulties of expanding mutual trade should not be underestimated, the potential gains from such trade are likely to be large. As shown in table I-3, most developing countries are small in size and have low levels of aggregate income. Therefore, their possibilities for undertaking efficient industrialization programmes based on their domestic markets alone are limited. On the other hand, as a group developing countries command large potential markets. Progressive removal of non-policy barriers to trade (e.g., poor transportation and commercialization networks) could yield a rapid expansion in mutual trade. Further progress could also be made by carefully evaluating the potential offered by preferential reductions in trade barriers, in particular the non-tariff import restrictions erected in recent years for coping with balance-of-payments problems.

## Effects of the recession on trade flows among developing countries

The current recession has had a particularly adverse impact on developing countries. Whereas during the recession of the mid-1970s developing countries were better able to withstand the recessionary impulses emanating from the foreign trade sector, during the current downturn their economies have been affected to a greater degree than those of other countries. While exports to the developed market economies declined during the recession of 1974-1975, a constellation of exogenous forces stimulated an increase in mutual trade. The main factor was the sharp increase in oil prices and the attendant surpluses accumulated by the energy-exporting developing countries. In spite of a small decline in the volume of their exports, the increase in oil prices allowed these latter countries to escape the effects of the recession. Being unconstrained by balance-of-payments considerations, the energy exporters were able to raise their imports very considerably. And imports from other developing countries grew apace.

Table I-3. Frequency distribution of GDP and population of selected developing countries, a/ 1980

| Population (millions) \ GDP range (billions of US dollars) | Under 1.1 | 1.1-5.0 | 5.1-10 | 10.1-20 | 20.1-30 | 30.1-50 | 50.1-75 | 75.1-125 | Over 125 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Under 1.1 | 25 | 6 | 1 | | 1 | | | | | 33 |
| 1.1 - 5.0 | 14 | 12 | 2 | 2 | 1 | 1 | | | | 32 |
| 5.1 - 10 | 1 | 12 | 6 | 2 | | | | 1 | | 22 |
| 10.1 - 20 | | 7 | 2 | 1 | 2 | 2 | 1 | | | 15 |
| 20.1 - 30 | | | 1 | 1 | | 2 | 2 | | | 6 |
| 30.1 - 50 | | 1 | 1 | | 1 | 2 | 2 | | | 7 |
| 50.1 - 75 | | | | | | | | | 1 | 1 |
| 75.1 - 125 | | | | 1 | 1 | | 1 | | 1 | 4 |
| Over 125 | | | | | | | 1 | | 1 | 2 |
| Total | 40 | 38 | 13 | 7 | 6 | 7 | 7 | 1 | 3 | 122 |

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on international and national sources.

a/ The data refer to all developing countries that are members of the United Nations.

A second factor was the ability of the energy-importing developing countries generally, and of the rapidly growing exporters of manufactures particularly, to protect their economies through substantial inflows of foreign capital. Flows from the surplus energy exporters were a major contributor. So were medium-term credits at modest or even negative real interest rates from the international banks. As a result, these countries were in a position to continue to expand their imports in real terms.

The situation has evolved in very different ways in recent years. The favourable initial effect on the imports of the energy-exporting countries of higher oil prices was gradually dissipated by sharp declines in the volume of oil exports and, beginning in 1982, by a downturn in prices. To complicate matters, most of the deficit energy exporters had borrowed heavily in international capital markets in the expectation that export earnings would continue to rise steeply. When these expectations proved to be overoptimistic, international banks began to curtail new loans to those countries and to shorten the maturity structure of debt coming due. With the exception of the surplus countries, which are still in a fairly comfortable external position, real import levels have had to be reduced sharply in most energy-exporting countries. It is estimated that the volume of imports of the deficit energy exporters declined by about 8 per cent in 1982, and a further drop appears to be inevitable in 1983.

In 1982 real imports also fell in the energy-importing countries, perhaps by over 5 per cent. In contrast to their experience during the mid-1970s, the energy importers not only were unable to obtain counter-cyclical balance-of-payments financing from the international banks but they were faced with severe retrenchment in medium-term lending and a drastic shortening of maturities. In addition, high interest rates on floating-rate borrowing further curtailed their ability to maintain real import levels. Thus, the adverse impact of the recession on their export earnings was compounded rather than alleviated by the behaviour of what had become in recent years the most dynamic component of capital inflows.

The rapidly growing, more industrialized developing countries which are major poles of intra-group trade growth were particularly affected. These countries were heavy borrowers in capital markets before the eruption of the crisis, and in some of them debt-servicing ratios have reached unsustainable levels. They have had little option but to curtail their import levels very significantly.

Recent information on trade flows among developing countries is still very sketchy, but it does indicate that they probably were affected to a greater extent than were exports to the developed market economies. While the overall economic performance of developed and developing countries did not differ markedly, with both groups of countries experiencing slight declines in aggregate output in 1982, the decline in non-fuel import levels was substantially steeper in developing countries (excluding the surplus energy exporters). The slow-down in import growth in the developed countries was mainly the result of slack demand. By contrast, in developing countries serious liquidity problems forced countries to adopt policies aimed directly at curtailing imports to levels below those that would have prevailed under already very sluggish overall demand conditions. Moreover, two groups of countries which, together with the surplus energy exporters, hitherto had been the main poles of intra-group trade growth - namely, the deficit energy exporters and the newly industrializing countries - had to reduce their import levels to a greater extent than did other developing countries. Finally, the

environment of uncertainty caused by the import policies which most developing countries were forced to adopt were not conducive to normal trading relationships.

Another factor which appears to have had an adverse impact on trade flows among developing countries is the drying up of financial flows, which indirectly affected the ability of developing countries to grant trade credits to each other. There is scattered evidence that the drying up of export credits had a further dampening effect on trade flows among developing countries.

## Measures to be taken to enhance economic co-operation among developing countries

In this section, some measures to promote economic co-operation among developing countries will be outlined. Because of the gravity of the present economic situation, attention has been focused on those measures that are likely to involve little financial expense but should lead to positive results in the short to medium term.

### Economic co-operation among developing countries and commercial policies of developing countries

Actions to promote an expansion of the mutual trade of the developing countries could concentrate on two goals: the gradual reduction of trade barriers on a preferential basis, and the realization of within-group trade possibilities that are currently not being exploited for lack of information, traditional commercial ties or other reasons.

The level of import levies and non-tariff trade restrictions that the developing countries maintain is one area that needs to be evaluated properly with a view to enhancing the potential for intra-group trade expansion. In spite of many different attempts to integrate selected developing country markets, the overall level of import restrictions in the group as a whole has not fallen during the past two decades or so - more probably the reverse. Moreover, overall effective rates of protection tend to be higher in developing than in developed countries, which discourages intra-group trade and tends to accentuate the dependence of developing country exports on the markets of the developed countries. Items that an individual country is in a position to produce, which may often be the products that other developing countries find most suitable as foreign exchange earners, are typically protected most.

During the current global economic slow-down, the developing countries have levied incremental trade restrictions closely paralleling the timing and pattern of their payments crises. The newly imposed import restraints encompass a wide variety of forms. They range from tariffs, import surcharges, prior import deposits and quantitative restrictions to outright import prohibitions. In some cases, these measures have been accompanied by sharp devaluations. While in some instances the recent measures to restrain imports have excluded preferential trade arrangements enacted in the context of formal integration schemes, they have generally had an adverse impact on mutual trade. In particular, devaluations of varying magnitudes in real terms have disrupted established patterns of comparative advantage.

The existence of significant barriers to trade among developing countries indicates that joint policies to reduce tariffs and non-tariff measures could provide a very important stimulus to mutual trade. In the context of the current situation, the gains made in intensifying trading relations among developing countries in the past decade or so could be protected if countries exempted their trade with other developing countries from the import restrictions that they are forced to impose to protect their external payments positions. Since for most countries imports from developing countries are still a small proportion of total imports, the overall balance-of-payments effects of such measures would probably be small. And if a sufficiently large number of developing countries adopted the same policies, export levels would be larger all around.

Measures in the field of group-wide trade

Three important measures that have recently been in the centre of policy attention and that would promote the reduction of trade barriers and the expansion and diversification of trade are the establishment of a global system of trade preferences among developing countries (GSTP), co-operation among state trading organizations, and the development of a trade information system. These also figure prominently on the agenda for negotiations about trade measures to be held in the near future.

The first major attempt to promote trade among all developing countries on the principle of mutuality of advantages was the General Agreement on Tariffs and Trade (GATT) protocol of 1973, which provides for an exchange of tariff concessions among signatories (in the end 14 developing countries signed). The global system of trade preferences will then be the second major attempt and will include provisions for special treatment in favour of exports from the least developed countries. It is to be accomplished by a parallel strengthening of the integration efforts of the developing countries and will take into account the different levels of economic and industrial development, trade patterns and trade régimes of individual developing countries. Unlike most prior attempts at global preferential trade arrangements, the global system of trade preferences is slated to apply not only to manufactures but also to primary commodities and agricultural products in their raw and processed forms. Furthermore, commercial policy initiatives will not be confined to tariff concessions but will also cover non-tariff barriers and will progressively incorporate other measures in the fields of production, marketing, payments, finance and transport. The negotiations are to proceed step by step, with the first phase due to commence in May 1983. The global system of trade preferences is planned to be in place by the end of 1985.

The positive trade effects from the scheme could be substantial since tariffs and non-tariff restraints to trade are generally higher in developing than in developed countries and, as previously mentioned, they also tend to discriminate, at least implicitly, against each other's exports. Trade expansion in turn could buttress the further diversification of production structures and advance the growing complementarities among developing countries. Special provisions for countries at different levels of development could provide the differentiated safeguards whose absence in earlier attempts to institute group-wide tariff concessions may have deterred a number of countries from participating voluntarily.

Since the various components of the global system of trade preferences are as yet to be negotiated, it is too early to evaluate the potential of individual measures. However, it is clear that trade liberalization in the developing

countries should not be limited to tariff cuts. As earlier attempts have demonstrated, tariff concessions can have a very considerable impact on the fiscal solidity of developing countries, many of which rely on trade taxes for the bulk of government revenues. Given their already strained fiscal positions, further tariff reductions can only be undertaken, at least in the short run, if combined with a measurable shift in government revenues. 6/ In addition, the benefits of commercial policy concessions have in the past been perceived to be distributed disproportionately among participants. The negotiations might therefore include the formulation of a mechanism that would yield a more equitable distribution of the costs and benefits of commercial policy arrangements.

Even if substantial tariff reductions were to be put in place, there are other important non-tariff obstacles to within-group trade. The latter are common in developing countries and in recent years have been resorted to more often. Therefore, the most important target for trade liberalization would appear to be the gradual elimination of non-tariff barriers. Other barriers to within-group trade include the absence of established trade ties; lack of infrastructure, transportation facilities and marketing skills; sketchy information about export capacities and import needs; lack of standardization; and the small scale of individual markets.

It is clearly important that the framework of the global system of trade preferences be conceived on the basis of outward-looking commercial policies that permit the exploitation of intra-industry specialization. Co-operation among state trading organizations and the creation of an effective trade information system could contribute significantly to these goals. One way in which the interrelations between state trading organizations and a trade information system could be usefully enhanced in the near future would be through the creation of a comprehensive information system dealing with government procurements, the standardization of both procurement invitation and actual tender documents, the fast transmission of the information to all centres potentially interested in bidding, 7/ agreement on the legal adjudication of apparent breach of contracts, 8/ and similar measures. More comprehensive and timely information might provide one relatively uncomplicated means towards promoting collaboration not only through trade creation but also through trade diversion from the developed to the developing countries for products in which some developing countries have already acquired a pronounced comparative advantage.

Institutional developments and regional integration

The need to establish institutions that can assist developing countries collectively to expand the information flows, communications and infrastructure essential for their economic and social development has been recognized for many years. Indeed, many institutions have already been created at the regional and subregional level by developing countries in connection with integration schemes, preferential trade arrangements, joint ventures, information and communication links, collaboration in infrastructural networks, multilateral marketing and production enterprises, and the like. However, the current global economic crisis has slowed down the progress of integration schemes already in place and may have complicated the negotiation of new integration arrangements. Most importantly, the export-promotion and import-restraining measures introduced in the past few years by developing countries have included steps that violate the spirit, if not necessarily the letter, of existing integration treaties. In particular, the external payments problems that most countries have had to face in recent years

may have persuaded them to avoid any commitments that might restrict their freedom of action and even to opt out of existing commitments. Therefore, flexibility in existing and prospective integration mechanisms is a very important objective - in contrast with the rather rigid time limits and pre-set goals contained in the majority of the integration treaties negotiated in the 1960s.

One way of coping with the prevailing difficulties would appear to be to focus on achieving a proper balance in the role of the State and the market in integration measures. 9/ Market-based decision-making criteria appear to be less well designed to suit the needs of the majority of developing countries, whose national markets are generally neither well integrated nor predominantly regulated by market-based policy instruments.

One avenue would be to create room for adjusting traditional integration concepts to the specific economic conditions and requirements of the participants. Such modifications in integration schemes have gained in popularity since the second half of the 1970s. Instead of adhering to rigid timetables for linear customs preferences, the focus of policy attention has been increasingly directed at finding flexible and manageable preferential trade objectives and targets often going well beyond the purely commercial approach originally adopted. Significant actions have been taken outside the conventional domain of commercial policies in such sectors as transportation, communication, information, energy, money, finance and others. In the process, a number of these schemes have incorporated new measures aimed at improving the overall effectiveness of the integration processes and bringing about a more balanced distribution of their benefits and costs.

Institutional co-operation should not be restricted to comprehensive, all-round integration schemes. Some developing countries could benefit from the establishment and operation of much more target-orientated institutions at a lower hierarchical level. For example, joint ventures could provide a more direct and efficient way of achieving the expansion of production and integration in selected sectors. In the past some problems have emerged in the establishment and operation of joint ventures in integration groupings, as well as in the identification of opportunities for joint investments. Careful study of these problems, greater flexibility in devising and applying joint ventures, more intensive work on project identification activities, and clear-cut financial support for joint undertakings agreed upon may in the end prove to be effective means of enhancing the performance of integration groupings.

Financial and monetary co-operation

The pace of economic activity and the implementation of effective economic policies to assure steady economic progress have recently been severely buffeted by prevailing international financial problems. These have led to a virtual halt in net medium- and long-term commercial capital flows to many developing countries. Others never enjoyed significant access to these resources in the first place. Many relied heavily on the highly concessional multilateral resources for which the outlook has become so uncertain of late. Especially in the context of these recent developments, the inadequacy of global efforts to transfer resources for development is quite clear.

Financial transfers among developing countries cannot overcome the deficiency in resource transfers on a global scale. Most developing countries are and will continue to be net importers of capital. This notwithstanding, a substantial degree of financial co-operation among developing countries arose in the 1970s. Indeed, subregional and regional monetary and financial co-operation has progressed to the point where most developing countries belong to one or several of the following types of institutional arrangements: subregional clearing arrangements, credit support schemes, monetary unions, development banks and loan guarantee funds; they may also participate in joint investment companies. Moreover, some groupings have recently adopted measures to facilitate financial participation in joint programmes and enterprises, while others have sought to strengthen the instruments at their disposal in support of balance-of-payments financing. These past efforts can provide a base on which financial co-operation can be deepened in coming years.

Most prominently, OPEC member countries became a major source of concessional resource flows to other developing countries. 10/ From net disbursements in 1970 of about $400 million, OPEC aid flows rose to well over $9 billion ten years later. In terms of one common measure of aid effort, the share of the donor's gross national product (GNP) devoted to concessional assistance, OPEC aid has been consistently high. It has exceeded 1 per cent of GNP throughout the 1970s and into the 1980s. For the period 1976 to 1980, the OPEC aid effort by this measure, averaging over 2 per cent of their GNP, was far greater than the comparable ratio for the developed market and centrally planned economies.

However, the trend in OPEC aid has recently been declining. The export earnings on which OPEC countries counted to finance their aid programme have been sharply constrained as a consequence of the weakening world petroleum market and OPEC's decision to curtail sharply its own oil production. 11/ Furthermore, the continuing and costly war between two OPEC members has brought about, as one side effect, a further reduction in available OPEC economic assistance to other developing countries.

The evolution of international financial co-operation among the developing countries has also had a significant institutional dimension. Initially, most financial recycling among developing countries was mediated by private institutions - primarily commercial banks based in a small number of developed market economies - or by long-established official institutions of the international community. In recent years, however, new financial institutions have been created by the developing countries themselves.

Prominent among these are the OPEC Fund for International Development, which was founded as the OPEC Special Fund in 1976 and which approved loans of nearly $900 million in 1982, a number of multilateral Arab official development finance institutions, and some individual country funds which disburse both concessional and non-concessional resources. Of a related nature has been the transfer of resources under the 1980 San José Agreement, according to which Venezuela and Mexico extended concessional loans in their region. As vehicles for some redistribution of high oil-export earnings to non-oil developing countries, some of these resource transfer mechanisms have proved vulnerable to the fall in oil-export earnings.

Other developing country financial institutions which have been created over the past two decades are joint financial intermediaries. Some emphasize long-term

investment projects, while others are more oriented towards facilitating trade flows among participating countries. Some are bilateral and others multilateral. In many of them private capital is predominant, while others are of a semi-public or public character. Some focus on direct lending for projects, while others specialize in assembling and participating in financial packages for borrowers. Some of the latter were formed as "consortium banks", having equity participation of both developed and developing country banks. Others were always or have become solely joint ventures of developing country institutions. Two of the latter, each owned by groups of Arab country institutions, ranked among the 40 most active international lending banks in 1982. 12/

As financial intermediaries, the joint developing country commercial, merchant and development banks are not necessarily dependent on high oil earnings as a source of funds. None the less, the global recession, the fall in international liquidity, and particularly, the precarious international reserve position of many host developing countries have seriously affected many of these banks. In some cases, their operations have been curtailed substantially. In spite of these developments, the crucial importance of the institution-building that has taken place in recent years should not be underestimated. There is a significant potential for rapid growth, particularly when the acute balance-of-payments difficulties in many of these countries is solved. Besides, to differing degrees, these banks can mobilize funds from different parts of the globe for on-lending to final users. Indeed, more and more of these developing country institutions may be expected to tap the global capital pool, especially through regional financial centres in the Caribbean, the Persian Gulf and the Far East. With appropriate encouragement, some may reach the stage of further increasing the flow of financial resources to developing countries by arranging co-financing on the strength of their own reputations as development finance institutions.

The more experience developing country joint financial institutions gather from operating in the international capital markets, the more they can be looked to for timely innovations which would broaden the kinds of projects and the number of countries with access to the market. Innovations originating with developing country participants in the market are more likely to meet the needs of developing countries than are innovations originating elsewhere.

The operations of existing financial institutions in developing countries should be re-assessed to see whether a move towards more medium-term programme lending and greater emphasis on promoting development plans in setting loan conditions would help make them more responsive to member country needs. Some suggestions have also been made that developing countries set up their own official multilateral financial institutions to provide both development assistance and balance-of-payments financing. 13/

## Sectoral co-operation among developing countries

Fostering trade and financial links among developing countries has clearly the highest priority. However, there are many other ways in which the links among the developing countries are being strengthened, and some of these will be discussed in the concluding section of the paper. Some of the sectoral projects that will be discussed - such as joint exploration of natural resources or co-operation in agricultural research - are justified in their own right. They do, though, have great potential for advancing the development objectives of the developing

countries as a group and so can properly be considered to fall within the purview of ECDC. It should be pointed out that the scope for sectoral co-operation is great and will expand as more experience is gained. The present paper can only cover a small number of possible avenues for co-operation.

Labour migration

An important aspect of intensified economic links among developing countries during the 1970s was the large movement of labour within the group, but particularly into the rapidly expanding economies of the energy-exporting developing countries. Labour movements contributed importantly to economic prosperity in the host countries. In many cases, the home country also gained from expatriate remittances, which provided crucial balance-of-payments support. The recent sharp scaling down of industrialization efforts in these growth poles does not augur well for the immediate future of labour mobility among developing countries; it may also further aggravate the external payments problems of a number of deficit developing countries. Indeed, the return of a large number of migrant workers to their homes in Western Africa in early 1983 provides a vivid illustration of the adverse economic as well as human repercussions of the recent difficulties caused indirectly by the global economic recession.

Aside from the immediate needs that stem from the adverse effects of reverse migrant flows on home countries, an important aspect of migration in the medium- to long-term could be its streamlining. This could be undertaken not only in order to minimize the other adverse aspects of relative job uncertainty in host countries. Given the pronounced differences in the relative scarcity of skilled as well as unskilled labour in the various developing countries, a concerted effort to synchronize migration policies with the willingness and ability of host countries to provide jobs with some modicum of social security could become an important form of co-operation.

Water resources and river-basin development

The management of water resources necessarily has an international perspective, if only because no fewer than 57 river basins or lakes in Africa, 40 in Asia and 36 in South America are shared by two or more countries.

There are already some important instances of co-operation in developing water resources that have yielded sizeable mutual benefits. The recently inaugurated Itaipú project between Brazil and Paraguay and the older Indus River co-operation between India and Pakistan are prominent examples. The continent of Africa presents the greatest opportunity for further co-operation because of the magnitude of its water resources, the urgent needs of African countries to improve their irrigation facilities and the rising demand for energy that accompanies the process of industrialization. The development of these water resources will also permit the exploitation of the region's mineral resources and will improve river navigation. An important joint project has been launched by Mali, Mauritania and Senegal with financial assistance from Kuwait and Saudi Arabia. There are clearly a number of such opportunities whose exploration depends on co-operation with other developing countries, as well as on appropriate financial and technical support from developed countries and international organizations.

In view of the magnitude of many water resources and their potential for linkages with river-basin or industrial development programmes, the capital resources needed for building the required dams, power stations and ancillary infrastructure and for start-up of selected production projects are large. These projects are therefore particularly suited to the pooling of resources of several countries.

This is especially the case as the viability of many large power projects often depends upon the assurance of demand from user industries, particularly from industrial and mineral treatment plants. At present, the market for raw materials is weak and developed economies have shown considerable reluctance to help finance plants, such as smelters, in developing countries that would compete with their own industries. Closer economic co-operation among developing countries regarding power supplies could then be usefully extended to include the financing of such plants by other developing countries that need the raw materials. This would help assure the viability of a number of hydro-projects.

Food and agriculture

Largely because of the rapid growth in population and urbanization over the past two decades or so, the situation of the food-deficit developing countries is precarious. In some cases, sub-Saharan Africa in particular, food production and supportable food import levels have fallen below nutritional requirements.

While food aid on the part of developed countries has helped to avert disasters, it has become clear that this cannot make up for the overall poor performance of agriculture in some developing regions. Production shortages will have to be increasingly made up by food imports on commercial terms. These have recently posed a significant drain on the already scarce foreign exchange reserves of the majority of food-deficit developing countries.

There is, then, every reason for the developing countries to step up their mutual trade in foodstuffs and to accelerate their co-operation in agriculture, fishery and forestry. Unfortunately, in the past these have usually been treated as comparatively low-priority areas for co-operation. At the very least, a further expansion of within-group trade in food products is needed to provide alternative sources of supply and thus enhance the collective food security of the developing countries. The provision of greater market access for the least developed countries within the group is of particular importance in this respect.

What is also urgently required is a clearer commitment to raising productivity levels and securing the proper exploitation of available arable land. This should come through a combination of domestic resources and foreign assistance, the latter coming from developing as well as from developed countries. Primary responsibility for achieving this objective rests with individual countries. However, it is alarming that funding for international research programmes dealing with agriculture has grown very slowly in the past two to three years, in sharp contrast to the six-fold increase experienced between 1972 and 1980. In real terms, there probably has been a decline in funding. Local efforts are unlikely to offset this reduction. This may have severe consequences for the least developed countries, which do not possess effective national research institutes.

Most of the world's agricultural research is conducted in the developed economies. Funds spent in Africa, Asia and Latin America account for only a fourth of global spending. Developing countries that share the same environmental characteristics can therefore usefully co-operate in sharing the results of their research or their agricultural experience. The projects might be modest in themselves but could have very important long-term results. Aside from a number of small-scale practical projects, agricultural research has been co-ordinated by the Consultative Group on International Agricultural Research. It supports 13 research institutions, of which 10 are in developing countries, using funds provided by 35 contributing members. They have specialized in research of practical need to their areas but which can be applied in other countries. The results in terms of yields and total output levels of staples, including food crops such as sorghum, millet, cassava and legumes, have been impressive in a number of countries.

An issue of importance to food-deficit countries is the security of their food supplies. This has provided the basis for co-operation between the oil-exporting countries of the Middle East and other developing countries. In many cases the funds are not specifically designated for agricultural development but rather for infrastructure, yet the latter can be decisive in making possible agricultural development in countries that have the potential to produce food but not the means to bring it to national or world markets. The Arab Fund for Economic and Social Development has assisted the development of agriculture and infrastructure in Arab countries. Arab resources have also gone to develop agriculture in Pakistan.

Co-operation measures need not just facilitate national efforts; global, regional and subregional efforts among developing countries could be channeled into addressing common problems, such as averting food losses through the building of proper storage and processing facilities or creating greater food security through the joint funding of buffer stocks. Perhaps the most vital initiative that could have a sizeable pay-off in the medium run would be in the form of increased sharing of skills and experience in modern and appropriate agricultural, forestry, and fishery technologies. Two linked problems that are particularly serious in developing countries are those of deforestation and desertification. Developing countries could usefully learn from each other how to avoid and, if possible, how to reverse these trends. In this regard, several United Nations organizations are in a position to intensify their support of ECDC activities.

<u>Energy co-operation</u>

The scope for energy co-operation among developing countries merits close attention. On the one hand, energy products constitute the bulk of trade among various regional groups and energy-related issues still need to be addressed on a priority basis in order to relieve the present adverse economic and financial situation in the energy-importing developing countries. On the other hand, co-operation both in conventional energy sources and in new and renewable energy sources (especially the generation of hydro-electric power) is also important because it stands out as one form of co-operation in which significant progress has already been achieved and for which the potential for intensifying fruitful collaboration in the future appears to be still considerable. The acceleration of industrialization and the steady improvement of levels of living in the developing countries will require a relatively fast expansion of commercial energy consumption from its currently rather small base. These countries clearly have the capacity to do so. While the developing countries as a group have roughly 78 per cent of the world's proven reserves of oil, 42 per cent of those of gas and 10 per cent of

those of coal, these shares contrast with the much smaller shares in global output levels: about 50 per cent for oil, 13 per cent for gas and 5 per cent for coal.

The possibilities of increasing co-operation in the field of energy are promising. They range over the broad spectrum of financing, sharing of exploration and production risks, integration of markets, transfer of technical know-how and strengthening of trading arrangements, including the creation of upstream and downstream linkages. However, the activation of this potential for collaboration is a complex task involving a judicious mixture of policy measures at various levels. Furthermore, the measures pertaining to non-renewable energy resources need to be based on sound economic considerations that take into account the interests of the producer countries, whose economic fortunes are heavily dependent on their exhaustible energy resources. Especially important is the formulation of policy measures to support a smooth transition towards a more balanced world energy supply mix that would utilize the relatively scarce energy resources, such as oil and natural gas, chiefly for purposes for which the other energy sources intrinsically are not suited.

Co-operation in minerals

Developing countries are both large producers and consumers of non-fuel minerals. Many rely upon a very small number of minerals for the bulk of their export earnings and have recently experienced severe hardship because of weak demand and historically very low prices for their commodity exports. They therefore have a clear interest in co-operating with other developing country producers, if only to maintain satisfactory prices. However, as distinct from the situation in fuels, in no market, with the possible exception of tin, do the developing countries as a group have a sizeable degree of control over production or exports. Input substitution in production processes and sizeable production levels in developed economy producers make it unlikely that the developing countries will be able to affect world markets significantly to their own benefit by altering their supply levels within feasible ranges.

In more modest ways, though, the developing countries can co-operate in the field of minerals. Information-sharing is one very important aspect. Producing countries, especially producers of such raw materials as bauxite, as distinct from aluminium or copper, whose prices are not determined in international commodity exchanges, can reveal to other producers the prices and conditions of sale they are obtaining from developed country importers so that the producers can strengthen their bargaining position. Producers and consumers can exchange information on new uses for their products, especially those that are most suitable for adoption by other developing countries. The demand of developing countries for non-fuel raw materials has expanded much more rapidly than that of the developed economies, and any steps taken to promote consumption in these countries and hence to firm future demand for their minerals could help re-assure producers of minerals in developing countries of the viability of present and future projects.

The technology involved in the production of most minerals is well-known, and there is little question of developing countries being able to share with other potential producers otherwise unknown technologies. However, several very promising mineral deposits lie in developing countries that have had no experience with the minerals in question. There is therefore scope for providing advice and technical support.

Obtaining the capital to open up a new mine is often very difficult. This is especially the case at the present time of oversupply in almost all mineral markets, which has led to a widespread re-assessment of the viability of prospective mines. It was previously thought that the major oil companies in the developed market economies and the energy-exporting developing countries might augment more traditional sources of capital and provide much of the new capital required. This no longer seems the case since both of these groups have abandoned several large ventures.

Where the developing countries can help is in providing an assured market for the minerals of other developing countries, perhaps in the form of medium- to long-term contractual delivery agreements at more predictable prices than those observed in commodity exchanges. This would help to attract the capital required, even if the consuming country did not provide it directly. Already some of the capital-surplus energy exporters have set up treatment plants in their own countries to process the ores from projects they are co-financing in other developing countries, and these are providing assured future markets. It should be added that these consuming countries have also contracted to take supplies from developed market economy exporters, such as Australia, and that developing country producers will have to be able to offer competitive terms.

Much of the final cost of some minerals is the shipping cost. There is scope for further co-operation among developing countries, especially those that are geographically close, to join together in bargaining with shippers so as to obtain the most favourable rates.

Finally, the viability of mining ventures often depends upon the provision of competitively priced electric power and adequate transportation facilities. Where developing countries co-operate to provide this infrastructure, this enhances the attractiveness of their deposits.

Technological co-operation among developing countries

Most of the new technology used by developing countries originates in the developed countries. Co-operation among the developing countries in the assimilation stage of the transmission of information is essential, owing to the fact that there are economies of scale to be reaped from sharing efforts. Going further, there is also considerable scope for developing countries to pool their efforts in undertaking new technological and scientific research.

One important activity in this area of technological co-operation is the set of programmes dealing in technical co-operation among developing countries. After the United Nations Conference on Technical Co-operation among Developing Countries (Buenos Aires, 30 August-12 September 1978), a new thrust was given to this form of co-operation among developing countries. With financial resources from the United Nations Development Programme (UNDP), technical co-operation increased substantially in scope and depth. However, as has been the case with other UNDP programmes, it has been significantly affected by budget restrictions, and programmes have recently had to be revised downwards. The weakness of the financial linkage proved again to be decisive in the potential for growth in this area. 14/

Because of the limited resources available for technological co-operation, resources should be diverted to areas likely to generate tangible results in a comparatively brief period of time. For many countries, one priority area would be agricultural and food production and agro-industry in general. Raising productivity and reducing the sector's vulnerability to climatic conditions and other natural phenomena would be the object of much of the work. Another priority area would be increasing the shares of domestic value added in the exports of the developing countries. At the national as well as the subregional, regional and global level, the processing of the primary products of the agriculture, fishery, forestry and mining industries could often be taken further.

## Notes

1/ This topic was discussed at the eighteenth session of the Committee for Development Planning. The Committee's conclusions and recommendations appear in World Economic Recovery - The Priority of International Monetary and Financial Co-operation (United Nations publications, Sales No. E.82.II.C.3).

2/ Some key documents embodying this recognition are the Arusha Programme for Collective Self-Reliance (see Proceedings of the United Nations Conference on Trade and Development, Fifth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.79.II.D.14), annex VI); the Caracas Programme of Action (A/36/333 and Corr.1, annex); the Economic Declaration adopted by the Seventh Conference of Heads of State or Government of Non-Aligned Countries (A/38/132-S/15675 and Corr.1*, chap.III); and the recommendations emanating from the Fifth Ministerial Meeting of the Group of 77 (see "The Buenos Aires Platform" (TD/285), p. 69).

3/ Letting T represent intra-group trade, $X_d$ exports to developed economies, and $M_d$ imports from developed economies, the shares of intra-group trade in developing country exports (Tx) and imports (Tm) are

$$Tx = \frac{T}{T + X_d}$$

$$Tm = \frac{T}{T + M_d}$$

The necessary condition for Tx to rise faster than Tm is for $M_d$ to grow faster than $X_d$. This clearly has been the case since 1970. Although complete factual evidence is not available, there are reasons to believe that both volume and price effects were at work. While developing country exports to the developed economies are still dominated by primary commodities, their imports from the industrial centres are mostly manufactures, which have a substantially higher income elasticity of demand. The combination of faster rates of economic growth and higher income elasticities in developing than in developed countries has given rise to substantially faster increases in the import volumes of the former. Moreover, when fuels are excluded, the terms of trade of developing countries vis-à-vis the developed market economies have deteriorated sharply since 1970.

4/ For a review and analysis of such schemes, see "Salient features of economic co-operation among developing countries", Journal of Development Planning, No. 13 (United Nations publication, Sales No. E.78.II.A.9), pp. 1-72.

5/ See report of the Committee for Development Planning on its fourteenth session (Official Records of the Economic and Social Council, Supplement No. 6) (E/1978/46 and Corr.1), pp. 16-21; and G. Salgado, "Viable integration and the economic co-operation problems of the developing world", Journal of Development Planning, No. 13 ..., pp. 73-122.

6/ The trade-creating effect of tariff cuts could conceivably outweigh the impact of fiscal revenue loss per unit of trade value. However, the trade stimulus would emerge only over time, and there would therefore be at least temporarily adverse effects on government revenues.

7/ The experiences gathered with preferential government tenders in the context of the Association of South-East Asian Nations (ASEAN) may be of wider interest to developing countries. See "Measures for strengthening economic integration and co-operation among developing countries at the subregional, regional and interregional level" (UNCTAD/ST/ECDC/17), p. 7.

8/ The desirability of creating international courts of developing countries extends far beyond the spheres indicated here. They could play a most constructive role in interpreting co-operation treaties, in settling disputes among participants in integration schemes and in enforcing the passing through of international agreements in national legislation.

9/ For a more comprehensive analysis of the importance of actions at the state and inter-state level, see R. Ffrench-Davis, "Comparative advantage, efficiency and equity in collective self-reliant industrialization", in For Good or Evil - Economic Theory and North-South Negotiations, G. K. Helleiner, ed. (Oslo, Universitetsforlaget, and Toronto, University of Toronto Press, 1982), pp. 101-118.

10/ Data on OPEC aid are drawn from the statistics compiled by the OECD secretariat from official sources submitted to OECD and estimates, as published in OECD, Development Co-operation, 1982 Review (Paris, 1982) and Aid from OPEC Countries (Paris, 1983).

11/ See World Economic Survey 1983 (E/1983/42, to be issued as a United Nations sales publication), pp. 99-102.

12/ Euromoney, April 1983.

13/ Some of these proposals were first made in the Arusha Programme for Collective Self-Reliance; they were discussed in particular at the Group of 77 expert group meeting on ECDC finance in Kingston, 26-31 March 1982. For the report, see Government of India, Ministry of External Affairs, ECDC Handbook - Documents of the Movement of Non-Aligned Countries and the Group of 77 (New Delhi, 1983), pp. 329-339.

14/ It is important to note, however, that some developing country funds are becoming increasingly active in financing technical co-operation among developing countries. The Kuwait Fund for Arab Economic Development is a case in point.

## A NOTE ON SOME EFFECTS OF RISING PUBLIC EXPENDITURE IN DEVELOPED MARKET ECONOMIES

Among the reasons sometimes advanced as contributing to the deterioration in economic performance of the developed market economies since the mid-1970s is the rising share of public expenditure in the total national expenditure. Adverse effects on the incentive to work, on private saving and on investment have been identified by various commentators as following, directly or indirectly, from this increase. These effects are seen to ensue from the rising transfer payments, the growing tax burdens and, more recently the increasing budget deficits which have all been associated with the increase in public expenditure. Various attempts have been made to assess the validity of these contentions, and the present note summarizes the results of those studies.

### Size and structure of public expenditure

The facts about the rising share of public expenditure may first be briefly recalled. Table II-1 presents data on the size and composition of public expenditure in eight developed market economies between 1967 and 1982. 1/ The most striking and consistent feature is the significant increase in public expenditure as a percentage of gross domestic product (GDP) in every country under study. The increase was led by Sweden, where the percentage increased by more than 20 points between 1967 and 1982, at which time it was approximately 62 per cent. During the same period the United States of America registered the smallest increase - approximately 6 percentage points - and in 1982 the ratio of public expenditure to GDP was approximately 38 per cent. Only Japan, with 34 per cent, had a smaller ratio than the United States.

Table II-1. Public expenditure a/ and its components

| | 1967 | 1973 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|
| Public expenditure as a percentage of GDP | | | | | | |
| Canada | 32 | 36 | 39 | 41 | 42 | 44 |
| France | 38 | 38 | 45 | 46 | 46 | 48 |
| Germany, Federal Republic of | 37 | 41 | 47 | 47 | 49 | 49 |
| Italy | 33 | 37 | 44 | 44 | 47 | 47 |
| Japan b/ | 19 | 22 | 31 | 32 | 33 | 34 |
| Sweden | 40 | 45 | 60 | 61 | 61 | 62 |
| United Kingdom | 35 | 40 | 43 | 45 | 45 | 46 |
| United States | 32 | 32 | 34 | 37 | 37 | 38 |
| Composition of public expenditure (Total = 100) | | | | | | |
| (a) Purchase of goods and services | | | | | | |
| Canada | 65 | 61 | 56 | 56 | - | - |
| France | 45 | 43 | 39 | 39 | - | - |
| Germany, Federal Republic of | 55 | 53 | 50 | 52 | - | - |
| Italy | 52 | 49 | 43 | 44 | - | - |
| Japan b/ | 65 | 64 | 52 | 50 | - | - |
| Sweden | 64 | 62 | 55 | 54 | - | - |
| United Kingdom | 66 | 59 | 53 | 54 | - | - |
| United States | 70 | 62 | 58 | 56 | - | - |

| | 1967 | 1973 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|
| (b) Social security and assistance grants | | | | | | |
| Canada | 21 | 25 | 27 | 27 | - | - |
| France | 39 | 41 | 46 | 48 | - | - |
| Germany, Federal Republic of | 31 | 27 | 29 | 30 | - | - |
| Italy | 37 | 37 | 36 | 36 | - | - |
| Japan b/ | 24 | 24 | 32 | 32 | - | - |
| Sweden | 23 | 25 | 29 | 28 | - | - |
| United Kingdom | 21 | 21 | 24 | 24 | - | - |
| United States | 20 | 28 | 31 | 31 | - | - |
| (c) Subsidies | | | | | | |
| Canada | 3 | 2 | 4 | 4 | - | - |
| France | 6 | 4 | 4 | 4 | - | - |
| Germany, Federal Republic of | 3 | 4 | 4 | 4 | - | - |
| Italy | 4 | 4 | 6 | 5 | - | - |
| Japan b/ | 4 | 5 | 4 | 4 | - | - |
| Sweden | 4 | 4 | 7 | 7 | - | - |
| United Kingdom | 6 | 5 | 5 | 5 | - | - |
| United States | 2 | 1 | 1 | 1 | - | - |

|  | 1967 | 1973 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|
| (d) Interest payments and other current disbursements, capital transfers and net purchases of land and intangible assets | | | | | | |
| Canada | 11 | 12 | 13 | 13 | - | - |
| France | 10 | 12 | 11 | 9 | - | - |
| Germany, Federal Republic of | 11 | 16 | 17 | 14 | - | - |
| Italy | 7 | 10 | 15 | 15 | - | - |
| Japan b/ | 7 | 7 | 12 | 14 | - | - |
| Sweden | 9 | 9 | 9 | 11 | - | - |
| United Kingdom | 7 | 15 | 18 | 17 | - | - |
| United States | 8 | 9 | 11 | 12 | - | - |

Sources: Statistical Office of the United Nations, National Accounts Statistics, and Organisation for Economic Co-operation and Development, National Accounts, 1982, vol. II, for most years prior to 1980; and for recent-year estimates, Organisation for Economic Co-operation and Development, Economic Outlook, December 1982, and United States Department of Commerce, Survey of Current Business.

a/ Public expenditure is used here to denote general government expenditure rather than that of the public sector, which includes both general government and public enterprises.

b/ Data prior to 1970 are estimates, owing to definitional changes.

Generally, the main factor accounting for the upward thrust of public expenditure was the sharp rise in transfer payments. This more than offset the declining share of purchases of goods and services. The sharpest increase in personal transfers as a share of public expenditure was registered by the United States of America, the Federal Republic of Germany, France and Japan, where the share increased by 8-11 percentage points. The share of subsidies has generally been relatively small and stable. The category of expenditure - comprising interest payments and other current disbursements, capital transfers and net purchases of land and intangible assets - generally experienced a significant increase. Factors accounting for the growth of this expenditure component are the rise in capital costs and funding needs for larger deficits. The high interest rates prevalent in 1980-1982 most probably caused an acceleration of these increases during the period.

Estimates of the components of public expenditure for 1982 for each country have not been attempted. However, all the available indications - most importantly, increasing unemployment 2/ and several changes made in social security benefit schemes 3/ between 1979 and 1982 - suggest further significant increases in personal transfer payments for all countries combined. This component and a levelling off of the increase in revenue are the most important factors explaining the unprecedented increase in public deficits in 1982 in most countries.

## Budget deficits and private savings

In some countries, the current controversy over levels of public expenditure and taxation is focused mainly on the emergence of large, and persistent, budget deficits. The concern is not with the fact that budgets have generally moved into deficits because of the declines in revenues and increases in unemployment insurance payments that are associated with recession. It is rather with the evidence that, in some countries, an important part of recent and current deficits is structural in character and is likely, in the absence of significant changes in tax or spending policies, to persist even when the economy is operating at, or near, full capacity. The strong upward trend in mandated transfer payments, particularly through social security systems, is a principal reason for viewing the deficits of some countries as structural. Even after substantial economic recovery has taken place, deficits in some countries are expected to be sufficiently large to constitute a major drain on private savings and accordingly to reduce the resources available for investment. As discussed more fully in chapter I of the World Economic Survey, 1983, 4/ the persistence of large deficits is likely to maintain an upward pressure on long-term real interest rates and to impede the recovery of productive investment.

Most of the countries under study have had appreciable budget deficits in most years since the mid-1970s (see table II-2). Except for Italy, this has marked a reversal from earlier years; in fact, surpluses of some magnitude used to be quite common in a number of the countries. Recent deficits have been large in relation to the gross private saving of these countries. While this has helped to maintain economic activity in a period of recession and declining investment activity, deficits will need to decline in relation to gross private saving as the recovery gathers strength. For some countries, the recent trend in budget deficits and the claim they have made on private saving have been at significantly higher levels than in earlier post-war years.

## Effect of transfer payments on private savings

Another of the fears expressed about the consequences of rising public expenditure is that, since it largely takes the form of increasing transfer payments, rising public expenditure may adversely affect private saving. Personal and business transfers - or more specifically, social security benefits, assistance grants and subsidies - are generally intended to assist those experiencing difficulty in meeting their current costs. It thus appears plausible that the share of private savings in private disposable income at the macrolevel may be reduced if there is a significant increase in such transfers. However, in many countries, transfer programmes have not been formulated primarily to address the problem of income redistribution among households. 5/ To put it differently, a wide range of socio-economic and demographic factors appear to have been more

Table II-2. Gross private savings and budget deficits

| | 1967 | 1973 | 1979 | 1980 | 1981 | 1982 |
|---|---|---|---|---|---|---|
| Gross private savings a/ as a percentage of GDP | | | | | | |
| Canada | 18 | 19 | 21 | 21 | 20 | 20 |
| France | 22 | 21 | 20 | 18 | 18 | 19 |
| Germany, Fed. Rep. of | 21 | 20 | 21 | 21 | 21 | 21 |
| Italy | 21 | 23 | 27 | 26 | 27 | 27 |
| Japan | 29 | 32 | 28 | 29 | 27 | 27 |
| Sweden | 15 | 15 | 15 | 17 | 16 | 16 |
| United Kingdom | 14 | 18 | 19 | 18 | 16 | 16 |
| United States | 18 | 18 | 17 | 17 | 17 | 18 |
| Budget deficits (surpluses) as a percentage of gross private savings | | | | | | |
| Canada | (1) | (5) | 9 | 10 | 7 | 30 |
| France | (0) | (5) | 2 | (2) | 9 | 17 |
| Germany, Fed. Rep. of | 6 | (6) | 14 | 15 | 21 | 22 |
| Italy | 9 | 31 | 38 | 33 | 45 | 45 |
| Japan | (9) | (2) | 17 | 15 | 14 | 13 |
| Sweden | (21) | (27) | 20 | 25 | 34 | 39 |
| United Kingdom | 8 | 19 | 16 | 17 | 14 | 14 |
| United States | 9 | (6) | (3) | 8 | 6 | 21 |

Sources: See sources for table II-1.

a/ The definition of gross private savings includes the gross savings by public enterprises. The latter is generally quite small. The former is the country's gross savings minus the net savings and the consumption of fixed capital by general government.

critical than income status per se in designing these programmes. These are consequently not _a priori_ grounds for assuming that the effect of transfer payments on private savings will be adverse; the actual effect can only be assessed on the basis of empirical evidence.

Data on private savings are presented in table II-3. Between 1967 and 1980, the private savings rate varied over time and between countries. On the one hand, it remained relatively stable in the United States of America and the Federal Republic of Germany. On the other hand, it significantly increased in Canada, Italy, Sweden and the United Kingdom of Great Britain and Northern Ireland. Aside from Sweden, the countries with the largest increases in personal transfers relative to GDP were France and Japan, with increases in excess of 6 percentage points. These countries experienced significant decreases in the private savings rate of approximately 4 percentage points. However, the effect of increasing transfers on the private savings rate, based on this evidence, is not definitive.

A series of comprehensive studies on this problem, however, exists for a few countries; they examine the problem primarily at the household level. These empirical results reflect a variety of effects of social security on personal savings. 6/ On the one hand, there have been two critical views supporting the negative effect of social security on personal savings. It is contended that (a) increased coverage of old-age benefits in terms of both the number of recipients and the level of benefits may substitute the portion of personal wealth saved for the purpose of consumption after retirement; and (b) the social security system in general may reduce the portion of personal savings intended for unexpected income losses in the future by socializing or pooling risks. On the other hand, there are views supporting the positive effect of social security on personal savigs. One important view is that, contrary to the negative view mentioned above, the old-age pension scheme, by forcing more people to join the scheme, may increase the recognition of the importance of savings for future retirement.

It seems that these opposing effects may cancel each other out; at any rate, the empirical evidence of the impact of social security on personal savings appears inconclusive. Further empirical studies are needed before a definitive view may be expressed on the impact of increased payments on private savings.

## Effect of transfer payments and taxes on the incentive to work

The effect of increased transfer payments as well as the "bracket-creep" effect of personal income tax rules under inflation are alleged to provide disincentives to work. Studies on the effect of tax rules on high-income individuals lend little support to this hypothesis. It may be argued, however, that those who were examined were primarily in the top bracket of tax schedules, 7/ which means that such an examination covered less than 1 per cent of taxpayers. In this case, they are not representative of the labour force relevant to this hypothesis. As for low-income individuals, it appears that high tax rates may induce less work effort. This conclusion is supported by the results of controlled experiments on an income maintenance programme known as the negative income tax programme, 8/ in which a minimum level of income was guaranteed to low-income families through the provision of grants. This grant was reduced at a specified tax rate for each dollar of income earned by the family. This experiment showed that rates above 50 per cent adversely affected work effort. Here again, however,

Table II-3. Share of private savings in private disposable income

(Percentage)

| Country | 1967-1972 | 1973-1978 | 1979 | 1980 | Difference between 1980 and 1967-1972 |
|---|---|---|---|---|---|
| Canada | 26 | 29 | 31 | 30 | +4 |
| France | 30 | 28 | 28 | 26 | -4 |
| Germany, Fed. Rep. of | 32 | 32 | 33 | 32 | 0 |
| Italy | 28 | 31 | 34 | 33 | +5 |
| Japan | 43 | 41 | 38 | 39 | -4 |
| Sweden | 23 | 24 | 27 | 27 | +4 |
| United Kingdom | 21 | 24 | 28 | 27 | +6 |
| United States | 23 | 25 | 24 | 24 | +1 |

Sources: See sources for table II-1.

the high tax rates above 50 per cent apply, in reality, to only a small segment of the population. As current tax schedules indicate, over 97 per cent of taxpayers are subject to scheduled rates of less than 50 per cent in most countries. Therefore, available studies do not indicate whether or not current tax rules affect the aggregate labour supply in a significant way.

United States labour statistics can be used to support the hypothesis with respect to the negative effect of social security on the aggregate labour supply. The labour participation rates for males between 55 and 64 years of age declined from approximately 84 per cent during the late 1960s to approximately 70 per cent in 1982. This decline is the largest drop among all age groups, male or female, 9/ during the period, at a time when major increases in the coverage of programmes for the elderly and indexation of benefits to inflation were introduced. Since this age group comprises the majority of those who take early retirement, the incentive to work at any given wage rate is likely to have been curtailed by these social security benefit improvements. However, additional labour supply from workers involuntarily unemployed since the mid-1970s may neutralize such an effect unless early retirement creates shortages of labour skills that cannot be replaced.

## Effect of taxation on private savings and investment

A further set of concerns relates to the effects of taxes on private savings and investment. There has been increasing recognition of the fact that private

savings and investment in developed market economies respond sensitively to changes in the real after-tax rate of return. 10/ Since the mid-1970s this recognition with respect to savings has been enhanced by the tendency of high inflation to reduce the real rate of return on financial investment and has prompted some major changes in tax rules applying to certain categories of savings in certain countries. That tax rules affect private savings has long been recognized by policy-makers in many countries. 11/ Such rules have been applied in the form of tax deductions or lower special tax rates for certain income categories from capital in order to encourage savings. This incentive, however, does not imply that savings are necessarily channeled into capital formation investments that can realize high pre-tax rates of return. A critical factor is again the tax treatment of such items as investment credits, tax deductions and accelerated depreciation, which differ between various sectors, industries and corporations. If the tax rules are unfavourable enough to lower after-tax rates of return below those of alternative forms of investment, even the best investment in terms of market criteria may be shunned. Such capital misallocation could affect adversely the long-term growth performance of a country.

Empirical evidence indicates that this welfare loss associated with resource misallocation has, until recently, been significant in the United States of America, while it has been quite small in such countries as the Federal Republic of Germany and Japan. It is estimated, for example, that owing to the double taxation of income generated by corporate enterprises and the favourable taxation of owner-occupied housing, the productivity loss of the United States economy during 1976-1977 was over 1 per cent of GNP, while the Federal Republic of Germany and Japan experienced negligible losses. 12/

## Concluding remarks

Leaving aside the issue of budget deficits, the above survey points to the likelihood that it is the nature of country-specific programmes of public expenditure and tax rules, rather than the level of growth of aggregate expenditures or taxes, which may be the main source of potential problems for the aggregate supply of capital and labour. Nevertheless, these country-specific potential problems cannot sufficiently explain the widespread and prolonged slowdown of economic growth since the mid-1970s in all the countries concerned. This judgement is particularly applicable to the effects of tax rules, be they progressive tax schedules on personal income or income-tax deductions of certain debt payments, since these have essentially remained unaltered for some decades.

## Notes

1/ For 1981 and 1982, only a few selected series are presented on the basis of Organisation for Economic Co-operation and Development, Economic Outlook, December 1982.

2/ The average unemployment rate in the OECD countries increased roughly from 6 to 9 per cent from 1980 to 1982.

3/ In 1982, no change occurred in the United States, and from 1983 on, most benefits would remain intact with some tax increases; in the United Kingdom, unemployment benefits were reduced slightly in real terms; in France, social

security taxes (contributions) were raised for early retirees while cost-of-living adjustment formulas were changed; in the Federal Republic of Germany, student assistance grants were scaled back; in Japan, automatic cost-of-living adjustment formulas for social security are under discussion.

4/ E/1983/42; to be issued as a United Nations sales publication.

5/ See, for example, Report on the World Social Situation (United Nations publication, Sales No. E.82.IV.2), p. 13, and "Socio-economic policies related to issues concerning the equitable distribution of national income and the process of institutional development; Preliminary conclusions of a project on income distribution" (E/CN.5/1983/5).

6/ See R. J. Barro and others, "Social security and private saving: Another look", Social Security Bulletin, May 1979. For a recent technical review of past econometric studies on the case of the United States and of Japan, see K. Yoshikawa, "Do the social security benefits reduce personal savings?", ESP (Japanese), April 1982, pp. 70-76. A recent research memorandum presents some evidence for the negative effects of the social security system in the United States. This is due to the effect of income redistribution towards groups with lower marginal propensities to save (see Owen Evans, "Social security and household saving in the United States: A re-examination" (International Monetary Fund, 19 November 1982) (DM/82/75)).

7/ See Organisation for Economic Co-operation and Development, Studies in Taxation; Income Tax Schedules (Paris, 1981), p. 8.

8/ See, for example, an article on the Seattle and Denver income maintenance experiments: P. K. Robins and R. W. West, "Program participation and labor-supply response", The Journal of Human Resources, Fall 1980, pp. 499-523.

9/ The female participation rate of this age group was virtually unchanged at about 42 per cent during both periods (see United States Bureau of Labor Statistics, Employment and Earnings, various issues).

10/ The real after-tax interest elasticity of household saving is estimated to be around one fourth for the United States economy. It implies that if (a) the household saving rate is around 4 per cent, and if (b) the real after-tax rate of return rises by one percentage point, the household saving rate will be 5 per cent (see M. J. Boskin, "Taxation, saving and the rate of interest", Journal of Political Economy, April 1978, pp. S3-S27).

11/ Until recently, the United States has paid less attention to the tax treatment of savings.

12/ See T. Nakamura, "Productivity losses through capital misallocation in the U.S.A., Japan and West Germany", Quarterly Review of Economics and Business, Autumn 1981, pp. 65-76, and M. Feldstein, "The welfare cost of capital income taxation", Journal of Political Economy, April 1978, S29-S51. Feldstein states, "Even if both saving and labor supply do not respond to the interest rate and wage rate, the welfare cost of the current excess taxation of capital income has approximately the same large magnitude as the welfare cost due to the misallocation of capital between the corporate and non-corporate sectors."

THE IMPACT OF WORKERS' REMITTANCES ON THE BALANCE OF PAYMENTS

## Introduction

Workers' remittances acquired special importance in the 1970s as a major source of foreign exchange earnings for an increasing number of developing countries. This has often been cited as the main benefit to countries with large pools of workers abroad. In this note the impact of workers' remittances on the balance of payments of these labour-exporting countries, particularly those with a sizeable recorded inflow of remittances, will be examined.

The vast migration of foreign workers to the oil-exporting countries in the Middle East and to other OPEC countries in the wake of the first oil price increase in 1973 is one of the special features of the 1970s. It gave rise to the expectation of an even stronger cross-border movement of workers in the future, from developing countries with a labour surplus to other developing countries whose development programmes depended on the import of workers. Such being the case, it was argued that an acceleration in international labour migration was to become one of the main features of the 1980s. The optimism embodied in these views was reinforced by the significant increases in workers' remittances in the second half of the 1970s, which in turn, justified the notion that these new financial flows would represent a significant contribution to the adjustment process in the labour-exporting developing countries, at least at the balance-of-payments level. Such an increase in workers' remittances would, in addition, help in paying the enlarged import bill of their countries of origin. Meanwhile, in a different group of developing countries, those exporting oil, the new waves of migrant labourers, with their impressive range of skills, were making possible profound changes in the productive structures of those countries which otherwise would not have materialized or at best have been delayed.

The largest increments in remittances have accrued to those developing countries which were able to send their surplus labour to the oil-exporting countries, mainly in the Middle East, which in relation to their rapidly increasing incomes have short supplies of indigenous human resources. In fact, the increments in remittances to those countries explain more than half of the increase in global workers' remittances between 1974 and 1980 (see table III-1). 1/ However, the factors that led to this increase have recently been subjected to several changes. Indeed, the available data on remittances for 1981 show signs of a change in trends. A provisional assessment, while still confirming the high proportion that workers' remittances have come to represent in the foreign exchange earnings of a number of countries (see table III-2), does not warrant very high expectations for a further strengthening of past trends during the present decade. An analysis of the reasons for this change is presented below. For this purpose, two main groups of labour-exporting countries are distinguished: "new" emigration countries, or countries which have emerged as major labour exporters since the 1973 oil-price increase; and "old" emigration countries, or countries whose labour exports were related to the expansionary phase in the developed market economies. In addition to these two major categories, reference is also made to a third group of countries comprising those emigration countries that cannot be readily classified under either of the two major groups.

Table III-1. Migrant workers' remittances: reported inflows
(Millions of dollars)

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| "Old" emigration countries a/ | 3 362.9 | 4 299.4 | 5 800.7 | 7 661.0 | 8 115.1 | 8 283.6 | 8 595.9 | 10 344.9 | 12 548.5 | 15 654.0 | 17 739.2 | 13 025.6 |
| Yugoslavia | 498.0 | 712.1 | 958.7 | 1 390.0 | 1 609.1 | 1 695.0 | 1 884.2 | 2 505.5 | 2 949.7 | 3 392.8 | 4 050.4 | ... |
| Italy | 1 017.0 | 1 135.3 | 1 363.6 | 1 535.4 | 1 356.6 | 1 311.3 | 1 161.4 | 1 780.5 | 2 437.7 | 3 016.8 | 3 246.1 | 2 897.2 |
| Portugal | 324.0 | 456.0 | 944.6 | 1 167.1 | 1 173.8 | 1 124.3 | 925.9 | 1 197.9 | 1 688.9 | 2 483.2 | 2 963.5 | 2 896.0 |
| Turkey | 273.0 | 471.4 | 740.5 | 1 101.0 | 1 450.4 | 1 317.4 | 990.6 | 991.2 | 1 011.7 | 1 735.2 | 2 128.0 | 2 570.5 |
| Spain | 469.0 | 459.6 | 599.3 | 902.4 | 858.7 | 789.2 | 1 435.1 | 1 523.6 | 1 751.6 | 1 894.1 | 2 185.2 | 1 820.5 |
| Greece | 339.0 | 468.4 | 574.3 | 729.6 | 650.7 | 753.9 | 804.7 | 938.7 | 986.6 | 1 179.6 | 1 118.1 | 1 176.8 |
| Morocco | 63.0 | 95.3 | 140.1 | 250.3 | 359.6 | 533.0 | 547.2 | 588.4 | 762.5 | 948.3 | 1 054.2 | 1 012.9 |
| Algeria | 211.0 | 237.7 | 272.5 | 331.4 | 351.2 | 412.8 | 432.9 | 349.1 | 393.1 | 416.0 | 406.1 | ... |
| Tunisia | 29.0 | 44.1 | 61.9 | 98.9 | 117.9 | 144.5 | 142.0 | 168.1 | 221.6 | 282.9 | 303.3 | 357.3 |
| Mexico | 123.0 | 111.3 | 127.0 | 139.5 | 158.7 | 176.1 | 240.1 | 251.0 | 276.7 | 228.7 | 195.2 | 215.8 |
| Cyprus | 16.9 | 18.2 | 18.2 | 15.4 | 28.4 | 26.1 | 31.8 | 50.9 | 68.4 | 76.4 | 89.1 | 78.6 |
| "New" emigration countries a/ | 268.7 | 278.9 | 496.1 | 608.1 | 1 058.7 | 1 760.3 | 3 388.6 | 5 232.7 | 7 684.6 | 9 452.7 | 12 894.3 | 11 109.1 |
| Egypt | 29.0 | 27.1 | 104.2 | 116.8 | 268.2 | 365.5 | 755.1 | 928.2 | 1 772.8 | 2 213.2 | 2 695.5 | 2 181.4 |
| Pakistan | ... | ... | 130.3 | 147.8 | 178.0 | 257.4 | 409.9 | 866.3 | 1 303.3 | 1 494.8 | 2 038.2 | 2 056.5 |
| India | 113.0 | 141.4 | 132.5 | 175.2 | 232.1 | 429.8 | 641.9 | 934.0 | 1 169.4 | 1 436.7 | 3 000.0 b/ | 1 800.0 b/ |
| Yemen | ... | ... | ... | ... | 156.9 | 309.7 | 795.1 | 1 193.3 | 1 222.0 | 1 177.3 | 1 255.5 | 926.5 |
| Jordan | 15.5 | 13.8 | 20.7 | 44.8 | 75.2 | 166.7 | 410.8 | 469.9 | 520.0 | 600.5 | 792.4 | 1 047.3 |
| Philippines | ... | ... | ... | ... | ... | ... | ... | 213.7 | 290.4 | 555.5 | 627.3 | 798.3 |
| Thailand | ... | ... | ... | ... | ... | 18.2 | 24.2 | 44.4 | 103.9 | 187.3 | 376.1 | 477.6 |
| Democratic Yemen | 60.0 | 48.1 | 30.5 | 34.3 | 43.8 | 61.9 | 120.8 | 184.7 | 257.7 | 316.8 | 352.1 | ... |
| Bangladesh | ... | ... | ... | ... | ... | 15.7 | 18.8 | 78.8 | 115.3 | 152.6 | 286.2 | 385.9 |
| Sudan | ... | ... | ... | ... | ... | 6.1 | 39.7 | 40.0 | 67.6 | 117.8 | 256.0 | 366.4 |
| Sri Lanka | 3.0 | 3.4 | 3.9 | 7.9 | 8.2 | 8.5 | 12.9 | 18.2 | 39.1 | 60.1 | 151.6 | 230.1 |
| Syrian Arab Republic | 7.0 | 8.0 | 39.1 | 37.0 | 44.5 | 52.2 | 53.1 | 92.2 | 636.0 | 901.8 | 773.1 | 581.3 |
| Colombia | 6.0 | 8.0 | 8.7 | 11.9 | 15.6 | 18.2 | 41.6 | 42.0 | 43.8 | 100.8 | 131.5 | 123.8 |
| Republic of Korea | 33.0 | 25.1 | 20.6 | 26.2 | 28.9 | 32.8 | 47.3 | 102.7 | 105.2 | 100.8 | 101.5 | 126.2 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | 36.7 | 57.3 | 7.2 |
| Benin | 2.2 | 4.0 | 5.6 | 6.6 | 7.3 | 17.6 | 17.4 | 24.3 | 38.1 | ... | ... | ... |
| Ghana | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.3 | ... | 0.6 |
| ther emigration countries | 205.2 | 232.8 | 281.6 | 320.9 | 347.5 | 619.7 | 707.3 | 789.8 | 975.8 | 1018.0 | 960.1 | 785.2 |
| Lesotho | ... | ... | ... | ... | ... | 122.0 | 136.8 | 161.1 | 177.4 | 210.7 | 254.2 | 265.4 |
| Dominican Republic | 25.1 | 14.5 | 24.0 | 24.0 | 26.8 | 28.0 | 112.0 | 123.6 | 131.6 | 161.2 | 166.3 | ... |
| Brazil | 9.0 | 10.0 | 11.9 | 14.3 | 15.6 | 81.3 | 80.8 | 60.7 | 112.7 | 73.7 | 109.3 | 122.6 |
| Haiti | 16.5 | 17.4 | 22.0 | 22.3 | 21.6 | 58.8 | 74.4 | 75.5 | 77.7 | 84.9 | 106.1 | 123.3 |
| Jamaica | 50.4 | 61.0 | 84.2 | 90.1 | 88.5 | 98.1 | 99.0 | 87.1 | 72.6 | 94.4 | 100.1 | 111.8 |
| Mali | 5.7 | 6.7 | 8.1 | 9.9 | 14.2 | 23.3 | 17.8 | 26.5 | 44.3 | 54.0 | 59.3 | 47.6 |
| Argentina | 6.0 | 8.0 | 5.4 | 9.5 | 12.0 | 10.9 | ... | ... | 26.3 | 41.3 | 56.0 | 41.3 |
| Paraguay | ... | ... | ... | ... | 0.2 | 5.3 | 7.0 | 17.0 | 37.1 | 35.0 | 50.1 | 61.4 |
| El Salvador | 1.1 | 0.7 | 0.8 | 1.0 | 1.2 | 1.3 | 9.4 | 51.8 | 67.3 | 99.5 | 47.9 | ... |
| Panama | 66.9 | 70.8 | 73.5 | 79.8 | 86.0 | 94.5 | 99.9 | 110.4 | 128.7 | 135.1 | 10.8 | 11.8 |
| Ivory Coast | 6.1 | 7.1 | 9.2 | 8.3 | 9.3 | 12.0 | 14.1 | 15.9 | 22.0 | 28.2 | ... | ... |
| Malawi | ... | 15.4 | 16.1 | 25.5 | 36.1 | 38.4 | 5.2 | ... | ... | ... | ... | ... |
| Upper Volta | 18.4 | 21.2 | 26.4 | 36.2 | 36.0 | 47.8 | 50.9 | 60.2 | 78.1 | ... | ... | ... |
| Total c/ | 3 836.8 | 4 811.1 | 6 578.4 | 8 590.0 | 9 521.3 | 10 663.6 | 12 691.8 | 16 367.4 | 21 208.9 | 26 124.7 | 31 593.2 | 24 919.9 |
| Total, excluding nine countries d/ | 3 014.9 | 3 750.3 | 5 234.6 | 6 732.7 | 7 400.5 | 8 348.8 | 10 044.9 | 13 052.3 | 17 271.3 | 21 711.5 | 26 570.8 | 24 919.9 |

(Source and footnotes on following page)

(Source and footnotes to table III-1)

Source: Department of International Economic and Social Affairs of the United Nations Secretariat, based on International Monetary Fund balance-of-payments tapes, March 1983. The figures here are the sum of "labour income", "migrants' transfers" and "workers' remittances", items 27, 33 and 35, respectively, in the detailed presentation of the accounts in the International Monetary Fund balance-of-payments statistics. Further explanation of these items is provided in the text below.

a/ For definition of "old" and "new" emigration countries, see text.

b/ Estimates by the Department of International Economic and Social Affairs of the United Nations Secretariat.

c/ These totals are not fully comparable as a time series, because some countries have incomplete data or began recording remittances only recently.

d/ Total excludes nine countries for which 1981 data are not yet available.

Table III-2. Remittance inflows as percentage of merchandise exports, selected countries a/

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|
| "New" emigration countries | | | | | | | |
| Yemen b/ | 2 180 | 5 850 | 8 060 | 21 820 | 24 030 | 9 960 | 9 000 |
| Democratic Yemen b/ | 320 | 270 | 390 | 650 | 810 | 590 | ... |
| Jordan | 110 | 200 | 190 | 180 | 150 | 140 | 140 |
| Egypt | 23 | 47 | 48 | 89 | 88 | 70 | 54 |
| Pakistan | 25 | 35 | 77 | 93 | 77 | 80 | 73 |
| Bangladesh | 05 | 05 | 17 | 21 | 23 | 36 | 49 |
| Benin | 15 | 18 | 17 | 20 | ... | ... | ... |
| India | 09 | 12 | 15 | 18 | 19 | 36 c/ | 21 c/ |
| Philippines | ... | ... | 7 | 8 | 12 | 11 | 14 |
| "Old" emigration countries | | | | | | | |
| Turkey | 94 | 51 | 57 | 44 | 77 | 73 | 43 |
| Portugal | 58 | 52 | 47 | 62 | 70 | 65 | 71 |
| Morocco | 35 | 44 | 46 | 51 | 49 | 44 | 44 |
| Yugoslavia | 42 | 39 | 48 | 51 | 50 | 45 | ... |
| Greece | 38 | 36 | 37 | 33 | 30 | 27 | 25 |
| Tunisia | 18 | 18 | 22 | 24 | 18 | 17 | 17 |
| Cyprus | 22 | 15 | 17 | 21 | 18 | 15 | 15 |
| Spain | 12 | 18 | 17 | 16 | 13 | 12 | 9 |

Source: Department of International Economic and Social Affairs of the United Nations Secretariat calculations based on International Monetary Fund, Balance of Payments Statistics, vol. 33 (1982).

a/ Listed countries are those for which workers remittances represent at least 10 per cent of the value of merchandise exports in 1980.

b/ The percentages for these countries are extremely high because the value of merchandise exports is very small.

c/ Estimates by the Department of International Economic and Social Affairs of the United Nations Secretariat.

## The rise in remittances during the 1970s

The flows of workers' remittances showed steady and substantial increases in the 1970s. Labour-exporting countries in Europe, Africa, Asia and Latin America registered over $31 billion in remittances in 1980, up from about $3.8 billion in 1970 or more than an eight-fold increase in 10 years (see table III-1). This represents an impressive annual rate of growth of about 23 per cent. Such a development resulted in workers' remittances gradually becoming an important part of the international flow of foreign exchange. 2/

The amounts of remittances being referred to here are the sum of flows registered in the International Monetary Fund balance-of-payments statistics under three headings associated with migrants: 3/ labour income (item 27 in the detailed presentation of the accounts) is the factor income accruing to temporary labourers defined as those staying less than 12 months working abroad; workers' remittances (item 35) is the value of private transfers from workers residing abroad for more than a year; and migrants' transfers (item 33) is a set of entries referring to the flows of goods and changes in financial assets that arise from migration.

Most countries do not distinguish between these types of flows. Indeed their total appears under item 35, workers' remittances. In addition, there are practically no data registered under "migrants transfers" except for half a dozen developing countries. Furthermore, as is the case with the statistics on migrants, it is hard to distinguish between remittances from temporary workers and those from permanent migrants. In view of this, use is made here of the World Bank's definition, which considers "workers' remittances" as the sum of the three items mentioned above.

For a certain number of developing countries, such as Egypt and Pakistan, and more recently Bangladesh, workers' remittances came to represent half or more than half the total value of merchandise exports. In Egypt and Pakistan, in fact, they represented in some recent years more than two thirds of the value of merchandise exports. Also, in India and the Philippines workers' remittances showed a marked upward trend, mainly in the second half of the 1970s. In India such remittances represented about 20 per cent of the value of merchandise exports at the end of the decade. In addition, mention should be made of the special cases of Yemen, where workers' remittances are practically the only source of foreign exchange, as well as Democratic Yemen and Jordan, where these remittances far outweigh merchandise exports (see table III-2).

According to the classification discussed earlier, these countries may be called the "new" emigration countries, in the sense that the rapid increases in the emigration of workers and in the inflow of remittances are clearly a phenomenon that followed the oil-price increase of 1973 (see tables III-1 and III-2). In several of these countries emigration had indeed occurred before the 1970s. For example, labour migration from Jordan, Egypt and Democratic Yemen was already taking place in the 1950s; Bangladeshis have been migrating to Saudi Arabia since the early 1960s; 4/ significant migration from India was taking place in the beginning of the century; 5/ and the movement of Colombians into Venezuela has been a known fact for some past decades. What is new, in fact, is the substantial increase in the stocks of migrant workers in most of the oil-exporting countries during the second half of the 1970s, as well as the high proportion they came to represent in the labour force of these countries.

The increase in oil revenues meant that most of the oil-exporting countries, and not only those in the Middle East, have accelerated the implementation of their development plans and have increased their demand for foreign labour. Remittances rose as a consequence of larger numbers of workers leaving their countries in search of work and higher wages. In 1980, the stock of migrant workers in the Arab oil-exporting countries had reached some 2.8 million: approximately 627,000 Egyptians, 368,000 Pakistanis, 420,000 Yemenis (mainly from the Yemen Arab Republic), 280,000 Indians, 250,000 Jordanians and Palestinians, 89,000 Sudanese, 179,000 Bangladeshis, 6/ 83,000 Syrians, 20,000 Somalis, 220,000 Filipinos and more than 120,000 migrants from the Republic of Korea. 7/ In Latin America, Venezuela, the main OPEC country in the region, is also by far the most important immigration country in the area, with a presence of 1.1 million foreign workers in 1981, among whom Colombians represent a high proportion. In Africa, another major OPEC member State, Nigeria, attracted increasing numbers of workers from neighbouring countries belonging to the Economic Community of West African States (ECOWAS), notably Ghana, Benin and Togo.

The presence of these large numbers of migrant workers and their increase as compared to corresponding estimates made five years earlier 8/ is reflected in the volume of remittances to their countries of origin (see table III-1). Apart from the number of migrants, the rise in remittances also reflects the upward movement of wages in the oil-exporting countries, which was brought about by the higher oil revenues. At the same time, the widening of the wage differentials between these countries and those exporting labour stimulated the flow of migrants.

Turning to the "old" emigration countries, it may be recalled that they are basically those where the substantial outflows of workers were related to the strongly expansionary phase of the Western European economies in the 1960s. Nationals of Italy, Spain, Portugal, Turkey, Yugoslavia, the Maghreb countries and Greece, accounted for two thirds of the recorded number of approximately 6.5 million migrant workers in Western Europe in 1980. With the exception of the United Kingdom of Great Britain and Northern Ireland, which received migrants mainly from other Commonwealth countries, 73 per cent of the 5.6 million migrant workers in the Western European countries came from the following countries: 16 per cent from Italy, 14 per cent from Turkey, 11 per cent from Yugoslavia, more than 15 per cent from Spain and Portugal, 13 per cent from the Maghreb countries, and 3 per cent from Greece.

As may be observed from table III-1, Mexico is included among the "old" emigration countries, since neither a labour surplus nor the traditional flow of migrants to the United States ceased to exist even after that country became a major oil exporter. Its oil boom, however, at the same time attracted migrant labour from other Latin American countries. Nevertheless, the overriding nature of the former characterics has put Mexico in sharp contrast with the oil exporters of the Middle East in that it still remained a major labour-exporting country.

The "old" emigration countries were major receivers of remittances since before the 1973 oil price increase. The weight of such remittances in their current accounts in general did not increase and in some cases even declined in the second half of the 1970s. This is due to the fact that the recruitment of foreign labourers in the major developed market economies of Western Europe came to a halt in the mid-1970s. Nevertheless, in some of the "old" emigration countries the ratio of remittance inflows to merchandise exports can indeed be quite high, as in Portugal, where it reached more than 60 per cent in recent years; in Turkey, where

the ratio oscillated in a range from 94 per cent in 1975 to 43 per cent in 1981; in Morocco and Yugoslavia, where it has been close to 50 per cent; and in Greece, where it was near 30 per cent until recently. However, contrary to the trend in the "new" emigration countries, the proportion of workers' remittances in foreign exchange earnings of the "old" emigration countries has not been increasing (see table III-2), except in the case of Portugal. In several of them the absolute amount of remittances has been either declining or has remained stagnant (see table III-1).

While the categorization of the labour-exporting countries into "new" and "old" emigration countries may be convenient and convincingly substantiated, the dividing line between these two categories is not a clear-cut one. This is due to the fact that some of the "old" emigration countries, like the Maghreb countries and more recently Turkey, are also recipients of remittances from their workers in the Middle East. These were generated, in the case of such countries as Turkey, Yugoslavia and the Republic of Korea, from new exports of labour to the Middle East which have been mainly in the form of "contract migration" developed by construction firms offering package deals covering services, equipment and labour.

Furthermore, not all the emigration countries for which data on remittances are reported can be readily classified in these two categories, since not all cross-border labour migration can be related to either the expansion in the industrialized countries or to the increase in oil revenues. In table III-1, a third group of countries is listed under the heading "other emigration countries". It includes developing countries which export labour to both developing and developed countries. For this group of countries, remittances increased in the 1970s. However, no exact information on the source of the increase in such remittances is available.

In view of their substantial size and contribution to the foreign exchange earnings of a number of developing countries, it has sometimes been suggested that workers' remittances went a long way to compensate these countries for the costs incurred in higher oil bills. This argument might be valid if the relevant figures were compared at the level of all developing countries. It is a known fact that while imports of crude petroleum and petroleum products into the developing market economies rose from $4 billion in 1970 to $45 billion in 1980, 9/ workers' remittances expanded from about $4 billion to more than $31 billion during the same period. However, those countries which are large oil importers are not identical with the countries which are large exporters of labour. Some 82 per cent of the total oil imports of developing countries are accounted for by eight semi-industrialized economies. 10/ In several of these countries there have indeed been significant exports of labour. However, only in a few have remittances significantly offset the increased oil bill. At the same time, when the comparison is restricted to the labour-exporting countries, it is evident that remittances have indeed helped to cushion the effects of the 1973 oil-price increase on their economies, even though the extent of that relief has varied widely among them.

## The decline in remittances

As noted above, the inflow of remittances to a number of "new" emigration countries has been clearly related to the export of labour to OPEC countries (mostly in the Middle East, but also in Africa and Latin America) in the wake of the oil-price increases of the 1970s and the ensuing ambitious investment

programmes in several of these countries. With the recent decline in oil prices and the prevalence of a world-wide recession, cutbacks in investment programmes and government expenditures were effected in many of the oil-exporting countries. Hence, a decline in the demand for foreign labour and a possible decline in the level of remittances may be forthcoming. Indeed, the figures for the period 1975-1981 are quite revealing in this respect. While remittances almost trebled between 1975 and 1980, in 1981 they appear to have declined.

A precise comparison of total remittances in 1980 and 1981 cannot be made mainly because of the lack of data for India in both of these years. Furthermore, the 1981 figures for Yugoslavia are not yet available. In the case of India, however, it is possible to make some estimates of current transfers for the fiscal years 1980/81 and 1981/82 (April to March): these added up respectively to $3.8 billion and $1.9 billion. In recent years, the figures for current transfers have matched rather closely those for workers' remittances. It can therefore be estimated that these remittances were about $3 billion in 1980 and around $1.8 billion in 1981. The exceptional rise in remittances in 1980 has been attributed primarily to the rise in political tension in the Persian Gulf.

The figures for global remittances in table III-1 show a sharp decline in 1981. However, this is partly due to the absence of data for Yugoslavia, a major receiver of remittances, and also for a few other countries. Assuming that the level of remittances for Yugoslavia in 1981 was the same as in 1980, and assuming also that the levels of remittances for the other eight countries for which data are lacking for some years have remained constant during those years, there would still be an appreciable decline in global remittances - from approximately $31.7 billion in 1980 to about $30 billion in 1981. 11/ Even if allowance is made for the unusual increase in remittances to India during 1980, the figures still show a decline in 1981. Furthermore, the exclusion of the nine countries for which data for 1981 are not yet available (as shown in the last row of table III-1), does not also alter this general conclusion. When the rapid increases observed in the past are recalled, particularly that recorded in 1980, the change in trend becomes more evident. This change, however, is not uniform in the three country groupings. It is more evident in the case of the "new" emigration countries, where the decline is more striking because of the faster growth of remittances recorded in these countries in recent years. With regard to the "old" emigration countries, the figures show only a small decline or a stagnation in the level of remittances when allowances are made for the lack of the data for Yugoslavia and Algeria in 1981. For this group of countries the change has been less abrupt, owing to the fact that the rates of growth of remittances in recent years have also been less steep and had already decelerated considerably between 1973 and 1978. As to the "other emigration countries", remittances in 1981 generally did not decline.

The decline in total remittances identified in 1981, which was probably even more acute in 1982, is the result of two different but concurrent series of events. On the one hand, it is a consequence of the halt in recruitment of foreign labourers, and even the efforts of Governments to reverse their flow, in most European countries. This accounts for the decline or stagnation in workers' remittances to the "old" emigration countries such as Italy, Portugal, Spain, Greece, Cyprus and Morocco (see table III-1). On the other hand, it is related to the decline in oil revenues in some countries in 1981 and, as some large infrastructure projects neared completion, to a cautious approach by government towards increased expenditures and hence a slowdown in investment programmes in the oil-exporting countries. This explains the slowdown in remittances to the "new"

emigration countries, the ones whose remittance inflows were related to the investment boom in the oil-exporting countries in the Middle East an elsewhere in the developing regions.

Data for 1982 are not yet available, but the scattered evidence leads to the conclusion that the trend identified in 1981 continued during that year. Most probably it even worsened, not only because substantial curtailments in investments and public expenditures, but also owing to restrictions in foreign exchange markets and expectations regarding the rates of exchange, as well as interest rates differentials, all of which might have induced workers to keep part of their savings in the country of employment. Considering the various current trends, it seems unlikely that the steep increases in remittances witnessed in the past decade will reoccur in the 1980s.

## Remittances and the reverse flow of migrants

While the results reviewed above are a reflection of the present world recession, other influences are also at work. The proportion of foreign labourers in the work force of most of the Middle East receiving countries is already fairly high, ranging from around 40 per cent in Bahrain, the Libyan Arab Jamahiriya and Saudi Arabia, to 70 per cent in Kuwait, and as high as 81 per cent and 90 per cent respectively in Qatar 12/ and the United Arab Emirates. 13/ Apparently social factors are at work against an increased absorption of foreign labour. The more rapid formation of local skills seems to have become an important objective. 14/ Government officials in the Gulf countries, in fact, have been expressing concern over the size of the expatriate work force, and in several instances there has been a tightening of controls on entry in the receiving countries, particularly since 1980.

A 1979 Kuwaiti decree requires employers to apply to the Ministry of Social Affairs and Labour for permits to recruit foreign workers and to be responsible for their repatriation. In the United Arab Emirates a 1980 law limits the stay of new immigrants to five years and requires migrant workers to leave the country at the end of their contracts. In Bahrain, although a requirement for work permits has been in existence for some time, only recently has this policy been observed, and the official policy is to replace expatriates gradually by nationals. Also, in Saudi Arabia and in the smaller Gulf countries, Governments are seeking means of preventing an increase in the number of foreign workers. 15/ The growing preference in these countries for building contracts with provisions for imported manpower to include an explicit clause for their repatriation is in line with the objective of halting immigration.

All indications, therefore, seem to point to a future slowdown in the absorption of foreign labour in the "new" immigration countries. However, for most of the oil-exporting countries, particularly in the Middle East, a reversal of the flow of migrants in the short run is less likely. What is clear, however, is that the previous path of expansion in the absorption of foreign labour may have little chance of being resumed at the same rhythm as in the past decade, even when the global recession lessens.

## Some observations on the data base

The amounts of remittances considered here should be taken as the lowest estimates for several reasons. To begin with, the global totals are underestimated, owing to the fact that the list of emigration countries is not complete; it excludes some countries with modest remittances or intermittent records. The recorded data not only fail to include transfers from illegal or undocumented migrant workers (part of which might appear under other forms of transfers), but also in the case of legal migrant workers, no system of control could possibly catch all the funds which migrants can personally take across borders. In this respect it is interesting to note that some of the countries which are known to have significant stocks of their labour force aboard either do not report or sporadically report workers' remittances in their balance of payments. Others register relatively small inflows as compared to the number of their nationals working abroad.

Differences between official and black market exchange rates constitute a strong incentive not to use the channel offered by the banking system. Meanwhile, merchants with offices in sending and receiving countries have often acted as financial intermediaries and have been able to transfer money to the families of migrant workers more rapidly than the banking system. Hence, any attempt to estimate remittances outside the banking system would have to be based on a set of assumptions differing from one country to another. Only very recently have there been some attempts to incorporate in the official estimates of remittances some estimates of such transactions on the black market. These estimates generally suffer from additional uncertainty since workers' remittances are quite sensitive to changes in the political climate. Thus, for example, the exceptional fluctuations in remittance in some countries in recent years may be traced back to such a factor.

In recent years, the trend towards pre-arranged work contracts, in which the import of labour comes as part of a package including equipment and services, might equally lead to an underestimation of recorded workers' remittances, if part of the wages and salaries are paid by the foreign contractor in the country of origin instead of the country of employment.

## Notes

1/ By concentrating on the growth of workers' remittances related to the recent expansion of oil revenues, the migratory movements in southern Africa, North America, Central America, Western Africa and other areas have been left out of the discussion. In West Africa part of the very recent migratory flows have indeed been related to the expansion of oil revenues, but no data are available.

2/ In 1980 they were substantially more than, for instance, the total sum of official development assistance to all developing countries, which added up to $24.5 billion (current prices). This is certainly a change compared to a decade earlier, when recorded remittances were somewhat less than the total of official development assistance.

3/ See International Monetary Fund, Balance of Payments Manual (Washington, D.C., 1977), and Gurushri Swamy, "International migrant workers' remittances: Issues and prospects", World Bank Staff Working Paper No. 481 (August 1981).

4/ Syed Ashraf Ali and others, "Labor migration from Bangladesh to the Middle East", World Bank Staff Working Paper No. 454 (April 1981), p. 5.

5/ Ibid., p. 3.

6/ Ibid., p. 49.

7/ Except for Bangladeshis (for which the estimates are in Syed Ashraf Ali and others, op. cit.) and for Filipinos (cf. report from Manila in The New York Times, 31 January 1982, p. 6), these are estimates contained in studies carried out by the International Labour Organisation regarding only migrants who moved for the purpose of employment and which might be different from other national estimates; in certain instances they might be underestimates.

8/ Estimates of the stock of migrant workers in the Arab countries in 1975 are found in World Population Trends and Policies, 1981 Monitoring Report, vol. I (United Nations publication, Sales No. E.82.XIII.2), p. 138.

9/ 1970/71 Yearbook of International Trade Statistics (United Nations publication, Sales No. E.73.XVII.12), SITC Rev.1, groups 331 and 332, and 1980 Yearbook ..., vol. II (United Nations publication, Sales No. E/F.81.XVII.13), SITC Rev.2, groups 333, 334 and 335.

10/ Brazil, Singapore, Republic of Korea, Turkey, Thailand, the Philippines, India and Hong Kong.

11/ This total is arrived at by assuming that the eight countries, along with Yugoslavia, for which data for 1981 are lacking had the same levels of remittances as those registered in the last year for which data are available.

12/ World Population Trends and Policies, 1981 Monitoring Report, vol. 1 ..., p. 140.

13/ International Migration Policies and Programmes: A World Survey (United Nations publication, Sales No. E.82.XIII.4), p. 55.

14/ At the end of 1982 the six countries belonging to the Gulf Co-operation Council decided to set up an institute to increase the supply of skilled Arab manpower and agreed to work towards unifying their labour laws and exchanging information on the labour market.

15/ A review of immigration policies clearly shows the gradual imposition of stricter controls on expatriate labour in the Arab countries. See International Migration Policies and Programmes ... pp. 53-57.

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