

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

B5

PATTERNS OF REGIONAL COOPERATION
AMONG ARAB COUNTRIES

PRESENTED BY
DR. MOHAMMED IMADY
DIRECTOR GENERAL
CHAIRMAN OF THE BOARD OF DIRECTORS

PANEL OF EMINENT PERSONS
"PROGRAMME ON REGIONAL AND INTER-REGIONAL COOPERATION"
IN THE 1980'S

KUWAIT 8 - 9 JANUARY 1983

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

PATTERNS OF REGIONAL COOPERATION

AMONG ARAB COUNTRIES

PRESENTED BY

DR. MOHAMMED IMADY

DIRECTOR GENERAL

CHAIRMAN OF THE BOARD OF DIRECTORS

PANEL OF EMINENT PERSONS

"PROGRAMME ON REGIONAL AND INTER-REGIONAL COOPERATION"

IN THE 1980'S

KUWAIT 8 - 9 JANUARY 1983

PATTERNS OF REGIONAL COOPERATION

AMONG ARAB COUNTRIES

TABLE OF CONTENTS

| | <u>PAGE</u> |
|-------------------------------------------------------------|-------------|
| I. INTRODUCTION | 1 |
| II. BACKGROUND TO ARAB ECONOMIC COOPERATION .. | 5 |
| III. MECHANISMS AND MODALITIES OF COOPERATION.. | 8 |
| IV. APPROACHES TO ARAB ECONOMIC COOPERATION .. | 15 |
| V. PAST PERFORMANCE AND THE OUTLOOK FOR THE FUTURE | 30 |

PATTERNS OF REGIONAL COOPERATION

AMONG ARAB COUNTRIES

1. INTRODUCTION

There is hardly any need in this paper for an analytical or theoretical underpinning of the case for economic cooperation among countries, or, for that matter, among regions. There is sufficient evidence of the value and effectiveness of cooperation and the pooling of efforts, as against individual action, to make it unnecessary to articulate the argument for cooperation. But the case becomes stronger if the countries and/or regions concerned partake of similar or not widely different features and characteristics, and if, simultaneously, they suffer from insufficient development of their resources and development capabilities. In this instance, the potency of the argument becomes more evident.

The Arab countries, which occupy the region stretching from Morocco and Mauritania to the West, to Iraq and Kuwait to the East, have a yet stronger compulsion for cooperation, given the fact that, in addition to the general argument for cooperation, they have particular reasons and incentives for it. Thus, they share the same historical and cultural heritage, have one circuit of economic life which has remained unbroken for centuries until the establishment of the state of Israel in their midst, and hold great hopes for economic development, cultural rejuvenation, and security

for themselves as individual countries, and for the region as a whole looked at as one entity. In addition, they aspire to achieve a large measure of unity among themselves and share a largely similar political outlook for the future. With regard to development and security specifically, they argue cogently in two directions: first, that their individual and collective interests interact and are mutually supportive, if correctly conceived and designed; and secondly, that development and security are also mutually supportive and can be better achieved through deep and far-reaching cooperation, in economic but also in other areas of life and action.

One aspect of the great merit and urgency of economic cooperation among the Arab countries, as among other regions of the Third World, is the desire shared by all Third World regions to witness the emergence of a New International Economic Order, NIEO. They realize that without cooperation which is intelligently defined and earnestly sought, it would be impossible to achieve the acceptance of the NIEO by the industrial countries and regions of the North, or, if the NIEO is accepted as a concept or objective, to have it acquire the content without which it would remain meaningless and rather empty.

Without going into a detailed characterization of this content, we can reiterate six expectations which it would

be warranted to attach to the NIEO. These are:

1. Better international division of labour which would conform more closely to the new international economic realities, and embody the conviction of the Third World that the old economic order discriminates against Third World regions. The division of labour sought in the context of the NIEO must allow greater opportunities for the advancement of Third World countries, particularly in the areas of industry, agricultural and rural rejuvenation, education, the acquisition of technological skills and advanced productive capabilities, supportive sectors and activities, and generally in the generation of national product.
2. Fairer returns to Third World regions for their productive efforts and the exhaustion or utilization of their resources, which often constitute their major source of income, and which they are most eager to process in order to generate larger value added at home.
3. More efficient and less wasteful use of Third World resources, in circumstances which correct the practices of the past that have been extremely permissive in the use and depletion of these resources, and overly concerned with the narrow interests of

the industrial regions.

4. Choice of more appropriate technology to suit the endowments and needs of the regions of the Third World. This would involve true cooperation between the industrial world and the developing regions, and among Third World regions, for the search of appropriate technology and the evolution of the capabilities of the workforce in these regions to acquire the skills called for by the new advanced technology.
5. The pursuit of alternative courses or patterns of development suitable to Third World regions, which take into account the cultural values, priorities, basic needs, and natural and human endowments of these regions, and do not push them towards the trap of attitudes and behaviour patterns conforming to the interests of the industrial world and its Transnational Corporations, or towards attitudes and behaviour patterns alien to their culture.
6. Respect for the national (and regional) will of Third World countries and groupings of countries, and provision of scope for independent decision-making . This is not to be understood as disregard for the intricate web of relations that con-

nects the various countries and regions of the world, North and South alike, or for the interdependence that exists and the need to recognize both its reality and necessity. However, in the present context, interdependence is not to be understood as licence for the continuation of serious imbalance in North-South relations, or to be used as a euphemism that permits the projection of the status quo in power relationships between North and South into the future.

II. BACKGROUND TO ARAB ECONOMIC COOPERATION

The strong European drive for colonization in the nineteenth and twentieth centuries brought about a restructuring of economic relations among the Arab countries. It disrupted the close intra-regional relations that had been in existence since the meteoric emergence of the Arab/Islamic empire in the seventh and eighth centuries, and diverted the emphasis in the relations that were to follow the set-up of the colonial regime towards a new intensive and extensive relationship with the European colonial powers, in the service primarily of their interests.

It was the onset of the era of Arab political independence after the Second World War that provided the opportunity for the abolition of colonial structure and its

exploitative economic pattern and fueled the desire to re-establish political unity.

Regional cooperation is the first step on the road to achieve this unity. It is hoped that regional cooperation will lead, step by step, to greater cohesiveness, complementarity, integration and eventually organic unity. This aim is manifest in the many agreements entered into and the institutions set up within the broad framework of the League of Arab States. That cooperation represents the mainstream of Arab thinking and feeling is evident in the fact that, as early as 1944 and 1945 when the protocol forming the League of Arab States, and then its Charter, were drawn up and signed, it was stipulated that the League would undertake to bring about economic cooperation and organize it among the member states. The ambitions of the Arab countries went beyond cooperation and reached for unity, with the drawing up in 1957 of the Agreement for Arab Economic Unity, and the establishment in 1962 of the Council for Arab Economic Unity.

Although the institutional framework formulated has sought objectives more ambitious than mere cooperation, pragmatism and the lessons of experience have made the Arab countries place emphasis on an intermediate objective between mere cooperation which could not be considered an adequate

reflection of the historical and cultural ties among the Arab countries and the aspirations shared by them, and full economic unity, which is the most demanding objective among all forms of economic cohesiveness. Thus, although the various levels of cohesiveness continue to feature in the agreements in force and to form part of the functions of the institutions established to further the cause of cohesiveness, it is complementarity that has come to be the objective most frequently articulated, in official statements and in the relevant literature alike.

However, in more recent years, particularly since the mid-1970s, yet another term has come to be mostly used as expressive of the objective sought. This is Joint Arab Economic Action, JAEA. The neutrality of this coinage is probably what gives it the wide circulation it has, and why it was selected in the first place. It avoids the criticism that the term "cooperation" arouses for being insufficiently worthy of the efforts of sister countries, and that which the term "unity" arouses for being rather unrealistic under present circumstances.

JAEA has been given the highest stamp of authority through the approval by the Arab Heads of State in the 11th Summit meeting in Jordan in November, 1980, of the Strategy

for Joint Arab Economic Action, SJAEA. Among other things, the SJAEA stipulated for a plan to be drawn for the JAE sector, and announced within its framework the Decade of Development. The latter is to be associated with concentrated efforts for the development of the six least developed Arab countries; it is to receive \$ 5 billion in addition to any other resource flows for development. (The programme of the Decade of Development is to be operated by the Arab Fund for Economic and Social Development.)

III. MECHANISMS AND MODALITIES OF COOPERATION

Arab economic cooperation in its various facets is sought both through official and private channels. The latter are too diversified and relatively atomistic to be covered in this paper, although some reference will be made to certain private sector efforts. The official efforts fall within two very broad institutional frameworks: the League of Arab States, LAS, and the Council for Arab Economic Unity, CAEU. Between them, they account for many agreements, mechanisms, and modalities. The present paper will not be overloaded with anything like a complete listing of these, but reference to several among them will be made in the course of the discussion. It is worth noting here that the Economic Council of the LAS, recently renamed the Economic and Social Council, has taken the initiative in designing and launching many of the instrumentalities of cooperation.

Likewise, the CAEU rightly claims credit for a number of other instrumentalities, including the initiation of the Arab Common Market in 1964 . Within the private sector, the most energetic institution in the present context has been the General Union of the Chambers of Commerce, Industry, and Agriculture in the Arab Countries, the most recent initiative of which (May 1982) has been the resolution to establish a company for agricultural development with a capital of \$ 5 billion. Other private sector activities have led to the formation of several joint banks (some with non-Arab participation) and several other joint projects.

The two wings of the Arab region, the Maghreb and the Arab Gulf sub-regions, have also established frameworks of cooperation restricted to the countries comprised by them, motivated by the conviction that each of them has certain particular features that justify closer internal association. Neither grouping dissociates itself from the overall grouping that comprises the whole Arab region by emphasizing its particular needs, endowments, and problems. The Maghreb grouping is the Maghreb Permanent Consultative Committee (formed in 1964) headed by the Conference of Ministers of Economy, with a Permanent Committee and a Secretariat. The Gulf grouping is the Gulf Cooperation Council, GCC, which was set up only in 1981, but has already distinguished itself with brisk activity and has spread the coverage of its functions to include

all aspects of economic life, as well as security (both internal and external) and foreign affairs. While it is too early to assess the substantive performance of the GCC, it can already be said that it seems to be determined not only to achieve cooperation but also close coordination of policies and activities in the areas concerned. In contrast, the Maghreb Permanent Consultative Committee, though a much older body, has less to show in the record of its performance.

The many purposes that fall within the generic term economic "cooperation" are served by the various institutions and mechanisms to which reference has been made. These come under a number of categories. Several are official organizations (specialized agencies) such as the Arab League Educational Cultural, and Scientific Organization for Industrial Development, the Organization for Agricultural Development, the Arab Labour Organization, the Organization of Arab Petroleum Exporting Countries, the Arab Fund for Economic and Social Development, the Arab Monetary Fund and the Arab Authority for Agricultural Investment and Development. In addition, there are a number of professional (syndical) bodies, such as the Federations of Arab Economists, of bankers, of labourers, of engineers, and so on. On the other hand, some are production and service companies,

(potash, tankers, re-insurance, marine transport, livestock, fishing); while some others are groupings or unions of industries in the fields of iron and steel, textiles, chemical products, and insurance. In all, these institutions have a combined capital in excess of \$ 23 billion; obviously, several have no capital but operating budgets, and the significance of these therefore goes well beyond the financial resources at their disposal. In addition to the categories listed for illustration, there are joint projects or ventures between two or more countries in the fields of banking, real estate, and industry.

One category of institutions is worth mentioning here, although these belong to individual countries. They are the national development funds, whose services cover the whole Arab region. For this matter, the funds constitute one prominent illustration of Arab economic cooperation. The aggregate capital of the five funds in existence (in Kuwait, Abu Dhabi, Saudi Arabia, Iraq, and Libya) is about \$ 17 billion.

Another area of cooperation is that of training, although it has not witnessed very energetic endeavours. Several regional training institutions are in existence. They provide training in maritime affairs, planning, statistics, agriculture, vocational training, and training in

skills related to the oil sector.

Finally, the many ministerial and other councils organized on a functional basis embody another aspect of the cooperative effort. They constitute an important institutional mechanism of control and advisory and co-ordinative service. The ministerial councils fall under two broad categories: groupings of specialized ministers (such as those of finance, labour, industry, agriculture, health, and the like) who hold ad hoc meetings independently; and specialized ministers meeting in their capacity as governing councils of certain regional organizations, for example the ministers of agriculture meeting as the governing council of the Organization for Agricultural Development, or the ministers of finance as the governing council for the Arab Fund for Economic and Social Development, or for the Arab Monetary Fund.

Mention ought to be made here of certain special cases where economic cooperation was expected to reach a high level of cohesiveness approaching integration or even unity. These are cases where political unity was first decided upon by sovereign states, and where close economic relations were to be a function of the close political relations designed and/or entered into. They include the merger of Egypt and Syria of February 1958 which was severed in September 1961; the Egyptian-Syrian-Libyan Federation,

which was established in 1971 but was never effectively consummated; and the Syrian-Jordanian phased overall integration which was initiated in 1975. The last-named instance is of particular interest, although its evolution has been stopped. The interest arises from the fact that Syrian-Jordanian integration was the best studied of the three cases mentioned, its phases were carefully designed and rationally interconnected, and its scope went well beyond economic life (agriculture, industry, banking, trade, transport) to include education and political institutions. (At the present moment, seemingly serious steps are being taken to establish close complementarity between Egypt and Sudan, with initial emphasis on economic complementarity. But the endeavour is still in process and cannot therefore be judged.) In all these instances, economic integration was not the objective primarily sought and emphasized, but one which was expected to be achieved as a major by-product of the political unity sought.

Special reference ought finally to be made to three bodies whose functions explicitly include the promotion of economic cooperation -- the term used here in its very broad connotations. The first is the Economic Council of the LAS (now the Economic and Social Council), which sets out to further the cause of cooperation through the agreements it has drafted and ratified, the institutions it has established to undertake the varied cooperative functions stipulated for in

the agreements, and the joint projects set up and launched by it or by the institutions or organizations formed by itself.

The second body is the Council for Arab Economic Unity, which by its designation and statutes is the specialized institution par excellence for the promotion of economic cooperation, complementarity, and unity among the Arab countries. The CAEU has also fathered several agreements, institutions, and joint ventures which together constitute an embodiment of economic cooperation of significant dimensions.

Finally, there is the Arab Fund for Economic and Social Development. AFESD, one of whose three formal objectives is to promote joint programmes and projects, and thereby further economic cooperation. In addition, the technical assistance programme of AFESD, and its active participation in many regional activities, make of it a significant institution for the generation of ideas related to cooperation and joint Arab economic action, as well as an effective instrument for the translation of ideas into concrete policies and action. Of particular significance here are the Fund's programme (undertaken jointly with the UNDP) for the identification and initial study of a large number of joint programmes and projects; the initiation of the ambitious programme in agricultural development in the region which has

culminated in the establishment of the Arab Authority for Agricultural Investment and Development; and the launching of programmes in the areas of children's education through films, and in telecommunications. The latest illustration of the recognition of the role of the AFESD as a promoter of cooperation can be seen in the delegation to it by the Arab governments of the administration of the funds assigned to the Decade of Development which the 11th Arab Summit approved in Amman in November 1980 .

IV. APPROACHES TO ARAB ECONOMIC COOPERATION

The title of the present paper speaks of "patterns of cooperation", but it would seem more appropriate, instead, to use the term "approaches" or "areas of emphasis". This is because the course of cooperation, irrespective of the intensity of such cooperation and the extent to which it went, has not developed sufficiently to form a distinct pattern. Indeed, it can be said that the Arab region has evolved, or emphasized, certain strands that could only become patterns in the full sense of the term if they are multiplied and woven together into an identifiable fabric.

Be that as it may, we can still identify the various distinct approaches or avenues leading to cooperation (and sometimes going beyond it to coordination and complementarity

and some limited integration). These approaches often overlap and are not necessarily parallel; nor do they constitute pre-set phases of a long process which conforms in its entirety to a coherent conceptualization and deliberate design and structuring. These rigorous features can only be found in the latest approach, which is that of the intensification of joint Arab economic action, JAEA, as we have had occasion to indicate and will again show in the present section.

Several approaches to cooperation broadly defined have been adopted over the years in the Arab region. They are not of equal importance, nor have they all been adopted with an equal degree of deliberation, since some have come to be resorted to spontaneously under the pressure of circumstances. We will define and assess these approaches in the present section, but will delay their evaluation to the last section of the paper where the outlook for the future will also be explored.

1. Trade liberalization and payments facilitation featured first as the most appropriate expression of Arab economic cooperation, and for that purpose the highest body of the LAS at the time, the Council of the Arab League, in 1953 drew the Convention for Facilitating Trade and Regulating Transit, and its sister document, the Agreement for the

Settlement of Payments for Current Transactions and the Transfer of Capital. The rationale behind the Convention and the Agreement was that if only liberalization and payments facilities were to be implemented, commodity exchanges among the Arab countries would be vastly expanded. During the Second World War, and in the decade or two after it, intra-regional trade, particularly that within the Mashreq sub-region and the Maghreb sub-region was not inconsiderable, although it was smaller in value than that between each of the sub-regions and the Western (mainly European) countries.

The Convention was followed by several amendments, involving changes in the tariff rates that were to be reduced gradually, and the overall effect of trade liberalization efforts was an expansion in intra-regional trade. However, it soon became evident that the range of expansion was narrow and did not promise considerable widening, and that trade liberalization itself was well below the hopes and ambitions of the Arab countries. As indicated earlier, this led to the very ambitious shift to the objective of Arab economic unity, which was to incorporate unification of the markets of the adherents to the unity agreement, as well as of their economic, commercial, and fiscal and monetary policies, and to allow identical treatment to the nationals of other countries signatory to the agreement as to the nationals of each country concerned.

Several factors militated against unity -- even effective liberalization left a great deal to be desired. Although the formal initiation of an Arab Common Market, and the signing of a much broader and more encompassing trade agreement (in 1981) were to intervene between 1953 and the time of writing in the autumn of 1982, intra-regional trade has not only remained small, but has actually declined as a proportion of the region's overall foreign trade. It now hovers around 5-6 percent of the latter, while about 75 percent of trade is conducted with the OECD countries, and the balance with the Socialist and non-Arab developing countries. (This applies both to imports and exports.)

By the late 1960s and early 1970s it had become quite clear to LAS and CAEU circles, as well as to many ministers and independent academics and businessmen, that the real trouble insofar as the modesty of intra-regional trade was concerned, was not with the restrictions and handicaps to trade in existence -- though considerable and mostly irrational -- but with the basic fact that there were not available all that many goods and services to put into the stream of intra-regional trade to begin with. Hence the drastic shift involving the placing of emphasis on the expansion and improvement of the productive capabilities of the Arab countries -- in brief, on development. What form this shift finally took in 1980 with the adoption by the 11th Arab Summit of the SJAEA will concern us at the end of the present section.

2. Not much movement towards substantive cooperation was in fact made until the late 1960s and the 1970s, when a large number of regional organizations, syndical groupings, joint projects, associations of companies in the same field of activity, and joint banks and other financial institutions concerned with development were established. Among all these, joint projects were the most prominent concrete embodiment of Arab economic cooperation. By far, the major impetus in this respect came in what might be called the "oil era", beginning with 1974, although the first joint project had been set up as far back as 1956. (Today there are over 120 such projects, of which 40 have non-Arab partners in them. They fall under several sectors.) The joint-project approach has been felt to be the corrective answer to the inadequacy of the liberalization-of-trade approach. No doubt it is attractive and has considerable promise, particularly if it does not continue to be pursued on an ad hoc, rather arbitrary basis, but is put within the framework of a plan for the JAE sector with clearcut sector and programme priorities which, in turn, are determined in the light of the regions's fundamental interests, needs, and problems.

3. The third approach has been joint financing. In fact, it represents the other side of the coin of joint projects, since the association among the parties that establish and own a joint project is based on their sharing

in the capital of the project established. Here it might be argued that true economic complementarity and integration goes well beyond joint financing. In the first instance, complementarity involves differentiation in products, processes, endowments, and generally patterns of demand and supply -- a differentiation that makes the exchange between the two parties involved an expression and a confirmation of complementarity.

In the second instance, integration involves the inter-meshing of the production capabilities of two or more parties. This could go well beyond the mere pooling of financial resources in a joint project, and could take the form either of horizontal integration, where the similar productive activities or the products of two or more countries would be pooled together to provide one aggregate availability of the product in question, to meet internal demand or export demand, or it could take the form of vertical integration. In the latter case, each of the countries concerned would specialize in one phase or process of the production operation involved.

It ought to be admitted that the instances of complementarity in existence are mostly the result of accident or good fortune, and only in few cases are the result of deliberate planning and decision. Likewise, the instances of horizontal integration are simply the result of the similarity of products in one or more countries, which expands the availability of the products concerned for the internal

or external markets . As far as vertical integration is concerned, some efforts are being exerted toward this advanced form of cooperation.

4. The next avenue of cooperation to record also involves financial flows, though of a different nature. We refer here to flows within the Arab region for aid and development purposes. A certain volume of aid had flowed before 1973 across national frontiers from one or more to one or more Arab countries. But the flow took substantial dimensions only after the autumn of 1973 upon the correction of oil prices, and the accrual to the oil-producing countries of vastly expanded revenues. Since then aid from the oil countries to their less fortunate sisters (and to other non-Arab developing countries) has been substantial. Its aggregate over the years 1974 through 1981 has been in excess of \$ 41 billion, with the largest part going to the Arab countries. We refer here to official aid on easy terms; in addition there are certain aid payments that do not appear in national statistics because of their delicate political or military nature. Finally, this record leaves out of account capital flows where donors and recipients fall within the private sector.

It is only fair to say that Arab economic aid, as a proportion of the Gross National Product of the donor

countries, is distinctly creditable. The proportion is more than ten times its counterpart for OECD countries, which are richer in absolute terms on a per capita basis, more advanced, and enjoy a national product which is reproducible, unlike the export of oil which is no more than the sale of a depleting non-renewable asset. We might add here, without injecting a plaintive note, that the Arabs hardly ever hear a word of appreciation from the OECD countries for their generous support of Third World development. Instead, the Arabs are increasingly asked to make expanded contributions to international bodies and programmes, when neither their resources nor their level of development justify the shift to them of the responsibilities of the advanced countries.

5. There is one type of financial flow which is not undertaken by the oil-exporting countries themselves, or by business firms for investment in other countries, but by the nationals of certain countries (particularly Egypt, Jordan including Palestinians holding Jordanian citizenship, Syria, Lebanon, North and South Yemen, and Sudan), to their relatives back home. The remittances made run into some \$ 4 billion a year currently, and they arise from the work and earnings of about 4 million expatriates from the countries listed resident in the oil countries (namely, Iraq, Kuwait, the United Arab Emirates, Qatar, Saudi Arabia, Lybia, and to a lesser extent Bahrain, Oman, and Algeria). In fact,

the exchange between manpower and financial flows is a good illustration of complementarity, inasmuch as the countries which constitute the parties to the exchange, "export" the resource in which they enjoy a comparative advantage: money in one instance, and manpower skills in the other. This is not to say that the endowments of each party to the exchange are restricted to that which goes into the exchange, but merely to underline the nature of the resource that it is desired to export in each instance.

The manpower movement involved is of great significance, well beyond its financial aspect and implications. It makes for rich human interaction among the citizens of different countries who feel bound together by very strong historical, cultural, political, and economic ties. It also strengthens the appeal and the feasibility of greater Arab cohesiveness. At a time when the drive for Arab nationalism and Arab unity needs greater support, manpower movement keep unbroken one important strand in the fabric of unity .

Finally, in the context of manpower, it ought to be stated that the movement constitutes a reallocation of human resources which is justified on purely economic grounds, and which is contributive to the acceleration of construction and development in the receiving countries. Without denying

the hardship which the countries of origin of the expatriates are already experiencing because of the drain that is involved, particularly in the availability of certain critical skills, it could be safely said that on balance, the two parties to the exchange are distinctly better off with the exchange than they would be without it. The receiving countries have thereby telescoped the process of acquisition of the skills imported and shortened the period of waiting, had they had to train their own manpower, by at least one or two decades.

6. The next area of cooperation is energy. Arab cooperation in the formulation of oil policies relating to pricing, and volume of production determination, which is achieved through bilateral discussions but more often through multilateral discussions within the framework of the Organization of Petroleum Exporting Countries, OPEC, is real, substantive, and effective. Furthermore, their cooperation within the framework of the Organization of Arab Petroleum Exporting Countries, OAPEC, is also real and significant, although it does not include price and volume determination. On the other hand, thanks to OAPEC, a substantial and highly instructive activity is undertaken for the benefit of the member countries and other oil-short Arab countries. This includes studies and seminars on the various aspects of the oil industry, the training of staff of oil ministries and national oil companies, information about the oil industry, and a number of other areas of activity. In

addition, OAPEC has succeeded in the formation of five joint companies that provide oil-related services (engineering, dry-docking, exploration, and so on), or a training center for training instructors in oil-related skills, and a judicial board for the adjudication of disputes among member governments. Finally, OAPEC has considerably sensitized the Arabs to oil and energy issues through the conferences it has organized and the publications it has produced including two periodicals). This last function is vital in a world where energy plays a vastly important role and where the depletion of Arab oil resources is a critical issue.

7. The listing and brief discussion of the various approaches or avenues pursued for the intensification of economic cooperation and, hopefully, its promotion to the more satisfactory levels of complementarity and integration has left a serious gap unfilled. This is education and the acquisition of advanced technological skills. In neither case has a great deal been achieved, although the Arab League Educational, Cultural, and Scientific Organization, ALECSO, has done creditable work and drafted a strategy for the harmonization of curricula, the obliteration of illiteracy, and generally the raising of educational levels. It would be fair to assert that the large steps taken in the widening of education and the improvement of its quality have largely been the result of efforts undertaken by individual countries, not through col-

lective or cooperation action.

Likewise, although serious thought and many meetings have been invested in the elaboration of programmes for the acceleration, on a regional basis, of technological capability and the evolving of appropriate technology, precious little has actually been performed to show for the efforts. This is all the more regrettable considering the centrality of education, research, and technical capability as ends in themselves, and as instruments in the acceleration and deepening of comprehensive and meaningful development. Some important work has been undertaken by the AFESD by way of the generation of ideas, problem-analysis, and the suggestion of instrumentalities and programmes for the development of human resources in general and manpower in particular; likewise, the Arab Labour Organization, ALO, has directed its attention to the latter subject. But it must be admitted that the harvest has been disappointingly meagre. A new effort is being deployed at this very moment, spearheaded by ALO and ALECSO, and we can only wish them greater success in bringing about concrete cooperative action in the most important fields of education and technology.

8. The strands of cooperation in the economic field, or in closely related fields, that we have attempted to describe and discuss in the preceding seven paragraphs, have

only been arranged into one pattern and woven together into the fabric of joint Arab economic action recently, in the Strategy for Joint Arab Economic Action, and the main and supportive papers prepared around the SJAEA submitted to the Heads of State in the Arab Summit of 1980. With the approval of the SJAEA, the go-ahead signal has been given for Arab economic cooperation (under the more embracing though somewhat ambivalent title of "joint Arab economic action"). The unfolding of JAEA is to proceed according to a plan for the JAEA sector, where sector and programme priorities are set, within an internally-consistent system, for the achievement of the broad dual objectives of development and security.

The new approach, which could be also called the new framework for Arab economic complementarity in view of its coherent internal structure and its conceptualization and logic, takes its starting point from the inadequacy of the approaches adopted and pursued earlier, namely trade liberalization, the setting up of joint projects, and joint financing. While these are all objectives worthy of pursuit, they have by themselves been incapable of bringing about a large measure of cooperation and complementarity. The new approach, it is argued, corrects the inadequacies of the earlier approach - inadequacies which were partly internal, and partly the result of insufficient energy in the pursuit of the approach. We have already alluded to the inadequacy of

trade liberalization. We would like to add here the haphazardness of the establishment of joint projects and their failure therefore to serve as a forceful factor in Arab development and complementarity. Finally, complementarity was not seen and treated as involving, of necessity, the inter-meshing of large areas of Arab productive capability, along with the widening and deepening of this capability through a process of healthy and wide-ranging development.

The new approach, instead, specifies that the emphasis should be on development, and that this development should have a regional focus, in addition to the individual-country focii. Thus, individual-country development plans should be in harmony with each other; hence the need for coordination between country plans, and between these and the plan of the JAE sector. It is argued in the documents of the 11th Summit of 1980 that if development is conceptualized, designed, and pursued along these lines it would serve complementarity, and would also benefit from complementarity. Furthermore, such development-in-complementarity would serve the purpose of security, which is a vital and critical objective of the Arab region, considering the Zionist occupation of important parts in it, and its submission to continuous Great-Power pressures that often go beyond the political to reach the military menace of intervention.

Furthermore, another essential condition is specified. This is planning. The new approach stipulates that the development of the joint Arab economic sector which is to proceed in harmony with individual-country development efforts, can only optimize the use of resources and serve the dual purposes of development and security, if it is planned. This would necessitate the provision of an overall conceptualization of objectives, strategy, programmes, projects, and policies relating to the joint sector. The overall conceptualization also includes a provision for the machinery and instrumentalities, and the financial resources, needed for the conduct of the newly-perceived, planned, complementarity-oriented development. With this, the circuit is complete and the new pattern of cooperation acquires its fullness in the fabric of Arab economic life.

It remains to be added, though in brief, that the conceptualization established the priority sectors and/or activities that JAEA and the plan of the joint sector should embody. These are: (1) human resources and the work force, (2) the acquisition of inherent technological capability, (3) food security, (4) the optimization of energy policies, (5) the development of basic and engineering industries, (6) the development of physical infrastructure, (7) and the evolving of financial resources which are presently sub-optimally deployed. Given a multi-avenue approach to the

tasks that such a conceptualization incorporates, and given a rational and internally consistent blend of the efforts exerted in the pursuit of the tasks, Arab economic complementarity was thought to be within reach in a rather small number of years. The basic assumption underlying this expectation was that there would exist the national and collective will and determination, to turn the conceptualization into concrete achievement in due course. Given such a will and determination, there would be no serious financial or institutional constraints to block the way to achievement. It was on a note of optimism that no such constraints existed, that the 11th Summit of 1980 closed its meetings.

V. PAST PERFORMANCE AND THE OUTLOOK FOR THE FUTURE

It is not possible within the confines of this brief paper to undertake an evaluation of the achievements with respect to cooperation and complementarity among the Arab economies in the context of each of the approaches or avenues pursued, or by each of the institutions that have been designed as instruments or modalities for cooperation and complementarity. Instead, we will present a global evaluation. This is warranted because five generalizations can be made which will apply in all instances. Furthermore, the explanations that will be presented for the shortfall of performance below the expectations will also apply to the approaches and instruments in general.

1. The first generalization is that most of the creditable performance registered has been in the realm of the establishment of joint projects in a number of economic sectors. This conclusion is tenable in spite of the disparity in the quality of performance among the projects, and of the fact that the establishment has on the whole not been guided by a system of priorities inspired by the desire to achieve as comprehensive a development as possible under the circumstances given.
2. The second generalization is that the oil era has witnessed the emergence of concrete complementarity insofar as the movement of a substantial Arab labour force to the oil-exporting countries, and of a substantial financial flow in the form of remittances from this expatriate labour force to its countries of origin, is concerned. Again, this can be stated although the flows have been spontaneous and have had some deleterious social and economic effects both on the host and the original societies and economies.
3. In the third place, a notable instance of cooperation is exemplified in the substantial financial flows from the oil-exporting countries to the capital-short countries for investment and development purposes. However, substantial as these flows have been compared with the

decades before the 1970s, they are considered below the expectations and needs of the recipient countries.

4. The most creditable institutional contribution to the cause and requirements of cooperation has been made by the development funds operating in the Arab world. Here we include not only the Arab Fund for Economic and Social Development, which is a regional institution, but also the other national funds whose area of service is the Arab region as a whole. The Kuwait Fund for Arab Economic Development rightly occupies the place of honour in the present context, being the oldest fund in the region, and the one with the largest volume of resources to draw on for the promotion of development.
5. Finally, it can fairly be said that cooperation and complementarity have made little progress apart from the exceptions made in the four preceding paragraphs. At the risk of oversimplification, we can identify five basic causes for the shortfall of the achievements below the expectations, in spite of the fact that over 35 years have passed since the espousal by the League of Arab States of economic cooperation and complementarity as a central objective to strive for.

- a. There is first the historical explanation of the shortfall. This is the fact that the Arab countries had been for several centuries under foreign domination, including the long and disruptive period under European colonial rule. This in itself twisted the pattern of economic relationships and directed them outwards, rather than inwards within the region. The abnormality of colonialism has made it extremely difficult since independence to re-orient the Arab economies towards intra-regional cooperation and complementarity. As a result, the region is left with serious dependency on the Western industrial world and an unhealthy complementarity with its economies.
- b. The pressure of narrow vested group interests within each country also works against genuine cooperation and complementarity. Often this pressure arises from insufficient realization of the benefits that can accrue through regional cooperation. But in other instances group interests have a legitimate fear that they would suffer from cooperation. In the latter case, compensatory mecha-

nisms could forestall the hostility to cooperation, but the architects of cooperation and complementarity have so far failed to design such mechanisms.

- c. The exaggerated attachment to, and interpretation of, "national sovereignty" has often served as an alibi to the genuine strive for cooperation and complementarity. This is a case of the economic logic being overpowered by political mythology.
- d. The fourth explanation for the meagre achievement to be ventured is the disparity in socio-economic systems and ideological outlooks. There is no doubt that this disparity creates objective obstructions to cooperation and complementarity. But there is also no doubt that human ingenuity can overcome many of the obstructions, by providing formulas and modalities of action that can minimize the impact of the disparity, particularly that the socio-economic systems have grown to be much less differentiated from each other than they were in the late 1950s and the 1960s.
- e. Finally, Arab economic relations have been at the mercy of the quality of political relations prevailing, and as the latter have been subject to rather wide fluctuation in many instances, it has

not been possible to place economic cooperative relations on a solid and stable foundation.

* * * * *

What, then, is the outlook for cooperation and complementarity, given the analyses and evaluation that have been presented? Is optimism warranted that the course of cooperation will be any smoother in the future?

Though it may seem paradoxical, the answer is Yes. This answer is not an act of obscurantist faith, but one based on two solid grounds. The first is that in the final analysis economic logic will prevail. It is a matter both of good economics and common sense that it is in the interest of the Arab countries to cooperate and to establish close complementarity among their economies. Before we move on to the second grounds for the affirmation, it would be useful to provide some substance, even if briefly, to the claim that economic logic works in favour of cooperation.

There is strong expectation that with the rapid pace of economic diversification, industrialization, and development in general, a larger volume and a wider variety of goods and services will be produced by most Arab countries in the coming years. And the process is continuous, in spite of some fluctuation and some shortcomings in the quality of

development. Development will make it possible for the Arab countries to put into the stream of intra-regional trade many more goods and services, especially as production becomes more differentiated and sophisticated.

As far as the petrochemical industry in particular is concerned, the productive capacity already installed and is being installed is not expected by the mid-1980s to constitute more than 5 or 6 percent of world capacity in the aggregate. This in effect means that there is a promising marketing scope for the products within the region, and also in Third World markets in general. It ought to be remembered in this connection that the petrochemical industry in its present state is, and for several years to come will remain, heavily biased in favour of primary products, much less secondary and tertiary (final) products. This means that the industry can be further projected into new directions and still find a market within the Arab region for much of its production. This is as true of fertilizers, insecticides and pesticides, as of synthetic fibres, dyes and paints, plastic goods, and the dozens of other products which are now a substantial component of the region's imports from the industrial countries.

Another opening for the region's products within itself will be created by the need for the recipients of

Arab economic aid to pay their debts to the Arab creditors. They will have increasingly to depend on their exports to these creditors. This will have a dynamic effect on the diversification and sophistication of the Arab economies, and will widen the possibilities for exchange within the region. And the development in question will apply both to goods and to services.

With regard to the movement of Arab labour across national frontiers within the region, it may well be that the vast expansion of the volume which was witnessed between 1973 and 1980 may not be repeated. But it can also be argued that the present plateau of employment of Arab expatriate labour will be preserved. The fact that the youth of the oil-exporting countries are being educated and technically trained in ever larger numbers should not obscure the fact that the oil economies are expanding continuously, and that they have a large component of non-Arab expatriate labour. This should suggest that job opportunities for expatriate Arab skills will continue for many years to come to be extensive.

Large-scale industrialization depends on a solid and broad foundation of engineering industries. Most of the region's countries will be unable to establish and maintain these individually. Their compelling desire for industria-

lization will be an added impetus for cooperation. The same applies to extensive research and the attempt to create substantial cadres of leaders in technology.

The hardship experienced by the oil-exporting countries in 1981 and 1982 in selling as large a volume of oil as in 1979 or 1980, and the decline in oil export revenues, together suggest that capital flows within the region are bound to decline for a few years to come. It would be true that the answer to this unfavourable development cannot be light-hearted faith in the reversal of the present depression in oil prices. The more convincing answer should be that the oil exporters have probably become fully aware of the inadvisability of placing a large part of their real and monetary investments in the Western money markets, and can legitimately be expected to divert a more substantial volume for investment in the Arab region. If this were to happen, and it is likely in our view, then the flows to the capital-short countries could at least be maintained.

Last but not least, the concern for food security can only be met satisfactorily through joint Arab efforts. This is increasingly becoming a matter of wide acceptance at the levels of opinion.

This analysis would be incomplete if we did not point to the impact of the large body of believers in Arab cooperation, particularly the intellectuals and opinion-makers, who are becoming increasingly sensitized to the power of the arguments for cooperation as being economically beneficial, in addition to being politically, culturally, and emotionally necessary and desirable. The economic literature supporting cooperation, both official and by public institutions and analysts, is making itself felt at the decision-making level, as well as within the general public. Likewise, the dozens of regional organizations, with their leaderships and cadres, are an immense source of pressure for regional cooperation.

So far we have been enlarging on the first grounds for the expectation that the course of cooperation will be smoother within the medium term. The second grounds for optimism is that the very dangers that fragmentation in the Arab region presents (politically as well as economically and culturally), will before long make it clear to decision-makers, opinion-makers, and the public at large, that the only long-term safeguard and guarantee of national security, and the only road to comprehensive and meaningful development, lie in genuine and far-reaching regional cooperation.

Yet neither economic logic nor the realization of danger will operate by themselves to bring about that change in convictions, attitudes, and behaviour patterns capable of smoothing the ground for cooperation and complementarity. In the final analysis, there will be a critical need for a re-education process at all levels of awareness and responsibility in order to show most clearly what the substantial rewards of cooperation could be, and what the substantial penalty of fragmentation would be. Allow me, in closing, to declare my faith that the Arabs will not fail to make a wise choice between the rewards and the penalty.

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s
(Central Co-ordination Office)

VIA CATALANA, 5 - 00186 ROME, ITALY - TEL. 6542200 - 6548352
CABLE ADDRESS: UNITAR ROME - TÉLEX: 610181 FAO I UNITAR

November 1982

INFORMATION NOTE BY THE PROGRAMME SECRETARIAT

Origins and Overview of the Programme

The Programme on Regional and Interregional Co-operation in the 1980s is part of UNITAR's continuing commitment to research on the establishment of a New International Economic Order (NIEO). The Programme is a continuation of the international Project on Obstacles and Opportunities associated with the NIEO — which brought together 98 groups of researchers from all parts of the world to examine the objectives, obstacles and sectoral and regional conditions in the implementation of the New International Economic Order* — and a follow-up to the UNITAR-CEESTEM- Club of Rome Conference on Regionalism and the NIEO, held on 8 and 9 May 1980 at the United Nations.

Responding to the suggestion of the Secretary-General of the United Nations that ".../the Conference/ consider the question how the United Nations family could become more effective in helping to implement the many already existing plans and programmes of action for regional co-operation .../and/ give thought to how the appropriate new concepts and policies could be developed and brought to the attention of the Secretariat and the relevant bodies and regions of the United Nations system", a Working Group, composed of the Conference Chairman and high-level United Nations officials, developed the basic conceptual framework of the Programme on Regional and Interregional Co-operation in the 1980s in the months following the Conference.

The Executive Director of UNITAR, in consultation with the Secretary-General, appointed a high-level Panel of Eminent Persons to guide the work of the Programme. The Panel meets periodically in different regions of the world to review the work of the Programme, and suggest further avenues of investigation. To carry out research for the Programme an international network of 27

* The findings of the project are published in the 17-volume UNITAR-CEESTEM Library on the NIEO (New York and Oxford: Pergamon Press, 1978-1981).

research institutes has been created, charged with the implementation of 40 research projects.

The Inaugural Meeting of the Panel of Eminent Persons took place in Brussels, on the invitation of the President of the European Commission, member of the Panel, and the Belgian Government. The First Regular Meeting of the Panel was held in Sri Lanka, under the auspices of the Foreign Minister of Sri Lanka, likewise member of the Panel. The next meeting is scheduled for the state of Kuwait, on the joint invitation of the Secretary-General of the Organization of Arab Petroleum Exporting Countries, member of the Panel, and the Kuwait Minister of Finance and Planning.

At the end of its work, the Panel will summarize, and draw conclusions from, the findings of the international research network and submit recommendations on ways and means to enhance and intensify regional and interregional co-operation in the 1980s. The Panel's report will be transmitted by the Executive Director of UNITAR to the Institute's Board of Trustees and the Secretary-General of the United Nations.

The Programme Rationale

The rationale of the UNITAR Programme is the urgent need to explore new and appropriate strategies of international economic co-operation. The need can be summed up in a few words: if present trends in the world economy continue without basic change, the great majority of developing countries will face unbearable economic and financial burdens and will suffer the effects of halted or reversed development with loss of autonomy and self-reliance.

The malfunctioning of the structure of international economic relations instituted at the end of World War II became evident well over a decade ago with the difficulties and subsequent collapse of the Bretton Woods agreements, the worsening of the terms of trade for many developing countries, the resurgence of protectionism, the concentration of capital and economic activity in giant multinational corporations, and the continued plight of at least one billion people living at or below the level of absolute poverty. Impelled by the newly found economic leverage of OPEC, and also by the increased financial drain due to higher oil prices, the developing countries took up the call for a New International Economic Order first in Algiers in 1973, and later at the sixth and seventh special sessions of the U.N. General Assembly (1976-77). But, notwithstanding numerous resolutions and the adoption of significant plans and programmes of action, progress toward the restructuring of the international economic order proceeded at a snail's pace, if at all. In the meantime demand continued to grow, especially in the poorest countries, and development financing levels continued to deteriorate. As a result, the Group of 77

developing countries called for sustained global negotiations on raw materials, energy, trade, development and money and finance, to be launched at the eleventh special session of the General Assembly in 1980. Although the corresponding resolution was adopted (resolution 34/138), and numerous compromise texts and positions were advanced, the negotiations could not get started and are still stalemated at the present time.

The disappointing lack of fulfilment of the targets of two U.N. Development Decades, the failure of implementation of the Programme of Action of the NIEO, and the stalemate over the launching of the Global Negotiations confirm a general trend of the post-war period. Despite the creation of many new organs and organizations, a multitude of negotiations and continuous debates and discussions, efforts to enhance the quality and quantity of development aid, to improve terms of trade in favour of the poor countries, to assure sovereignty over their natural resources, and to create better access to international product and capital markets as well as to technology and information, have not produced tangible results. Although agreement was finally reached on a Common Fund for stabilizing commodity prices, subscriptions to the Fund were not sufficient to prevent a recent major drop in the price of several commodities of interest to developing countries. The treaty on the Law of the Sea, which could have had a favourable demonstration effect on other fields of international negotiations, could not be adopted for a long time due to the reticence of a major power.

Failure in international negotiations has a heavy impact on conditions in developing countries, and in turn these conditions could lead to shortsighted nationalistic policies which exacerbate the difficulties. A few economic indicators suffice to illustrate the reasons. Current account deficits of developing countries now rise routinely to 12 percent or more of their Gross National Product, and the service charges on past debts often average 20 percent of their total exports. The average economic growth rates of developing countries are down to 2.4 percent; less than the aggregate growth of their populations. Per capita economic growth is negative in all but a handful of oil-exporting and newly industrializing countries. For the rest, the combined deficit of \$100 billion expected for 1982 is staggering. The chances of repayment of the over \$500 billion total accumulated debt appears ever more remote, and the overburdening of the commercial financial institutions, which now carry the brunt of the credits, is already evident.

Economic trends in the industrialized world are less drastic but are likewise grave. Average GNP growth in the OECD countries is around 1 percent, down from 4.7 percent for the decade of the 1970's, unemployment is up to 25 million, and inflation persists at an average of about 8 percent.

Domestic economic difficulties in the industrialized world often entail protectionist measures, deflationary monetary policies, and a preference for highly selective bilateral aid and trade flows. World trade becomes more constrained and concentrated, and widening gaps appear between the relatively well-off oil-producing and newly industrializing countries, and the less developed and less resource-rich members of the international community. The continuation of present trends would reduce the development prospects of the latter to nil. As per capita growth remains negative, and as markets are foreclosed and debts accumulate, almost one hundred developing countries with about two-thirds of the world's population will face major shortfalls in commercial energy, food, water, capital, qualified manpower, and productive infrastructure. The number of people living in absolute poverty will increase, and hunger and misery will create social unrest. Within the delicate structure of international security, the simultaneous destabilization of local regimes could have an unpredictable effect. The failure of North-South negotiations could impair the unstable balance in East-West relations, compounding the nightmare of human misery in unprecedented dimensions with the vision of a confrontation of unprecedented violence.

The present pattern of world relations has little or no promise for the future. New and productive approaches must be explored, to release the international community from the impasse of worsening problems in a global setting confronted with narrow and self-centered policies.

The Basic Research Objectives

To identify economic and social sectors and areas where regional co-operation among developing countries is especially appropriate and potentially beneficial. These sectors and areas include trade, financing, industrial and agricultural production, marketing, shipping, investment and business codes, energy prospecting and development, infrastructure creation, education and skill training, optimization of human resources, institutional development and others.

To identify the size and nature of regions and subregions where co-operation offers optimal chances of success, taking into account complementarities, need for common negotiating fronts, size of internal markets, ability to compete on international markets, social and cultural factors, and current political perceptions. Optimal regions range from a subregional grouping of two or three countries to vast continental or subcontinental associations encompassing fifty or more countries, depending on the specific configuration of the above mentioned factors.

To identify complementarities and opportunities for reciprocal trade, investment flows, and joint ventures among two or more subregional or regional groupings of countries, on the South-South as well as on the North-South levels. Such interregional opportunities include already existing regional agreements and treaties, such as those between the EEC and the ACP countries, or Canada and CARICOM, as well as yet to be created interregional arrangements among existing or projected regional groupings.

To identify the institutional structures and mechanisms required to implement potentially advantageous schemes of subregional, regional and interregional co-operation including the reform and development of existing institutions and the creation of new institutional structures and modalities, with special attention to the sector of public administration in developing countries.

To identify attitudes, policies, aid and trade flows, technical assistance programmes, investment strategies and administrative mechanisms in industrialized countries in view of enabling them to help developing countries to strengthen existing regional co-operation schemes among themselves or create new and appropriate arrangements for their mutual benefit. Industrialized country options that deserve detailed examination in this connection include: technical assistance programmes in the areas of regional co-operation in marketing, production, trade, energy, infrastructure creation, food, and the provision of social, educational and health services; and financial contributions to a central pool in the regional associations designed to compensate their poorer members for the uneven distribution of benefits resulting from regional co-operation.

SPECIAL PRIORITIES. The development of human resources, and the creation of effective institutional mechanisms constitute special priority areas of research.

"Human resources" shall be understood in a broad sense as the sum of human capabilities and potentials in a region; their adequacy or need for improvement shall be measured against the requirement for socially harmonious and economically sound development through the autonomous management of endogenous and imported resources.

Under "institutional mechanism" shall be understood any administrative or executive structure capable of making and implementing decisions relating to development; their adequacy or need for reform shall

To identify complementarities and opportunities for reciprocal trade, investment flows, and joint ventures among two or more subregional or regional groupings of countries, on the South-South as well as on the North-South levels. Such interregional opportunities include already existing regional agreements and treaties, such as those between the EEC and the ACP countries, or Canada and CARICOM, as well as yet to be created interregional arrangements among existing or projected regional groupings.

To identify the institutional structures and mechanisms required to implement potentially advantageous schemes of subregional, regional and interregional co-operation including the reform and development of existing institutions and the creation of new institutional structures and modalities, with special attention to the sector of public administration in developing countries.

To identify attitudes, policies, aid and trade flows, technical assistance programmes, investment strategies and administrative mechanisms in industrialized countries in view of enabling them to help developing countries to strengthen existing regional co-operation schemes among themselves or create new and appropriate arrangements for their mutual benefit. Industrialized country options that deserve detailed examination in this connection include: technical assistance programmes in the areas of regional co-operation in marketing, production, trade, energy, infrastructure creation, food, and the provision of social, educational and health services; and financial contributions to a central pool in the regional associations designed to compensate their poorer members for the uneven distribution of benefits resulting from regional co-operation.

SPECIAL PRIORITIES. The development of human resources, and the creation of effective institutional mechanisms constitute special priority areas of research.

"Human resources" shall be understood in a broad sense as the sum of human capabilities and potentials in a region; their adequacy or need for improvement shall be measured against the requirement for socially harmonious and economically sound development through the autonomous management of endogenous and imported resources.

Under "institutional mechanism" shall be understood any administrative or executive structure capable of making and implementing decisions relating to development; their adequacy or need for reform shall

The United Nations has already established Regional Economic Commissions for the promotion of sub-regional, regional and interregional co-operation. In addition to strengthening them as necessary, other bodies could be created especially on the sub-regional level in order to assure a better coordination of economic policies and the participation of all strata of society in the benefits.

The long-term benefits of regional co-operation can be stated in economic terms. They include:

- (a) enlargement of the size of regional production through joint investment and preferential treatment;
- (b) greater concentration of foreign exchange savings in the area of capital goods and technologies essential for autonomous industrial and agricultural development;
- (c) enlargement of the size of regional exports through the more efficient utilization of the human, financial, and natural resources, and infrastructures of the region;
- (d) increases in employment, income, and savings through larger scale regional production;
- (e) enhanced competitiveness of regional products on world markets;
- (f) ability to attract more outside capital on better terms through effective collective bargaining power and more assured returns;
- (g) enhanced control over regional production and trade.

In addition to economic benefits, regional economic co-operation has spin-offs or side-effects in the social, political and cultural sphere. It reinforces regional identity, strengthens solidarity, and stabilizes relations among neighbouring states. These effects have already been experienced in the European Community and the countries of ASEAN, among others. Co-operation on a wide range of issues could follow the sovereign desire of the co-operating states.

The fruits of success in launching regional and interregional co-operation on a larger scale could be considerable. Global negotiations among regionally organized groups would be incomparably more promising than among over 160 national economies widely disparate in self-reliance, size and power.

The North-South perception of the world economy may be an oversimplification, but the inter-national nature of current economic policy-making is an overcomplexification. A realistic regionally and interregionally co-operative economic world order is a stepping stone, as well as a lasting complement, to future achievements on the level of the world community as a whole.

METHODOLOGY. Work on all projects of research will follow approximately the following sequence of steps:

- (1) Review past and current experiences with regional and interregional co-operation in the region(s) under study;
- (2) Assess the human, social, economic and political factors influencing the possibilities of closer regional or interregional co-operation, using economic and social statistics or assembling the necessary data base;
- (3) Undertake a structural analysis of the sectors where regional and interregional co-operation is feasible and beneficial, enumerating its advantages as well as its obstacles, with special attention to the development of human resources;
- (4) Clarify the institutional implications of achieving feasible and beneficial regional/interregional co-operation;
- (5) Clarify the financial implications of co-operation;
- (6) Assess the role of extra-regional actors (developing or developed countries and groups of countries) in furthering co-operation;
- (7) Project various timetables of implementation under differing assumptions of political will and public support.

The Role and Responsibility of the Programme's Panel of
Eminent Persons

The Panel will guide the international research network through the Programme Director, in the selection of the topics of research on which it requires information, in assessing and reviewing the ongoing plans and projects of the network, and identifying priority areas and projects for implementation.

In addition to drawing on the findings of the research network, and as a complement thereto, the Panel may conduct hearings with practitioners of sub-regional and regional co-operation. It desires to consult with the economic and social organs of the United Nations, in particular with the Executive Secretaries and staff of the United Nations Regional Commissions, and the staff of the other regional organizations represented on the Panel. The results of such hearings and consultations will be taken into account in the formulation of the Panel's recommendations.

The Panel's final recommendations will be transmitted by the Executive Director of UNITAR to the Institute's Board of Trustees and the Secretary-General of the United Nations. They will concern how the United Nations can become more effective in helping to implement the many already existing plans and programmes of action for regional and interregional co-operation, and how new concepts and policies could be developed and brought to the attention of the United Nations Secretariat and the relevant bodies and organs of the system.

The final report of the Panel is to be addressed both to political leaders and to the public at large. It shall combine practical recommendations of political realism with sound economic advice. It shall present a clear and concise development co-operation philosophy, and project a compelling vision of the objectives to be achieved.

The Panel is entirely free to reach its own conclusions, while keeping in mind some caveats in order to avoid possible pitfalls:

- Regional and interregional co-operation is not an alternative to global approaches; it is, rather, a necessary step toward achieving their objectives;
- The need for more advance forms of regional co-operation among developing countries shall not be taken as an indication of deficiencies internal and specific to developing countries, although such deficiencies as may exist need not be glossed over;
- The achievement of regional and interregional co-operation is not to be regarded as a shift of emphasis away from the restructuring of the international economic system as a whole, nor as an absolution of any member of the international community from its responsibility to participate in the restructuring;
- The recommendations are not to invite interpretations of having outlined or advocated a redrawing of the geopolitical map of the Third World;
- The recommendations are to recognise that in the present climate of crisis, and rapid and unforeseeable change, no single strategy can contain all the solutions and that there is, in consequence, an ever-present need to recognise alternative approaches and strategies.

Declaration of the Panel at the Close of its Meeting in Sri Lanka

Members of the Panel of Eminent Persons of the UNITAR Programme on Regional and Interregional Co-operation in the 1980s assembled in Kandy, Sri Lanka, on 19th and 20th September, 1982,

having noted

that interdependence cannot be compartmentalised into separate economic, social, cultural, environmental and political components; progress in all other aspects of the lives of human beings depends on the economic structure which must sustain them;

- that narrow self-interest at the social and national level is historically outdated and incompatible with contemporary economic and social realities and the urgency to move towards a world order based less on power and narrow national interests and more on justice and common interest;

- that the implications of the leaping escalation of arms development, manufacture and export are disastrous for physical survival; the question now confronting the human community being one of global solidarity or universal disaster;
- that there is a need for a coordinating mechanism which will bring together the specific efforts within the United Nations system and focus them as a collective approach to human development, progress and survival;
- that the regional approach of co-operation among countries holds the greatest promise, not as an alternative to the North-South strategy but as a stepping stone to peaceful and equitable global interdependence;
- having considered and adopted the principal conclusions and recommendations made at the inaugural meeting of the Panel held in Brussels in co-operation with the European Commission and the Government of Belgium, on 5th and 6th May 1982,
- having reviewed the work by the Programme's International Research Network concerning co-operation within diverse regions and sub-regions of the developing world as well as between them and the developed countries of both East and West, and taking account of the relevant initiatives in various international fora,
- acknowledging that the purely bilateral strategy of international relations followed to-date does not adequately meet the needs of either the developing or the developed countries,
- conscious and convinced that co-operation is a pragmatic and practical alternative to confrontation and conflict and that therefore broadbased and flexible forms of co-operation at all levels, untainted by outdated and unreal concepts of narrow self-interest, among the developing countries and between them and the industrialised nations of both East and West, hold the best promise for collective and human survival and progress, and for the preservation of human values and institutions, and civilisation as a whole,

Reaffirm the crucial importance of regional and interregional co-operation among developing countries in their successful adjustment to the continuing global economic crisis and the long-term prospects of a slower economic growth in the industrialised countries, and in contributing to world economic recovery as a whole;

- that the implications of the leaping escalation of arms development, manufacture and export are disastrous for physical survival; the question now confronting the human community being one of global solidarity or universal disaster;
- that there is a need for a coordinating mechanism which will bring together the specific efforts within the United Nations system and focus them as a collective approach to human development, progress and survival;
- that the regional approach of co-operation among countries holds the greatest promise, not as an alternative to the North-South strategy but as a stepping stone to peaceful and equitable global interdependence;
- having considered and adopted the principal conclusions and recommendations made at the inaugural meeting of the Panel held in Brussels in co-operation with the European Commission and the Government of Belgium, on 5th and 6th May 1982,
- having reviewed the work by the Programme's International Research Network concerning co-operation within diverse regions and sub-regions of the developing world as well as between them and the developed countries of both East and West, and taking account of the relevant initiatives in various international fora,
- acknowledging that the purely bilateral strategy of international relations followed to-date does not adequately meet the needs of either the developing or the developed countries,
- conscious and convinced that co-operation is a pragmatic and practical alternative to confrontation and conflict and that therefore broadbased and flexible forms of co-operation at all levels, untainted by outdated and unreal concepts of narrow self-interest, among the developing countries and between them and the industrialised nations of both East and West, hold the best promise for collective and human survival and progress, and for the preservation of human values and institutions, and civilisation as a whole,

Reaffirm the crucial importance of regional and interregional co-operation among developing countries in their successful adjustment to the continuing global economic crisis and the long-term prospects of a slower economic growth in the industrialised countries, and in contributing to world economic recovery as a whole;

- organise the Programme's activities in a manner which complements and supports the efforts of other parts of the UN system directed towards related objectives, recognising the executive role and competence of the Regional Economic Commissions;
- establish consultative relations with the existing and newly established inter-governmental regional bodies in the performance of their tasks.

Further declare

- that governments, public and private organisations, and others active in international economic relations, have a duty to themselves and to the future generations of peoples in all lands, to attach the highest priority to the strengthening and reinforcement of all mutually beneficial arrangements for regional and interregional links among the developing countries, and between them and the developed countries; and
- call upon governments, organisations and international institutions concerned with the human future, to commit themselves to the above objectives as essential elements in the attainment of a destiny worthy of the human community.

Adopted by consensus at the Meeting of the UNITAR Panel of Eminent Persons in Kandy, Sri Lanka, organised jointly by the UNITAR Programme on Regional and Interregional Co-operation, The Marga Institute, and the Government of Sri Lanka, under the general Chairmanship of the Hon'ble A.C. Shahul Hameed, Minister of Foreign Affairs of Sri Lanka and Member of the Panel.

Provisional Timetable 1983

PANEL MEETINGS

| | |
|------------------|----------------------------------------------------------------------------------------------------------------------------------|
| 8-9 January | Meeting of the Panel of Eminent Persons in Kuwait |
| Week of 11 April | Meeting of the Panel of Eminent Persons in Latin America (Buenos Aires) |
| To be decided | Meeting of the Ex Officio Members and Head of other Regional and Sub-regional Organizations at the European Commission, Brussels |
| September | Meeting of the Panel of Eminent Persons in the Mediterranean Region (Algiers, Madrid or Rome) |
| December | Concluding Meeting of the Panel of Eminent Persons (at the United Nations Headquarters or in a Developing Country) |

RESEARCH

| | |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January | Preliminary Reports on all Projects; focus on Arab Co-operation |
| April | Interim Reports on all Projects; focus on Latin American Co-operation |
| September | First Draft of Full Reports on all Projects; focus on African Regional, and North-South Interregional Co-operation |
| December | Full Reports on all Projects, including summary of Policy Recommendations followed by: preparation of the Final Report of the Panel to be transmitted to the UN Secretary-General |

ROSTER OF THE PANEL OF EMINENT PERSONSMembers Serving in their Personal Capacity

Ali ATTIGA, Secretary-General, OAPEC, Kuwait
József BOGNAR, Former Minister of Foreign Trade, Hungary
Willy CLAES, Former Deputy Prime Minister, Belgium
Innocenzo GASPARINI, President Bocconi University, Italy
A.C.S. HAMEED, Foreign Minister, Sri Lanka
Jawad HASHIM, Former President, Arab Monetary Fund
Ivan HEAD, President, IDRC, Canada
Felipe HERRERA, Former President, Inter-American Development Bank, Chile
Idriss JAZAIRY, Former Chairman, Committee of the Whole, Ambassador of Algeria
Ejaz A. NAIK, Secretary, Planning and Economic Affairs, Pakistan
Saburo OKITA, Former Foreign Minister, Japan
Evgenii PRIMAKOV, Academician, USSR
Carlos ROMULO, Foreign Minister, The Philippines
José-Luis SAMPEDRO, Professor and Former Delegate, Spain
Léopold SENHOR, Former President, Senegal
Sardar Swaran SINGH, Former Foreign Minister, India
Anton VRATUSA, Former Deputy Prime Minister, Yugoslavia
Huan XIANG, Vice President, Academy of Social Sciences, China

Members Serving Ex-Officioi) Executive Officers of the Major Regional Bodies

The Secretary-General of ASEAN, Chan KAI YAU

The Secretary-General of the ARAB LEAGUE, Chadli KLIBI

The Secretary of CMEA, Nikolai FADDEYEV

The President of the EEC Commission, Gaston THORN

The President of the GROUP OF 77, Farooq SOBHAN

The Secretary-General of the OAS, Alejandro ORFILA

The Secretary-General of the OAU, Edem KODJO

The Permanent Secretary of SELA, Carlos ALZAMORA

The Representatives of the U.N. REGIONAL COMMISSIONS

ii) Executive Officers of the ProgrammeCo-Initiators and the Secretariat

The President and Director-General of CEESTEM, Luis ECHEVERRIA

The President of THE CLUB OF ROME, Aurelio PECCEI

The Director of the PROGRAMME SECRETARIAT, Ervin LASZLO

The Institutes Members of the Programme's International Research Network

Arab Fund for Econ. & Social
Development
P.O. Box 21923 (Safat) Kuwait
Tel: 434870/434860
Telex: 23265 INMARAB KT
Dr. Khaled T. Ali, Coordinator
in Charge
Arab Monetary Fund
P.O. Box 2818
Abu Dhabi (U.A.E.)
Tel: 2989 AMF/AH
Dr. Mohamed El-Imam, Coordinator
in Charge

Arab Planning Institute
P.O. Box 5834
(Safat), Kuwait
Tel: 425261-6
Cable: KUWINST
Telex: KUWINST 2996 KT
Dr. Abdulla M. Ali, Director

Asian Pacific Development Centre
P.O. Box 2224
No. 3 Jalan Spooner
Kuala Lumpur, Malaysia
Tel: 03 - 948088
Cable: APDECEK KUALALUMPUR
Dr. Aftab Ahmad Khan, Director

Centre for Development Planning
Erasmus University
P.O. Box 1738
3000 DR Rotterdam, Netherlands
Tel: 010 145511 Ext. 3458
Telex: 24421 UBRT
Prof. H.C. Bos, Director

Centre de Recherches Economiques
Appliquées, Faculté des Sciences
Economiques, Université de Dakar
Dakar, Senegal
Prof. Makhtar Diouf, Director

Centro de Estudios Economicos y
Sociales del Tercer Mundo
50 Corl. Porfirio Diaz,
S. Jeronimo Lidice
Mexico 20 D.F. Mexico
Tel: 595 2088
Cable: CEESTEM
Lic. Jorge Nuño, Sub-Director General

Centro Latino Americano de Integracion
y Cooperacion
Casilla 16696
Santiago, Chile
TELEX: 340412 FELER/CABLE: FELER
Dr. Felipe Herrera, Coordinator
Economic Commission for Africa
International Trade & Finance Division
P.O. Box 3001
Addis Ababa, Ethiopia
Tel: 447000 447 200
Cable: ECA ADDIS ABABA
Telex: 21029
Dr. Jonathan Chileshe, Officer-in-Charge

Indian Institute of Foreign Trade
Ashok Bhawan
93 Nehru Place
New Delhi 110019 India
Prof. Rama Rao, Director

Indian Institute of Management
33 Langford Road
Bangalore 560027 India
Tel: 533361/53597
Cable: MANAGEMENT
Telex: 0845 472
Prof. N.S. Ramaswamy, Director

Institute of Developing Economies
Economic Growth Department
42 Ichigaya-Hommura cho
Shinjuku-ku
Tokyo 162, Japan
Tel: 03 353 4231
Cable: AJIKEN TOKYO
Dr. Takahiko Hasegawa, Director

Institute of Development Studies
P.O. Box 35091
University of Dar-es-Salaam
Dar-es-Salaam, Tanzania
Tel: 53611
Cable: UNIVERSITY DAR-ES-SALAAM
Prof. Haroub Othman, Director

Institute of International Politics
and Economics
P.O. Box 750
Belgrade, Yugoslavia
tel: 325611/325612/321433
Cable: INSTINPOL, Belgrad
Dr. Božidar Frangeš, Director

Institut d'Etude du Développement
Economique et Social, Université
de Paris

25 Blvd. Arago

F-75013 Paris France

Tel: 336 2355/336 2433

Dr. Jean Masini, Director

Institute of World Economics
Hungarian Academy of Sciences
P.O. Box 36

Budapest 1531 Hungary

Tel: 668 433

Dr. Mihály Simai, Deputy Director

Institute of World Economy and
Politics, Chinese Academy of Sciences
15 Shatanbeijei
Beijing, China

Dr. Li Cong, Deputy Director

Instituto Centro Americano de
Administración de Empresas
Apartado 2485

Managua, Nicaragua

Tel: 58402/58405

Cable: INCAE

Telex: 1260

Prof. John C. Icks, Director de la
División de la Investigación

International Economic and Social
Law Programme

Faculty of Law

Queen's University

Kingston, Ontario Canada K7L 3N6

Prof. Venkata Raman, Director

International Institute of
Administrative Sciences

Rue de la Charité 25

B-1040 Bruxelles, Belgium

Tel: 218 4245/218 4330

Prof. Michel Lesage, Director General

Istituto Affari Internazionali
Viale Mazzini 88

Rome, Italy

Tel: 315 892/354 456

Cable: INTERAFFARI ROMA

Prof. Roberto Aliboni, Director

Marga Institute

61 Isipathana Mawatha

Colombo 5, Sri Lanka

Tel: 85486

Cable: MARGA

Telex: 21642 MARGA CE

Dr. V. Kanesalingam, Associate
Director

Norman Paterson School of International
Affairs

Paterson Hall

Carleton University

Ottawa, Canada

Tel: (613) 231 2693

Prof. John O'Manique,
Associate Director

Organization of American States

Office of International Co-operation
General Secretariat

1889 F Street NW

Washington D.C. 20006

Tel: 789 3436

Telex: WUI 64128

Mr. Ronald Scheman, Assistant Secretary
for Management

Overseas Development Council

1717 Massachusetts Ave. NW

Washington D.C. 20036

Tel: 234 8701

Dr. Richard E. Feinberg,
Senior Fellow

Pakistan Institute of Development
Economics

Quaid-I-Azam University Campus

P.O. Box 1091

Islamabad Pakistan

Tel: 21670

Cable: PIIE

Prof. Syool Nawab Haider Naqvi,
Director

Research Centre for Co-operation with
Developing Countries

P.O. Box 37

61113 Ljubljana Yugoslavia

Tel: 347 597/347 598/ 343 672

Telex: 32139 YUJCS ZQ DVR

Dr. Boris Cizelj, Director

UN Centre for Human Rights

Palais des Nations

CH-1211 Genève

Tel: 346011/310211

Cable: UNATIONS GENEVE

Telex: 289696

Mr. Philip Alston, Principal Investigator

UN Social Defence Research Institute

52 Via Giulia

00186 Rome Italy

Tel: 654 1610/657 437/655 301

Telex: FOODAGRI UNSD Cable: UNSDRI ROME
Prof Tolani Asuni, Director

Projects of Research Adopted by the Programme

- "Regional Human Resource Development in Africa"
Institute of Development Studies, Dar-es-Salaam
- "Problems and Obstacles of African Economic Integration"
Centre de Recherches Economiques Appliquées,
Dakar
- "Co-operation among State Trading Organizations in the African Region"
International Trade and Finance Division of
ECA, Addis Ababa
- "Eastern African Co-operation in Energy Development: the Case of KAGERA"
Institute of Development Studies, Dar-es-Salaam
- "Economic Co-operation in Western Asia"
Pakistan Institute of Development Economics, Islamabad
- "Development of the Unorganized Agricultural and Rural Sector in Southern Asia"
Indian Institute of Management, Bangalore
- "Development Institutions and Regional Co-operation in Asia and Pacific"
Asian and Pacific Development Centre, Kuala Lumpur
- "Regional Co-operation in ASEAN Countries for Rural Manpower Development"
Asia and Pacific Development Centre, Kuala Lumpur
- "Business-Government Relationships in the Development of ASEAN Regional
Group Economic Co-operation"
Norman Paterson School of International Affairs, Ottawa
with the International Steering Committee of the
Pacific Trade and Development Conference
- "Economic Diversification, Development Strategies, and International Co-operation
in Asia"
Institute of Developing Economies, Tokyo
- "Expansion of Latin American Economic Relations Through Regional Co-operation"
Centro de Estudios Economicos y Sociales del Tercer
Mundo, Mexico
- "Impact of Energy Co-operation in Latin America"
CEESTEM, Mexico, jointly with Coordenação dos Programas
de Pós-Graduação em Engenharia da Universidade Federal,
Rio de Janeiro
- "Regional Food Policy in Central America: Opportunities and Obstacles to
Co-operation"
Instituto Centro Americano de Administración de Empresas,
Managua
- "Political Variables of Regional Integration in Latin America"
- "Non-Governmental Actors in Regional Co-operation and Integration in L. America"
Centro Latino Americano de Integración y Cooperación,
Santiago de Chile

Projects of Research Adopted by the Programme

- "Regional Human Resource Development in Africa"
Institute of Development Studies, Dar-es-Salaam
- "Problems and Obstacles of African Economic Integration"
Centre de Recherches Economiques Appliquées,
Dakar
- "Co-operation among State Trading Organizations in the African Region"
International Trade and Finance Division of
ECA, Addis Ababa
- "Eastern African Co-operation in Energy Development: the Case of KAGERA"
Institute of Development Studies, Dar-es-Salaam
- "Economic Co-operation in Western Asia"
Pakistan Institute of Development Economics, Islamabad
- "Development of the Unorganized Agricultural and Rural Sector in Southern Asia"
Indian Institute of Management, Bangalore
- "Development Institutions and Regional Co-operation in Asia and Pacific"
Asian and Pacific Development Centre, Kuala Lumpur
- "Regional Co-operation in ASEAN Countries for Rural Manpower Development"
Asia and Pacific Development Centre, Kuala Lumpur
- "Business-Government Relationships in the Development of ASEAN Regional
Group Economic Co-operation"
Norman Paterson School of International Affairs, Ottawa
with the International Steering Committee of the
Pacific Trade and Development Conference
- "Economic Diversification, Development Strategies, and International Co-operation
in Asia"
Institute of Developing Economies, Tokyo
- "Expansion of Latin American Economic Relations Through Regional Co-operation"
Centro de Estudios Economicos y Sociales del Tercer
Mundo, Mexico
- "Impact of Energy Co-operation in Latin America"
CEESTEM, Mexico, jointly with Coordenação dos Programas
de Pós-Graduação em Engenharia da Universidade Federal,
Rio de Janeiro
- "Regional Food Policy in Central America: Opportunities and Obstacles to
Co-operation"
Instituto Centro Americano de Administración de Empresas,
Managua
- "Political Variables of Regional Integration in Latin America"
- "Non-Governmental Actors in Regional Co-operation and Integration in L. America"
Centro Latino Americano de Integración y Cooperación,
Santiago de Chile

"Conceptual Framework for Developing Countries' Co-operation and Integration Processes"

CEESTEM jointly with Research Centre for Co-operation with Developing Countries, Ljubljana

"Legal and Institutional Aspects of RCDC"

International Economic and Social Law Programme of Queen's University, Kingston (Canada)

"Administrative Aspects of the Creation and Functioning of Regional Common Markets"

International Institute of Administrative Sciences, Bruxelles

"Multilateral Context for Trade Arrangements"

Norman Paterson School of International Affairs, Ottawa

"Developing Countries' Joint Investments and Financing"

Research Centre for Co-operation with Developing Countries, Ljubljana

"Developing Countries' Collective Self-Reliance in Agriculture"

Norman Paterson School of International Affairs, Ottawa

"Alternatives to the Multinational Corporation for African Mineral Development: A Feasibility Study"

Norman Paterson School of Int. Affairs, Ottawa

"Co-operation Among Developing Countries in Communication and Information"

Research Centre for Co-operation with Developing Countries, Ljubljana

"Human Rights Issues in Regional and Interregional Co-operation"

UN Centre for Human Rights, Geneva

"Development of Human Resources for the Establishment of Multinational Centres of Excellence in the Fields of Education and Science"

OAS, Office of International Co-operation, Washington

"Quantitative Assessment of the Impact of RCDC on World Production and Trade"

Centre for Development Planning, Erasmus University Rotterdam

"Regional Co-operation among Marketing Cooperatives"

Indian Institute of Foreign Trade, New Delhi

Publications

PUBLISHED

1. REGIONALISM AND THE NEW INTERNATIONAL ECONOMIC ORDER
Studies Presented at the UNITAR-CEESTEM-CLUB OF ROME Conference at the United Nations. Edited by Davidson Nicol, UNITAR; Luis Echeverria, CEESTEM; and Aurelio Peccei, the Club of Rome; with an Introduction by Secretary-General Kurt Waldheim. New York: Pergamon Press, June 1981
2. RCDC: REGIONAL CO-OPERATION AMONG DEVELOPING COUNTRIES
Report on the Findings and Recommendations of the Conference on Regionalism and the NIEO. By Ervin Laszlo with Joel Kurtzman and A.K. Bhattacharya. New York: Pergamon Press, March 1981.

IN PREPARATION

3. REGIONAL CO-OPERATION AND INTERNATIONAL DEVELOPMENT
Proceedings of the Brussels Meeting of the Panel of Eminent Persons. Edited by Ervin Laszlo, Joel Kurtzman and Paolo Basurto. New York: Pergamon Press (November 1982)
4. ASIA AND THE STRATEGY OF REGIONAL AND INTERREGIONAL CO-OPERATION
Proceedings of the Sri Lanka Meeting of the Panel of Eminent Persons. Edited by Ervin Laszlo, Paolo Basurto and Joel Kurtzman. New York: Pergamon Press (Spring, 1983)

October 1982

UNITAR R/IR 37

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL
CO-OPERATION IN THE 1980s

REVISED AND UPDATED

Comprehensive Research Programme

C O M P R E H E N S I V E R E S E A R C H P R O G R A M M E

| | |
|------------------------------------------------------------------------------------|-------|
| Basic Goals and Method of Investigation | p. 2 |
| I. Projects on Regional Co-operation Among Developing Countries (RCDC) | p. 3 |
| II. Projects on Interregional Co-operation (IRC) | p. 20 |
| III. Projects on General and Functional Aspects of RCDC and IRC | p. 31 |
| Index of Projects | p. 42 |
| Division of Work | p. 44 |
| The Affiliated Institutes | p. 52 |
| The Offices of the Programme | p. 54 |

A. Basic Goals

In relation to the achievement of feasible and beneficial forms of regional and interregional co-operation, to identify:

- (a) the most appropriate sectors
- (b) the principal advantages and benefits
- (c) the main obstacles and impediments
- (d) the required institutional forms and mechanisms
- (e) the financing implications
- (f) the stages and time-span of implementation

B. Method of Investigation

According to agreed guidelines, each project will:

- (1) Define the economic, social, political, cultural or geographic region to be studied
- (2) Analyze the human, economic, social, political, cultural and environmental conditions relevant to development co-operation, using pertinent economic and statistical data
- (3) Review the region's past and current experience with regional and interregional co-operation
- (4) Carry out structural analyses of the sectors where regional and interregional co-operation is feasible and beneficial, enumerating its advantages as well as its obstacles, with special attention to the development of human resources
- (5) Clarify the institutional implications of achieving feasible and beneficial regional/interregional co-operation
- (6) Clarify the financial implications of co-operation
- (7) Assess the role of extra-regional actors (developing or developed countries and groups of countries) in furthering co-operation
- (8) Project various timetables of implementation under differing assumptions of political will and public support.

1. PROJECTS ON REGIONAL CO-OPERATION AMONG DEVELOPING COUNTRIES (RCDC)

RESEARCH ON AFRICA

RC - 1 Regional Human Resource Development in Africa

OBJECTIVES: To study the possibilities of developing indigenous entrepreneurial, technical and scientific manpower capabilities, and developing the human resources in Africa in general.

In particular:

Utilization of regional, sub-regional and interregional training and research institutions for training nationals in specialized skill areas through such measures as manpower studies and training programmes in the main production sectors and supporting services, support for a clearing-house service identifying indigenous experts and consultancy organizations, and adoption of employment policies permitting free movement of labour within the region to take maximum advantage of available indigenous skills;

determination of the need for, and prospects of, co-operation in the development of high-level manpower in East, Central and Southern Africa, especially in the area of academic and management personnel. Review of specific fields of co-operation required for the development of high-level manpower between universities and other training institutions within SADCC, including the constraints which arise in establishing such co-operation.

Examination of the role of the United Nations system and of developed countries in enhancing and encouraging co-operation for the development of high-level manpower in Africa.

As regards the integration of women in development, to undertake a comprehensive assessment of the structure, mandates and programmes of existing organizations on national, sub-regional and regional levels in order to:

- a) determine to what degree the designated goals concerning women are achieved under the current arrangements;
- b) identify major constraints that mitigate against the attainment of the goals;
- c) explore alternative mechanisms for strengthening the institutional and executive capacity of the relevant national, sub-regional and regional organizations.

IMPLEMENTED BY: Institute of Development Studies (Dar-es-Salaam)
WITH THE Centre de Recherches Economiques Appliquées (Dakar)
COLLABORATION OF: E.C.A., Public Admin., Manpower & Management Division
(Addis Ababa)

PROGRAMME Central Coordination Office, Rome
LIAISON:

RC - 2

Problems and Obstacles of African Economic
Integration

OBJECTIVES:

To identify existing disparities within the region on the basis of economic and social indicators;

study the possibility of major regionally conceived and implemented projects in areas such as minerals, agriculture, industry, education, health, transportation and communication, and energy;

assess the need to implement a common investment code, to provide the less developed countries of Africa special tax incentives in order to attract more foreign capital;

suggest institutional reforms to integrate and render more functional the existing economic communities and other regional consortia of African states.

IMPLEMENTED BY: Centre de Recherches Économiques Appliquées (Dakar)

WITH THE
COLLABORATION
OF:

E.C.A. Int'l Trade & Finance Division (Addis Ababa)
Institute of Development Studies (Dar-es-Salaam)
Research Centre for Co-operation with Developing
Countries (Ljubljana)

PROGRAMME
LIAISON:

Central Coordination Office, Rome

RC-3 Co-operation among State Trading Organizations
in the African Region

OBJECTIVES: To examine ways and means of expanding intra-African trade through State Trading Organizations (STOs) by improving the exchange of information among them on sales and purchase plans, encouraging commitments to long-term purchase and supply contracts, extending to each other preferential treatment in trade transactions, and eliminating middlemen;

 to strengthen African inter-STO co-operation in import procurement; export promotion activities; the optimal use of training facilities; avoiding unnecessary overlap and duplication; and the sharing of trade facilities and information channels;

 to promote economic as well as technical co-operation among African STOs as well as with their counterparts in other regions of the developing world.

IMPLEMENTED International Trade and Finance Division, Economic
BY: Commission for Africa (Addis Ababa)

WITH THE ECDC Division, UNCTAD (Geneva) and OAU (Addis Ababa)
COLLABORATION Indian Institute of Foreign Trade (New Delhi)
OF:

PROGRAMME Central Coordination Office, Rome
LIAISON:

RC - 4

Eastern African Co-operation in Energy Development: the Case of KAGERA

OBJECTIVES:

Investigation of the prospects of co-operation between Rwanda, Burundi, Uganda and Tanzania in the development of hydro-potential, in the framework of the Organization for the Development of the Kagera Basin.

In the above context, consideration of political context and continuity in the nations of the region, and assessment of the adequacy of the existing institutional framework, the infrastructure, and the mechanism for the implementation and coordination of the project.

Definition of the possible role of the industrialized countries and of donor agencies in encouraging and aiding East African co-operation in energy development.

IMPLEMENTED BY: Institute of Development Studies (Dar-es-Salaam)

WITH THE
COLLABORATION
OF:

E.C.A., Natural Resources Division (Addis Ababa)
Norman Paterson School of International
Affairs (Ottawa)

PROGRAMME
LIAISON:

Central Coordination Office, Rome

RESEARCH ON WESTERN ASIA

LC-5

Economic Co-operation in Western Asia

OBJECTIVES:

To review current efforts at economic co-operation among countries in Western Asia and analyse the achievements and the obstacles;

identify the potential costs and benefits of different or more evolved forms of economic co-operation in the region;

to examine the trade structure and the establishment of complementarities between various countries, taking into account the problem of imbalance between imports and exports of non-oil exporting countries;

to investigate the adequate institutional forms to encourage the process of co-operation *inter alia*: through a customs union aiming at trade liberalization; and the harmonization of development plans with joint investments and sectorial planning taking into account the comparative advantages enjoyed by the different countries. The provision of an adequate system of preferential treatment for imports from countries within the region shall also be taken into account;

to suggest policy options for accelerating development in Western Asia through regional co-operation among the countries of the region as well as through interregional co-operation, *inter alia* with such entities as ASEAN, the EEC, the CMEA, the Arab League, etc.

IMPLEMENTED BY:

Pakistan Institute of Development Economics (Islamabad)

WITH THE
COLLABORATION
OF:Institute for International Politics and Economics
(Belgrade)PROGRAMME
LIAISON:

Asian Coordination Office, Colombo

RESEARCH ON ASIA-PACIFIC

RC - 6

Development of the Unorganized Agricultural
and Rural Sector in Southern Asia

OBJECTIVES:

To study how the agricultural and rural sector - which is the largest development sector in Southern Asia - could be modernized through appropriate management and investment. (At the present time there is a low productivity of the instruments of production due to the primitive level of development of agricultural implements, of the means of transportation, and of agricultural practices.)

Analysis of the various methods practiced in India and in other countries of the region in regard to the unorganized agricultural and rural sectors, and of the role of national and regional organizations and management in the development of this sector;

IMPLEMENTED BY: Indian Institute of Management (Bangalore)

WITH THE
COLLABORATION
OF:

Asia and Pacific Development Centre (Kuala Lumpur)

PROGRAMME
LIAISON:

Asian Coordination Office, Colombo

RC - 7

Development Institutions and Regional Co-operation
in Asia and Pacific

OBJECTIVES:

to study:

the appropriateness of the statements of institutional purposes, the articulation and validation of their mandates, and the feasibility and degree of their implementation;

the design and logic of the structure of development institutes, and the extent to which such institutes facilitate an open examination of development processes and are responsive to the requirements of regional co-operation;

the nature and extent of linkages with other institutions, both within the country and the region as well as with other development sectors;

the nature of reforms already attempted and the possible direction of reforms in the future.

Asian educational, scientific and technological programmes, plans and capabilities on the national and regional levels as well as the educational, informational, scientific, and communication capabilities required for human resource development.

IMPLEMENTED BY:

Asian and Pacific Development Centre (Kuala Lumpur)

WITH THE
COLLABORATION
OF:

Indian Institute of Management (Bangalore)

PROGRAMME
LIAISON:

Asian Coordination Office, Colombo

RC-9 Business-Government Relationships in the Development of ASEAN
Regional Group Economic Cooperation

Objective: To study the links between private and government cooperation in building economic links among the South East Asian nations who are members of ASEAN. The main elements in this study will include:

- (i) assessment of the progress in business cooperation through the industry clubs sponsored by the ASEAN Chamber of Commerce and Industry
- (ii) examination of the response of governments to industry club proposals for specialization arrangements, policy harmonization, etc.
- (iii) examination of the ACCI response to government actions and proposals for economic cooperation including:
 - (a) the first three years of ASEAN's internal tariff reductions
 - (b) ASEAN industrial project proposals
 - (c) harmonization of incentives including foreign investment incentives
 - (d) joint infrastructure development

IMPLEMENTED BY: Norman Paterson School of International Affairs
(Ottawa), with the International Steering Committee of
the Pacific Trade and Development Conference

WITH THE
COLLABORATION
OF: Institute of World Economy & Politics (Beijing)
Institute of Developing Economics (Tokyo)
Research Centre for Co-operation with Developing
Countries (Ljubljana)

PROGRAMME

LIAISON: Asian Coordination Office, Colombo

RC-10

Economic Diversification, Development Strategies,
and International Co-operation in Asia

OBJECTIVES:

To study appropriate patterns of development strategies and regional and interregional co-operation for the coming two decades following the projections of the diversification of economic development in Asian countries.

The study is to be based on macro-economic forecasts for the 1980s with an analysis of the growth potential of Asian countries and the domestic and international sectors that influence their development. It will cover East, South-East, and South Asian countries. Some non-Asian countries will be included when needed for comparative purposes.

(The forecasts of three East Asian countries (Hong Kong, Korea and Taiwan) and five ASEAN countries were implemented in March 1982 after a three year effort; the patterns of growth mechanisms in these countries, that would indicate the recommendable regional and interregional co-operation, were also under analysis on the basis of the above products. The study has been extended to South Asian countries as of April 1982.)

IMPLEMENTED BY:

Institute of Developing Economies (Tokyo)

PROGRAMME LIAISON:

Asian Coordination Office, Colombo

RC-11

Regional Co-operation among Marketing Co-operatives

OBJECTIVES:

To review government policies and legislations as applicable to marketing cooperatives in India, Bangladesh, Malaysia and Sri Lanka with special reference to international business;

to define the role of marketing cooperatives in the above countries in foreign trade operations and in increasing exports through regional co-operation;

to formulate a trade co-operation strategy for the 1980s and identify possible areas for regional co-operation;

to suggest measures that may be taken for promoting trade among marketing cooperatives and examine how marketing cooperatives can contribute to the general development of the human resources of the region.

IMPLEMENTED BY:

Indian Institute of Foreign Trade (New Delhi)

WITH THE

COLLABORATION OF:

Marga Institute (Colombo)

PROGRAMME LIAISON:

Asian Coordination Office, Colombo

RESEARCH ON LATIN AMERICA

RC-12

Expansion of Latin American Economic Relations Through Regional Co-operation

- OBJECTIVES :
- To study: The greatest possible reduction of trade diversion costs, identifying the products lines in which the underdeveloped countries have obtained good efficiency levels and those which have high production margins;
 - The positive integration of the public sector;
 - The creation of Latin American multinational trade corporations, analysing the experience obtained from the different producers associations;
 - The design of systems of financing, ranging from trade deficit balance patterns to possible regional and inter-regional financing institutions;
 - The drafting of medium and long term trade agreements (which could be bilateral for tariff reductions), general preferential systems, and even long-term complementation agreements reinforced by promotional trade covering non-tariff items.

IMPLEMENTED BY : Centro de Estudios Economicos y Sociales del Tercer Mundo (Mexico)

WITH THE
COLLABORATION
OF :

Latin American research institute(s) designated by
Centro de Estudios Economicos y Sociales del Tercer
Mundo

PROGRAMME

LIAISON : Latin American Coordination Office, Mexico

RC-13

Impact of Energy Co-operation in Latin America

OBJECTIVES:

To analyze the impact of co-operative energy programmes in Latin America, using selected case studies and aiming to identify areas of joint interest.

These case studies would be regional or sub-regional in scope, and would concentrate on:

- Information on the structure of energy production and utilization;
- Assessment of the existing programmes of energy co-operation and their objectives and mechanisms.

IMPLEMENTED BY:

Centro de Estudios Economicos y Sociales del Tercer Mundo (Mexico), jointly with Coordenação dos Programas de Pós-Graduação em Engenharia da Universidade Federal (Rio de Janeiro)

PROGRAMME LIAISON:

Latin American Coordination Office, Mexico

RC-14

Regional Food Policy in Central America: Opportunities
and Obstacles to Co-operation

OBJECTIVES:

To identify the current structure and strategy of each of the Central American countries in the food area;

to assist in identifying obstacles to co-operation, options for alleviating or eliminating the obstacles, and means to reinforce those aspects in which co-operation is mutually beneficial;

to facilitate the establishment of links between the representatives of the public and private sectors responsible for the formulation and implementation of food policy in each of the countries;

to promote the enlargement of such links between the representatives of the food sector in the different countries;

to facilitate the follow-up of these co-operation efforts by the organizations promoting them.

IMPLEMENTED BY:

Instituto Centro Americano de Administracion de Empresas
(Managua)

PROGRAMME

LIAISON:

Latin American Coordination Office, Mexico

Political Variables of Regional Integration in Latin America

OBJECTIVES:

To study the relationship between national political systems and current processes of Latin American integration. Case studies will focus on representative countries of the region.

(Detailed objectives to follow)

IMPLEMENTED BY:

Centro Latinoamericano de Integracion y Cooperacion
(Santiago del Chile)

PROGRAMME

LIAISON:

Latin American Coordination Office, Mexico

RC-16

Non-Governmental Actors in Regional Co-operation and
Integration in Latin America

OBJECTIVES:

To study co-operation and integration processes in Latin America in specific areas, including:

- the Academic and Cultural milieu
- Science and Technology
- the Production Sectors
- the Service Sectors

(Detailed objectives to follow)

IMPLEMENTED BY:

Centro Latinoamericano de Integracion y Cooperacion
(Santiago de Chile)

PROGRAMME

LIAISON:

Latin American Coordination Office, Mexico

RESEARCH ON SOCIAL, CULTURALOR FUNCTIONAL REGIONS

(1) THE ARAB REGION OF AFRICA AND WESTERN ASIA

RC-17

Co-operation among Arab Countries in Human Resource Development

OBJECTIVES:

To study:

Arab co-operation in human resource development, including strategies and institutional frameworks required to establish a comprehensive human resource development plan stressing efficiency and equity in distribution and emphasizing popular participation and its role in the decision-making process;

the rationalization of labour, taking into account the prevailing conditions for the development of human resources (population distribution, health conditions, migration patterns and the migration from labour surplus countries to labour deficit countries and its economic impact;

labour movements among Arab countries, above all the migration of North African Labour to non-Arab countries and the related problems of re-integration in their countries of origin and/or in other Arab countries, and Arab brain-drain towards industrial countries in general;

the impact of the above-mentioned factors on the reinforcement and development of Arab capacities, with particular attention to science and technology;

ways to promote co-operative efforts in the Arab system of education, with particular attention to the generalization of education and the elimination of illiteracy.

IMPLEMENTED BY: Arab Planning Institute (Kuwait)

WITH THE

COLLABORATION OF: Arab Labour Organization, Arab League Educational Cultural and Scientific Organization, UNESCO Regional Bureau for Education in the Arab Countries

PROGRAMME

LIAISON: Arab Steering Committee, Tunis

RC-18

Arab Food Security through Integrated Rural Development

OBJECTIVES:

To review the food security problem in the Arab world and its implications with particular attention to the production and availability of grain, vegetables, oil, meat, dry products and sugar. The study will also take into consideration consumption-production centres (storage etc.) and potentials for agricultural co-operation in the Arab world;

to study the economic, social and political implications of the food gap, in reference to particular living conditions in oppressed rural areas;

to analyze the possibilities of enhancing Arab financial co-operation in the agricultural sector;

to motivate Arab food policies in national and regional plans through models of development that promote a strategy of 'development from below' in rural areas;

to help create social conditions (centralization vs. decentralization in levels of social and political participation and alternatives of rural transformation) until the year 2000 in order to guarantee continuous growth in food production.

IMPLEMENTED BY:

The Arab Fund for Economic and Social Development (Kuwait)

PROGRAMME LIAISON:

Arab Steering Committee, Tunis

RC-19

Arab Regional Co-operation in Development Planning
and Integration

OBJECTIVES:

To evaluate current planning practices in Arab countries and provide a conceptual framework for the relationship between planning at the individual country level and planning at the pan-Arab regional level;

to define in detail the appropriate values of the parameters and variables required to create specific programmes of action of integrated Arab social and income development, above all in the field of human resources and food security;

to build a system of socioeconomic indicators of Arab development in the framework of the "Strategies for Joint Economic Action" adopted by the Arab Summit of Amman (1980).

to model prospects of integrated Arab social and economic development, highlighting the relevance or irrelevance of the current planning methods with respect to the socio-cultural values of the region, underlining the principal kinds of alternative outcomes.

IMPLEMENTED BY:

Research Department, Arab Monetary Fund (U.A.E.)

PROGRAMME LIAISON:

Arab Steering Committee, Tunis

(2) THE MEDITERRANEAN REGION OF
AFRICA, WESTERN ASIA AND
EUROPE

RC-20

Strategies and Prospects of Mediterranean
Co-operation

OBJECTIVES:

To study:

conflicts and convergences between the countries
of the region;

East-West relations as they affect Euro-Mediterranean relations;

trade links and access of the less developed
Mediterranean countries to the more developed
among them, and to the EEC as a whole in reference
to the implementation and utilization of the
generalized system of preferences and of the GATT
agreement on trade preferences among developing
countries;

financial flows (aid, loans, investments) within
the region;

redployment of industry in the region (industrial
co-operation, tri-partite ventures, etc.);

co-operation in agriculture and food industry
(joint ventures, transfer of technology and know-how,
etc.) and marketing of food products in the EEC and
in other developed countries;

co-operation in the domains of transport, tourism,
culture and information, and the regulation of the
condition of migrant workers;

co-operation in the protection of the natural environ-
ment of the Mediterranean region;

the role of international organizations in co-operation
among Mediterranean countries;

the legal aspects of Mediterranean co-operation.

IMPLEMENTED BY: Institute for International Politics and Economics
(Belgrade), jointly with Istituto Affari Internazionali
(Rome)

WITH THE
COLLABORATION OF: Institute for Developing Countries (Zagreb)
Economic Faculty (Ljubljana)

PROGRAMME
LIAISON: Central Coordination Office, Rome

II. PROJECTS ON INTERREGIONAL CO-OPERATIONIRC-1 Expansion of Latin American Economic Relations
through Interregional Co-operation

OBJECTIVES : To examine the possibility of establishing a generalized system of trade preferences on an inter-regional basis;

To design possible interregional financing systems for trade, balance of payments and for development;

To examine the possibility of drafting medium and long term agreements for interregional trade between Latin America, OPEC, ASEAN, and African nations, as well as with the CMEA countries, taking into account :

- economic experiences up to the present time,
- current foreign trade policies and mechanisms at country and regional level to identify the possibilities of co-operation and complementation agreements;
- affinity of income structures, technological and consumer policies to detect supply changes under the new approach;
- public sector weight in the internal production and commercialization of goods and the consequences derived from mixed economy characteristics in the design of co-operation among developed countries;
- application of the identification model for goods with lower trade diversion costs in mutual trade exchanges.

IMPLEMENTED BY : Centro de Estudios Economicos y Sociales del Tercer Mundo (Mexico)

WITH THE
COLLABORATION
OF :

Research Centre for Co-operation with Developing Countries (Ljubljana)
International Economic and Social Law Programme (Kingston)

PROGRAMME
LIAISON :

Central Coordination Office, Rome

IRC-2

South-South Technology Transfer: Case Studies in
Interregional Co-operation

OBJECTIVES:

To examine whether and to what extent technology transfer from industrialized to developing countries enables the latter to further transfer technology to other developing countries in their own region and become economically and technologically more self-reliant.

Research will be conducted through case studies on technology transfer from French transnational corporations to Brasil, and subsequently to Africa. The case studies will seek to determine:

- whether Brazilian enterprises, recipients of technologies transferred by French companies, engage in further technology transfer to another country in Latin America;
- if such regional technology transfer does not occur at present, what conditions would have to be fulfilled to allow it to develop;
- whether strategies to favour South-South technology transfer which may be employed by nationalized enterprises in France can also be employed by those that remain in the private sector;
- whether the same or different strategies apply to recipient economies dominated by private sector interests (e.g., in Brasil) as to those which are more state-controlled (as some countries of Africa);
- to what extent technology transfer currently underway in Latin America (Brasil) as well as in Africa (Senegal and the Ivory Coast) allows the recipient countries themselves to become less economically and technologically dependent on the countries of the North than traditional types of North-South technology transfers;
- the characteristics of the technologies which, if transferred by French (or other industrialized country) enterprises, would make the recipient countries more technologically and hence economically self-reliant.

IMPLEMENTED BY:

Institut d'Etude du Développement Economique et Social, Université de Paris, in the framework of the North-South Programme with EADI and ICCDA

WITH THE
COLLABORATION OF:

Centre Nord-Sud de l'Institut de l'Entreprise; Consejo Latino-Americano de Ciencias Sociales (CLACSO); Council for the Development of Economic and Social Research in Africa (CODESRIA)

PROGRAMME LIAISON:

Central Coordination Office, Rome

IRC-3

Economic Co-operation between China and ASEAN

OBJECTIVES:

To study:

the way in which economic relations between China and ASEAN countries can be strengthened through regional international economic co-operation conceived as an effective means of economic development; in particular:

the prospects of ASEAN in view of the existing mechanisms of co-operation (preferential trade arrangements, industrial projects, and industrial complementation schemes);

the past experience and problems of economic co-operation between China and ASEAN countries;

the future of economic relations between China and ASEAN:

--prospects of trade expansion between China and ASEAN

--potentials of co-operation in science and technology, banking, shipping, aviation, communication and tourism

--possibilities of co-operation on North-South issues.

IMPLEMENTED BY: Institute of World Economy and Politics (Beijing)

PROGRAMME

LIAISON:

Asian Coordination Office, Colombo

IRC-4

Co-operation between European CMEA and Developing ECA Countries (including Arab Countries)

OBJECTIVES : To study, in light of the CMEA countries' own experience with regional and interregional economic cooperation :

The evolution of economic relations between CMEA and Africa with the identification of results, mechanisms and obstacles of economic cooperation in various sectors such as manufacturing, extractive industry, and agriculture;

The potentials of expanded economic relations between CMEA countries and Africa including :

- study of the major internal and external factors influencing economic relations in the next two decades between the two groups of countries;
- technology transfer between CMEA and Africa aimed at enhancing regional autonomy and self-sufficiency;
- co-operation in planning and policy coordination;
- improving trade policy instruments and the institutions of economic co-operation (the role of the state, tariffs, preferences, trade agreements, intergovernmental organizations, NGO's, etc.);
- possibilities of increasing inter-firm cooperation, including such advanced forms as joint ventures, tripartite schemes and other forms of multilateral intercompany co-operation;
- expanding and improving financial relations between the two groups of countries;

The role of CMEA countries in catalyzing and promoting co-operation and intergration processes in Africa, including the study of possibilities to establish institutionalized co-operation between CMEA and African regional integration schemes and to create CMEA joint ventures in Africa by including enterprises from more than one African country;

Forecast of CMEA-African trade and economic relations until the year 2000, defining the required policy actions on both sides to accelerate economic interaction between them.

IMPLEMENTED BY : Institute of World Economics of the Hungarian Academy of Sciences (Budapest)

WITH THE
COLLABORATION
OF :

Institute of Development Studies (Dar-es-Salaam)
E.C.A., Int'l Trade and Finance Division (Addis Ababa)

PROGRAMME

LIAISON : Central Co-ordination Office, Rome

IRC-5 Co-operation between European CMEA and Developing ECLA Countries

OBJECTIVES : To study, in light of the CMEA countries' own experience with regional and interregional economic co-operation :

the evolution of economic relations between CMEA and Latin America with the identification of major achievements, mechanisms, policies and obstacles of economic co-operation in the various sectors such as manufacturing, extractive industry and agriculture;

potentials of accelerated economic relations between CMEA countries and Latin America including :

- study of the major internal and external factors influencing economic relations in the next two decades between the two groups of countries;
- technology transfer between CMEA and Africa aimed at enhancing regional autonomy and self-sufficiency;
- co-operation in planning and policy co-ordination;
- ways of improving trade policy instruments and the institutions of economic co-operation (the role of the state, tariffs, preferences, trade agreements, intergovernmental organizations, NGO's, etc.);
- the possibilities of increasing inter-firm co-operation, including such advanced forms as joint ventures, tripartite schemes and other forms of multilateral inter-company cooperation.
- expanding and improving financial relations between the two groups of countries;
- the special co-operation possibilities with the newly industrializing countries of Latin America;

The role of CMEA countries in catalyzing and promoting co-operation and integration processes in Latin America including the possibilities of establishing institutionalized co-operation between CMEA and Latin American regional integration schemes, and creating CMEA joint ventures in Latin America by including enterprises from more than one Latin American country;

forecast of CMEA-Latin American trade and economic relations until the year 2000, defining the required policy actions on both sides to accelerate economic interaction between them.

IMPLEMENTED BY : Institute of World Economics (Budapest)
 WITH THE
 COLLABORATION OF: CEESTEM (Mexico)
 PROGRAMME : Central Co-ordination Office, Rome
 LIAISON

IRC-6 Co-operation between European CMEA and Developing ESCAP Countries

OBJECTIVES : To study, in light of the CMEA countries' own experience with regional and interregional co-operation :

the evolution of economic relations between CMEA and Asia, identifying the results, mechanisms, policies and obstacles of economic co-operation in various sectors such as manufacturing, extractive industry and agriculture;

the potentials of expanded economic relations between CMEA countries and Asia including :

- study of the major internal and external factors influencing economic relations in the next two decades between the two groups of countries;
- technology transfer between CMEA and Africa aimed at enhancing regional autonomy and self-sufficiency;
- co-operation in planning and policy co-ordination;
- improving trade policy instruments and the institutions of economic co-operation (the role of the state, tariffs, preferences, trade agreements, intergovernmental organizations, NGO's, etc.);
- possibilities of increasing inter-firm co-operation, including such advanced forms as joint ventures, tripartite schemes and other forms of multilateral inter-company co-operation;
- expanding and improving financial relations between the two groups of countries;
- special co-operation possibilities with the newly industrializing countries of Asia;

the role of CMEA countries in catalyzing and promoting co-operation and integration processes in Asia, including the possibilities of establishing institutionalized co-operation between CMEA and Asian regional integration units and to create CMEA joint ventures in Asia by including enterprises from more than one Asian country;

forecast of CMEA-Asian trade and economic relations until the year 2000, defining the required policy actions on both sides to accelerate economic interaction between them.

IMPLEMENTED BY : Institute of World Economics (Budapest)

WITH THE
COLLABORATION OF: Asian and Pacific Development Centre (Kuala Lumpur)

PROGRAMME : Central Co-ordination Office, Rome

LIAISON

IRC-7

The Role of Developed Market Economies in
Regional Co-operation Among Developing
Countries: Principles and Strategies

OBJECTIVES:

Given that South-South Co-operation impacts on the developed market economies of the North and that these economies in turn create conditions that influence the possibilities of South-South co-operation, the study will create a conceptual framework for envisaging an appropriate role for the economies of the North in the process of regional co-operation among developing countries.

The study will further investigate economically sound and politically acceptable strategies through which developed market economy countries could fulfill an appropriate role in South-South co-operation.

IMPLEMENTED BY: Norman Paterson School of Int'l Affairs (Ottawa)

WITH THE
COLLABORATION
OF: Overseas Development Council (Washington)
Institute of Developing Economies (Tokyo)

PROGRAMME LIAISON: Developed Market Economy Coordination Office,
Ottawa

IRC-8

The Role of the United States in Regional Co-operation
Among Developing Countries

OBJECTIVES:

To provide an overview of the different forms and structures of regional development activities where the U.S.A. is heavily involved;

to assess the potential for increasing U.S. involvement in functional terms (e.g. trade, finance, investment, development assistance, technology, etc.);

to outline options for U.S. policies toward regional co-operation efforts, and make policy recommendations for measures to assure an effective U.S. role in assisting regional co-operation among developing countries in different geographic units and functional sectors.

IMPLEMENTED BY: Overseas Development Council (Washington)

WITH THE Norman Paterson School of International Affairs
COLLABORATION (Ottawa)
OF:

PROGRAMME

LIAISON: Developed Market Economy Coordination Office,
Ottawa

IRC-9 The Role of Canada and Other Developed Countries in Regional
Cooperation among Developing Countries: Case Studies

Objective: To determine, through regionally focussed case studies, the opportunities available to Canada and other development-oriented industrialized countries, to participate in an appropriate and positive manner in regional cooperation schemes in the Third World.

This study will be based on the conceptual framework developed in IRC-7.

Case studies will be made of the following regions: CARICOM, ECOWAS, East Africa, ASEAN. In each case, actual and potential Canadian involvement will be studied. Proposals for the most appropriate kinds of Canadian involvement (as will be defined in IRC-7) will be made and, where possible, these will be extended to apply to the roles of other industrialized countries.

An historical overview of the experience in and prospects for RCDC in each region will form the basis on which to identify Canada's role. Canadian policies towards the regions will be examined in historical perspective. The scope and purposes of new initiatives toward RCDC will be assessed and the possible interests of Canada (and similar countries) in participating in and promoting such initiatives will be indicated.

IMPLEMENTED BY: Norman Paterson School of International Affairs (Ottawa)

WITH THE Centro de Estudios Economicos y Sociales del Tercer Mundo (Mexico)
COLLABORATION Institute of Development Studies (Dar-es-Salaam)
OF: Asian and Pacific Development Centre (Kuala Lumpur)

PROGRAMME Developed Market Economy Coordination Office, Ottawa.
LIAISON:

IRC-10

Regional Food Self-Sufficiency and the Role of the EEC

OBJECTIVES: To analyze the food situation in several regions of the developing world, including the reasons and causes of existing food deficits and feasible ways and means of increasing food availability and meeting local nutritional needs, by means of new and closer forms of co-operation among countries and economies within each region;

to study the possible role of the EEC in providing technical and financial assistance consistently with its own Common Agricultural Policy.

Within these overall objectives, regional studies will focus inter alia on:

- the regional management and conservation of productive lands, including use of fertilizers, rotation, methods of cultivation, irrigation, and related environmental factors
- the regional exploitation of water resources (internal waters and coastal seas), in fishing, stocking, hydro-cultures, desalination, and related programmes of training and education
- the breeding of animal stocks, including poultry and small domestic species
- possibilities for the introduction of appropriate new plant materials and animal stocks corresponding to climatic, social and cultural conditions, with the corresponding training programmes and facilities
- the problem of deforestation and desertification, in reference to regional programmes of reforestation and the conservation of top soils
- the dual-economy structure of the rural sectors (subsistence vs. export-orientation) in view of creating a more integrated regional production pattern through planning, production and distribution infrastructure, consumer and farmer education, and appropriate investment and management techniques.

IMPLEMENTED BY: Asian Pacific Development Centre (Kuala Lumpur)
(Proposed) Centre de Recherches Economiques Appliquées (Dakar)
Indian Institute of Management (Bangalore)
Foreign Affairs Inst. U. West Indies (Kingston) jointly with NPSIA (Ottawa)
Istituto Affari Internazionali (Rome)
Institute of Development Studies (Dar-es-Salaam)
Pakistan Institute of Development Economics (Islamabad)

PROGRAMME Central Coordination Office, Rome
LIAISON:

IRC-11

Relations Between South Asia and ASEAN

OBJECTIVES:

To study present trends relating to structural changes taking place in the two regions: the ASEAN group of countries and those of South Asia. The aim is to project a few feasible alternative scenarios of co-operative linkages and exchanges, examining the economical, political and socio-cultural dimensions of co-operation.

In the economic area research will consider the implications of widely divergent levels of income in the two regions on their production structures, and investigate the complementarities that arise in consequence. Specific questions to investigate include:

the possible shift of comparative advantages from ASEAN to South Asia in regard to labour intensive, low wage, export oriented industries;

the lessons of ASEAN's experience for the countries of South Asia;

ways of managing shifts of comparative advantages to benefit both regions;

possible exchanges of manpower and transfers of technology between the regions;

the role of India with its wide ranging manufacturing capability in the pattern of trade emerging between South Asia and ASEAN;

transferable lessons of the experience of the two regions with external linkages, particularly in relation to foreign investment and the activities of transnational corporations;

the potential for interregional co-operation in working out strategies of co-operation with the industrialized countries.

In addition, questions will be studied relating to the configuration of power in the region, and the impact of modernization on traditional value systems.

IMPLEMENTED BY: Marga Institute (Colombo)

PROGRAMME LIAISON: Asian Coordination Office, Colombo

IRC-12

Strategies for Trade Expansion between India and the South Pacific

OBJECTIVES:

To determine ways to expand trade between India and the Pacific region countries of Fiji, Papua, New Guinea, Western Samoa, Tonga and the Solomon Islands;

to identify specific products of interest and explore ways to increase economic co-operation between the region and India through an assessment of:

- the impact of the South Pacific Forum on Indian-South Pacific Trade.
- the complementarities and areas for profitable trade between India and the countries of the South Pacific, including the potential size of the specific export markets, sources of imports, and end-user requirements;
- the measure of competition from other suppliers to the South Pacific;
- government rules and regulations, tariff and non-tariff flows;
- areas where exports can be promoted by providing further credits;
- new actions to be taken by Governments to promote India-South Pacific interregional trade.

IMPLEMENTED BY:

Indian Institute of Foreign Trade (New Delhi)

WITH THE
COLLABORATION OF:

Asia Pacific Development Centre (Kuala Lumpur)

PROGRAMME LIAISON:

Asian Coordination Office, Colombo

PROJECTS ON GENERAL AND FUNCTIONAL ASPECTS OF REGIONALIII. CO-OPERATION AMONG DEVELOPING COUNTRIES AND INTERREGIONAL
CO-OPERATIONGF-1 Conceptual Framework for Developing Countries'
Co-operation and Integration Processes

OBJECTIVES: To develop a general theoretical framework for the assessment of regional and interregional co-operation, in particular:

The relationship between functional and regional types of integration;

Regional integration and the enhancement of the collective self-reliance of developing countries;

The effects of integration on developing countries and the methodologies of measuring such effects;

The relationship between regional co-operation among developing countries and interregional co-operation, and classical North-South approaches.

IMPLEMENTED BY: Centro de Estudios Economicos y Sociales del Tercer Mundo (Mexico) jointly with Research Centre for Co-operation with Developing Countries (Ljubljana)

PROGRAMME
LIAISON: Central Coordination Office, Rome

GF-2

Legal and Institutional Aspects of Regional
Co-operation among Developing Countries

OBJECTIVES:

To explore legal and institutional reinforcements for enhancing the effectiveness of RCDC, in particular:

basic foreign investment laws to facilitate regional economic co-operation;

the scope for regional public and private corporations as actors capable of promoting the interests of the member developing countries;

the possibilities and impediments confronting existing or new regional mechanisms and procedures for the settlement of disputes related to economic co-operation.

(Further objectives will be investigated as identified by research under the aegis of the Programme.)

IMPLEMENTED BY: International Economic & Social Law Programme,
Queen's University (Kingston)

PROGRAMME LIAISON: Central Coordination Office, Rome

GE-3

Administrative Aspects of the Creation and
Functioning of Regional Common Markets

OBJECTIVES:

To study:

The administrative implications of the creation of regional common markets: on the level of common institutions (secretariats) as well as on that of the national administrations of the member States;

The administrative implications of the functioning of such regional common markets, on both levels;

To prepare:

A synthesis of the theoretical and practical experiences in order to produce a guide of concrete use to the interested countries.

In view of the above objectives, an analysis shall be undertaken that is interdisciplinary and comparative (in order to better evaluate the diversity of situations and implementations) to explore the major questions which arise at the various stages of the setting up of regional common markets.

IMPLEMENTED BY: International Institute of Administrative
Sciences (Brussels)

PROGRAMME LIAISON: Central Coordination Office, Rome

GF-4

Multilateral Context for Trade Arrangements

OBJECTIVES:

To research the adequacy of GATT rules and procedures governing regional trade groups;

To evaluate how such rules and procedures have operated in practice;

To make suggestions for their improvement taking into account changes in the world trade environment;

To examine the appropriateness of regional consultative mechanisms on international trade including background, purposes and goals.

IMPLEMENTED BY: Norman Paterson School of International Affairs
(Ottawa)

WITH THE
COLLABORATION
OF: International Economic & Social Law Programme
(Kingston)
Office of Int'l Co-operation, OAS (Washington)

PROGRAMME
LIAISON: Central Coordination Office, Rome

GF-5

Developing Countries' Joint Investments and
Financing

OBJECTIVES:

To study:

triangular project financing

the role of commercial banks and development banks
of developing countries in carrying out various forms
of project financingthe possible role of multinational consulting and
engineering firms of developing countries in project
financing and implementationthe information systems serving the joint ventures
of developing countries

the facilities for project identification

the modalities of financial and monetary co-opera-
tion among developing countries.

IMPLEMENTED BY:

Research Centre for Co-operation with Developing
Countries (Ljubljana)PROGRAMME
LIAISON:

Central Coordination Office, Rome

CF-6

Developing Countries' Collective Self-Reliance
in Agriculture

OBJECTIVES:

To study:

The ways to transform the agricultural sector of developing countries from a dual subsistence/export structure to a unified regional structure of local production to satisfy local nutritional needs, using a case study of the CARICOM to test and illustrate the conclusions.

The study will be carried out in regard to the following aspects:

- the regional aspect of co-operation and integration schemes in Africa, Latin America and Asia;
- the aspect of an interregional diffusion of knowledge between regional organizations concerned with policies of agricultural self-sufficiency.

IMPLEMENTED BY: Norman Paterson School of Int'l Affairs (Ottawa)

WITH THE

COLLABORATION OF: Centro de Estudios Economicos y Sociales del
Tercer Mundo (Mexico),
Indian Institute of Management (Bangalore),
Institute of Development Studies (Dar-es-Salaam)

PROGRAMME LIAISON: Central Coordination Office, Rome

GF-7

Alternatives to the Multinational Corporation
for African Mineral Development: a Feasibility
Study

OBJECTIVES:

To assess the viability and desirability of alternate structures for a Sub-Saharan African Minerals Enterprise -- or sub-regional variants -- designed as replacements for DME-based minerals multinational corporations, and as a means of resuscitating mineral exploration and development in the region. The type of enterprise to be examined would be:

- (i) supranational
- (ii) mainly publicly-owned by a number of governments
- (iii) market-oriented, and
- (iv) in time, vertically-integrated from exploration through to refining

To prepare a proposal for the establishment of such an enterprise which would be technically, commercially and politically viable, and which would develop the technical, financial, and managerial expertise experience and structures to compete effectively in world markets with the DME-based minerals multinationals.

IMPLEMENTED BY: Norman Paterson School of Int'l Affairs (Ottawa)

WITH THE
COLLABORATION OF: Institute of Development Studies (Dar-es-Salaam)
Institute for International Politics & Economics (Belgrade)
Int'l Economic & Social Law Programme (Kingston)

PROGRAMME LIAISON: Central Coordination Office, Rome

CF-8

Co-operation Among Developing Countries in
Communication and Information

OBJECTIVES:

To study:

the role information can play in fostering co-operation among developing countries, as well as between developed and developing countries.

the institutional infrastructures required for information to foster co-operation

the training of professionals in the field of communication

the nature and appropriateness of the contents of information

the relevance of the International Programme for the Development of Communication for developing countries and the new world information and communication order

the efficiency/inefficiency of existing information systems, factors leading to gaps and distortions, and the linkages and opportunities to restructure information systems for development co-operation.

IMPLEMENTED BY: Research Centre for Co-operation with Developing Countries (Ljubljana), jointly with Indian Institute of Management (Bangalore)

PROGRAMME
LIAISON: Central Coordination Office, Rome

GF-9

Human Rights Issues in Regional and Interregional
Co-operation

OBJECTIVES:

To study:

existing and potential regional and sub-regional arrangements for co-operation in the field of human rights, in view of their more effective integration into general regional development initiatives

the regional dimensions of the 'right to development',

the role of human rights in the new international economic order in reference to regional and interregional co-operation

problems of criminality and social defense as obstacles to safeguarding human rights and the right to development.

IMPLEMENTED BY: United Nations Centre for Human Rights (Geneva)

WITH THE
COLLABORATION
OF: United Nations Social Defense Research Institute
(Rome)

PROGRAMME
LIAISON: Central Coordination Office, Rome

GF-10

Development of Human Resources for the Establishment of
Multinational Centers of Excellence in the Fields of Education
and Science

OBJECTIVES:

To analyze the institutional needs and mechanisms to promote the more efficient development of human resources among developing countries on a regional and sub-regional level by pooling resources for the creation of Multinational Centers of Excellence in the fields of Education and Scientific Research.

To undertake an empirical examination, on a case-study basis, of the specific objectives and activities of the Centers and the methodology of achieving regional co-operation and coordination in human resources development.

Analysis of the cost savings and efficacy of the different types of instruments employed in the development of human resources on a multinational regional and sub-regional basis, including professorships, fellowships, technical assistance and financial support.

To review the financing and decision-making mechanisms of the Multinational Centers of Excellence in the field of education, with special emphasis on curriculum development, adult education and education administration, and in the field of science, with special emphasis on the question of the development of human resources for the basic and applied sciences and in scientific planning.

IMPLEMENTED BY: The Organization of American States, Office of International Co-operation (Washington)

PROGRAMME
LIAISON:

Central Coordination Office, Rome

GF-11

Quantitative Assessment of the Impact of RCDC on World Production
and Trade

OBJECTIVES:

To develop a quantitative computerized world model to assess the effects of economic co-operation and integration among developing countries through customs unions and other policy instruments. Work will begin on a comparatively simple model which will be progressively specified to take into account particular groups of countries and commodities;

to study, by means of the model, the impact of regional co-operation among developing countries on the level of world trade in specific categories of commodities;

to study the effects on specific groups of developing and developed countries;

to formulate a quantitative framework for analyzing alternative structural modifications in production and trade patterns between developed and developing countries, taking into account current policy orientations in the latter (such as export orientation, import substitution, etc.).

IMPLEMENTED BY: Centre for Development Planning, Erasmus University (Rotterdam)

PROGRAMME

LIAISON: Central Coordination Office, Rome

I N D E X O F P R O J E C T S

I. PROJECTS ON REGIONAL CO-OPERATION AMONG DEVELOPING COUNTRIES

Research on Africa

- RC-1 Regional Human Resource Development in Africa
- RC-2 Problems and Obstacles of African Economic Integration
- RC-3 Co-operation among State Trading Organizations in the African Region
- RC-4 Eastern African Co-operation in Energy Development: the Case of Kagera

Research on Western Asia

- RC-5 Economic Co-operation in Western Asia

Research on Asia-Pacific

- RC-6 Development of the Unorganized Agricultural and Rural Sector in Southern Asia
- RC-7 Development Institutions and Regional Co-operation in Asia and Pacific
- RC-8 Regional Co-operation in ASEAN Countries for Rural Manpower Development
- RC-9 Business-Government Relationships in the Development of ASEAN Regional Group Economic Co-operation
- RC-10 Economic Diversification, Development Strategies, and International Co-operation in Asia
- RC-11 Regional Co-operation among Marketing Co-operatives in Asia

Research on Latin America

- RC- 12 Expansion of Latin American Economic Relations through Regional Co-operation
- RC- 13 The Impact of Energy Co-operation in Latin America
- RC- 14 Regional Food Policy in Central America: Opportunities and Obstacles to Co-operation

- RC-15 Political Variables in Latin American Regional Integration
- RC-16 Non-Governmental Actors in Latin American Regional Integration and Co-operation

Research on Social, Cultural and Functional Regions

(1) The Arab Region of Africa and Western Asia

- RC-17 Co-operation among Arab Countries in Human Resource Development
- RC-18 Arab Food Security through Integrated Rural Development
- RC-19 Arab Regional Co-operation in Development Planning and Integration

(2) The Mediterranean Region of Africa,
Western Asia and Europe

RC-20 Strategies and Prospects of Mediterranean Co-operation

II. PROJECTS ON INTERREGIONAL CO-OPERATION

- IRC-1 Expansion of Latin American Economic Relations through
Interregional Co-operation
- IRC-2 South-South Technology Transfer: Case Studies in IRC
- IRC-3 Economic Co-operation between China and ASEAN
- IRC-4 Co-operation between European CMEA and Developing ECA Countries
- IRC-5 Co-operation between European CMEA and Developing ECLA Countries
- IRC-6 Co-operation between European CMEA and Developing ESCAP Countries
- IRC-7 The Role of Developed Market Economies in RCDC: Principles and
Strategies
- IRC-8 The Role of the United States in RCDC
- IRC-9 The Role of Canada and Other Developed Countries in RCDC: Case
Studies
- IRC-10 Regional Food Self-Sufficiency and the Role of the EEC
- IRC-11 Relations between South Asia and ASEAN
- IRC-12 Strategies for Trade Expansion between India and the South

III. PROJECTS ON GENERAL AND FUNCTIONAL ASPECTS OF RCDC AND IRC

- GF-1 Conceptual Framework for Developing Countries' Co-operation
and Integration Processes
- GF-2 Legal and Institutional Aspects of Regional Co-operation among
Developing Countries
- GF-3 Administrative Aspects of the Creation and Functioning of
Regional Common Markets
- GF-4 Multilateral Context for Trade Arrangements
- GF-5 Developing Countries' Joint Investments and Financing
- GF-6 Developing Countries' Collective Self-Reliance in Agriculture
- GF-7 Alternatives to the Multinational Corporation for African
Mineral Development: a Feasibility Study
- GF-8 Co-operation among Developing Countries in Communication and
Information
- GF-9 Human Rights Issues in Regional and Interregional Co-operation
- GF-10 Development of Human Resources for the Establishment of Multinational
Centers of Excellence in the Fields of Education and Science
- GF-11 Quantitative Assessment of the Impact of RCDC on World Production
and Trade

DIVISION OF WORK

ARAB FUND FOR ECON. Project Implemented

RC-18 Arab Food Security through Integrated Rural Development

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

| ADAP. MONETABLE | Project Implemented |
|-----------------|---------------------|
| | |

| ARAB MONETARY FUND (U.A.E.) | <u>Project Implemented</u> |
|--------------------------------|-----------------------------------------------------------------------|
| RC-19 | Arab Regional Co-operation in Development Planning and Integration |

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

| | |
|---------------|---------------------|
| ARAB PLANNING | Project Implemented |
|---------------|---------------------|

INSTITUTE

(Kuwait)

RC-14 Co-operation among Arab Countries in Human
Resource Development

[illegible]

ASIA AND PACIFIC Projects Implemented

DEVELOPMENT CENTRE

(Kuala Lumpur)

RC-7 Development Institutions and Regional Co-operation
 in the Asia Pacific Region

RC-8 Regional Co-operation in ASEAN Countries for Rural
Manpower Development

Projects Collaborated In

RC-6 Development of the Unorganized Agricultural and Rural Sector of Southern Asia

IRC-6 Co-operation between European CMEA and Developing ESCAP Countries

IRC-9 The Role of Canada and Other Developed Countries
in Regional Co-operation among Developing Countries:
Case Studies

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

CENTRE DE RECHERCHES Project Implemented

ECONOMIQUES APPLIQUEES

(Dakar)

RC-2 Problems and Obstacles of African Economic
Integration

Projects Collaborated In

RC-1 Regional Human Resources Development in Africa

IRC-2 Caribbean-West African Interregional Co-operation

[illegible]

CENTRE FOR DEVELOPMENT Project Implemented

PLANNING

(Rotterdam)

GF-11 Quantitative Assessment of the Impact of RCDC
on World Production and Trade

Project Implemented

Projects Collaborated In

IRC-4 Co-operation between European CMEA and
Developing ECA Countries (International Trade
and Finance Division)

Project Collaborated In

Projects Implemented.

IRC-12 Strategies for Trade Expansion between India
and the South

GF-12 Regional Co-operation among Marketing Cooperatives

Project Collaborated In

RC-3 Co-operation among State Trading Organizations
in the African Region

Projects Implemented

GP-8 Co-operation among Developing Countries
in Communication and Information (joint project
with RCCDC, Ljubljana)

Projects Collaborated In

GP-6 Developing Countries' Collective Self-Reliance
in Agriculture

[illegible]

INSTITUTE FOR
INTERNATIONAL POLITICS
AND ECONOMICS
(Belgrade)

Project Implemented

- RC-17 Strategies and Prospects of Mediterranean
Co-operation (joint project with IAI, Rome)

Projects Collaborated In

- RC-5 Economic Co-operation in Western Asia
- CF-7 Alternatives to the Multinational Corporation
for African Mineral Development: a Feasibility
Study

INSTITUTE OF DEVELOPING
ECONOMICS (Tokyo)

Project Implemented

- RC-10 Economic Diversification, Development
Strategies and International Co-operation
in Asia

Projects Collaborated In

- RC-9 Business-Government Relationships in the
Development of ASEAN Regional Group
Co-operation
- IRC-7 The Role of Developed Market Economies in
Regional Co-operation among Developing
Countries: Principles and Strategies

INSTITUTE OF
DEVELOPMENT STUDIES
(Dar-es-Salaam)

Projects Implemented

- RC-1 Regional Human Resource Development in Africa
- RC-4 East African Co-operation in Energy
Development: the Case of KAGERA

Projects Collaborated In

- IRC-9 The Role of Canada and Other Developed
Countries in Regional Co-operation among
Developing Countries: Case Studies
- IRC-4 Co-operation between European CMEA and
Developing ECA Countries
- CF-6 Developing Countries' Collective Self-Reliance
in Agriculture
- CF-7 Alternatives to the Multinational Corporation
for African Mineral Development: a Feasibility
Study
- RC-2 Problems and Obstacles of African Economic
Integration

INSTITUTE OF
WORLD ECONOMICS
(Budapest)

Projects Implemented

- IRC-4 Co-operation between European CMEA and Developing
ECLA Countries
- IRC-5 Co-operation between European CMEA and Developing
ECA Countries
- IRC-6 Co-operation between European CMEA and Developing
ESCAP Countries

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

INSTITUTE OF
WORLD ECONOMY AND
POLITICS
(Beijing)

Project Implemented

- IRC-3 Economic Co-operation between China and ASEAN

Project Collaborated In

- RC-9 Business-Government Relationships in the
Development of ASEAN Regional Group Economic
Co-operation

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

INSTITUTO CENTRO
AMERICANO DE ADMINISTRACION
DE EMPRESAS
(Managua)

Project Implemented

- RC-13 Regional Food Policy in Central America:
Opportunities and Obstacles to Co-operation

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

INT'L ECONOMIC AND
SOCIAL LAW PROGRAMME
OF QUEEN'S UNIVERSITY
(Kingston, Ontario)

Project Implemented

- GF-2 Legal and Institutional Aspects of
RCDC

Projects Collaborated In

- GF-4 Multilateral Context for Trade Arrangements
- GF-7 Alternatives to the Multinational Corporation
for African Mineral Development: a Feasibility
Study
- IRC-1 Expansion of Latin American Economic Relations
through Interregional Co-operation

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

INST. D'ETUDE DU DEV.
ECON. & SOCIAL

Project Implemented

- IRC-2 South-South Technology Transfer: Case Studies
in Interregional Co-operation

INT'L INSTITUTE OF
ADMINISTRATIVE
SCIENCES
(Brussels)

Project Implemented

GF-3 Administrative Aspects of the Creation and
Functioning of Regional Common Markets

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

ISTITUTO AFFARI
INTERNAZIONALI
(Rome)

Project Implemented

RC- 20 Strategies and Prospects of Mediterranean
Co-operation (joint project with I.I.P.E.,
Belgrade)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

MARGA INSTITUTE
(Colombo)

Project Implemented

IRC-11 Relations between Southern Asia and ASEAN

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

NORMAN PATTERSON SCHOOL
OF INTERNATIONAL AFFAIRS
(Ottawa)

Projects Implemented

RC-9 Business-Government Relationships in the
Development of ASEAN Regional Group Economic
Co-operation

IRC-7 The Role of Developed Market Economies in
RCDC: Principles and Strategies

GF-4 Multilateral Context for Trade Arrangements
(joint project with OAS, Washington)

GF-6 Developing Countries' Collective Self-Reliance
in Agriculture

GF-7 Alternatives to the Multinational Corporation
for African Mineral Development: a Feasibility
Study

IRC-9 The Role of Canada and Other Developed
Countries in RCDC: Case Studies

NPSIA (Ottawa)
cont'd

Projects Collaborated In

| | |
|-------|----------------------------------------------------------------------------|
| RC-1 | Regional Human Resource Development in Africa |
| RC-4 | East African Co-operation in Energy Development: the Case of KAGERA |
| IRC-8 | The Role of the United States in Regional Co-operation for Development |
| RC-8 | Regional Co-operation in ASEAN Countries for Rural Manpower Development |

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

ORGANIZATION OF
AMERICAN STATES
(Washington)

Project Implemented

CF-10 Development of Human Resources for the
Establishment of Multinational Centers of
Excellence in the Fields of Education and Science

Project Collaborated In

CF-4 Multilateral Context for Trade Arrangements

[illegible]

OVERSEAS DEVELOPMENT
COUNCIL
(Washington)

Project Implemented

IRC-8 The Role of the United States in Regional
Co-operation for Development

Project Collaborated In

IRC-7 The Role of Developed Market Economies
in RCDC: Principles and Strategies

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

PAKISTAN INSTITUTE
OF DEVELOPMENT
ECONOMICS
(Islamabad)

Project Implemented

RC-5 Economic Co-operation in Western Asia

[illegible]

Projects Implemented

- RC-17 Strategies and Prospects of Mediterranean Co-operation (joint project with IAI)
- GF-1 Conceptual Framework for Developing Countries' Co-operation and Integration Processes (joint project with CEESTEM, Mexico)
- GF-5 Developing Countries' Joint Investments and Financing
- GF-8 Co-operation Among Developing Countries in Communication and Information (joint project with IIM, Bangalore)

- | | |
|-------|----------------------------------------------------------------------------------------------------|
| RC-9 | Business-Government Relationships in the Development of ASEAN Regional Group Economic Co-operation |
| IRC-1 | Expansion of Latin American Economic Relations through Interregional Co-operation |
| RC-2 | Problems and Obstacles of African Economic Integration |

[illegible]

Project Implemented

- GF-9 Human Rights Issues in Regional and Interregional Co-operation

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Project Collaborated In

- GF-9 Human Rights Issues in Regional and
Interregional Co-operation

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

THE AFFILIATED INSTITUTES

Arab Fund for Econ. & Social
Development
P.O. Box 21923 (Safat) Kuwait
Tel: 431870/431860

Telex: 23265 INMARAB KT
Dr. Khaled T. Ali, Coordinator
in Charge

Arab Monetary Fund
P.O. Box 2818
Abu Dhabi (U.A.E.)
Telex: 2989 AMF/AH

Dr. Mohamed El-Imam, Coordinator
in Charge

Arab Planning Institute
P.O. Box 5834

(Safat), Kuwait

Tel: 425261-6

Cable: KUWINST

Telex: KUWINST 2996 KT

Dr. Abdulla M. Ali, Director

Asian Pacific Development Centre
P.O. Box 2224

No. 3 Jalan Spooner

Kuala Lumpur, Malaysia

Tel: 03 - 948088

Cable: APDECEN KUALALUMPUR

Dr. Aftab Ahmad Khan, Director

Centre for Development Planning
Erasmus University

P.O. Box 1738

3000 DR Rotterdam, Netherlands

Tel: 010 145511 Ext. 3458

Telex: 24421 UBRT

Prof. H.C. Bos, Director

Centre de Recherches Economiques
Appliquées, Faculté des Sciences
Economiques, Université de Dakar
Dakar, Senegal

Prof. Makhtar Diouf, Director

Centro de Estudios Economicos y
Sociales del Tercer Mundo

50 Corl. Porfirio Diaz,

S. Jeronimo Lidice

Mexico 20 D.F. Mexico

Tel: 595 2088

Cable: CEESTEM

Lic. Jorge Nuño, Sub-Director General

Centro Latino Americano de Integracion
y Cooperacion

Casilla 16696

Santiago, Chile

TELEX: 340412 FELER/CABLE: FELER

Dr. Felipe Herrera, Coordinator

Economic Commission for Africa

International Trade & Finance Division

P.O. Box 3001

Addis Ababa, Ethiopia

Tel: 447000 447 200

Cable: ECA ADDIS ABABA

Telex: 21029

Dr. Jonathan Chileshe, Officer-in-Charge

Indian Institute of Foreign Trade

Ashok Bhawan

93 Nehru Place

New Delhi 110019 India

Prof. Rama Rao, Director

Indian Institute of Management

33 Langford Road

Bangalore 560027 India

Tel: 533361/ 53597

Cable: MANAGEMENT

Telex: 0845 472

Prof. N.S. Ramaswamy, Director

Institute of Developing Economics

Economic Growth Department

42 Ichigaya-Hommura cho

Shinjuku-ku

Tokyo 162, Japan

Tel: 03 353 4231

Cable: AJIKEN TOKYO

Dr. Takahiho Haseyama, Director

Institute of Development Studies

P.O. Box 35091

University of Dar-es-Salaam

Dar-es-Salaam, Tanzania

Tel: 53611

Cable: UNIVERSITY DAR-ES-SALAAM

Prof. Haroub Othman, Director

Institute of International Politics
and Economics

P.O. Box 750

Belgrade, Yugoslavia

tel: 325611/325612/321433

Cable: INSTINPOL, Belgrad

Dr. Božidar Franges, Director

Institut d'Etude du Développement
Economique et Social, Université
de Paris

25 Blvd. Arago

FR-75013 Paris France

Tel: 336 2355/336 2433

Dr. Jean Masini, Director

Institute of World Economics

Hungarian Academy of Sciences

P.O. Box 36

Budapest 1531 Hungary

Tel: 668 433

Dr. Mihály Simai, Deputy Director

Institute of World Economy and

Politics, Chinese Academy of Sciences

15 Shatanbeijei

Beijing, China

Dr. Li Cong, Deputy Director

Instituto Centro Americano de

Administración de Empresas

Apartado 2485

Managua, Nicaragua

Tel: 58402/58405

Cable: IMCAE

Telex: 1360

Prof. John C. Icks, Director de la

División de la Investigación

International Economic and Social

Law Programme

Faculty of Law

Queen's University

Kingston, Ontario Canada K7L 3N6

Prof. Venkata Raman, Director

International Institute of

Administrative Sciences

Rue de la Charité 25

B-1040 Bruxelles, Belgium

Tel: 218 4245/218 4330

Prof. Michel Lesage, Director General

Istituto Affari Internazionali

Viale Mazzini 88

Rome, Italy

Tel: 315 892/354 456

Cable: INTERAFFARI ROMA

Prof. Roberto Aliboni, Director

Marga Institute

61 Isipathana Mawatha

Colombo 5, Sri Lanka

Tel: 85186

Cable: MARGA

Telex: 21642 MARGA CE

Dr. V. Kanesalingam, Associate

Director

Norman Paterson School of International
Affairs

Paterson Hall

Carleton University

Ottawa, Canada

Tel: (613) 231 2693

Prof. John O'Manique,

Associate Director

Organization of American States

Office of International Co-operation

General Secretariat

1889 F Street NW

Washington D.C. 20006

Tel: 789 3436

Telex: WUI 64128

Mr. Ronald Scheman, Assistant Secretary
for Management

Overseas Development Council

1717 Massachusetts Ave. NW

Washington D.C. 20036

Tel: 234 8701

Dr. Richard E. Feinberg,

Senior Fellow

Pakistan Institute of Development
Economics

Quaid-I-Azan University Campus

P.O. Box 1091

Islamabad Pakistan

Tel: 21670

Cable: PIDE

Prof. Sycol Nawab Haider Naqvi,

Director

Research Centre for Co-operation with
Developing Countries

P.O. Box 37

61113 Ljubljana Yugoslavia

Tel: 347 597/347 598/ 343 672

Telex: 32139 YUJCS ZQ DVR

Dr. Boris Cizelj, Director

UN Centre for Human Rights

Palais des Nations

CH-1211 Genève

Tel: 346011/310211

Cable: UNATIONS GENEVE

Telex: 289696

Mr. Philip Alston, Principal Investigator

UN Social Defence Research Institute

52 Via Giulia

00186 Rome Italy

Tel: 654 1610/657 437/655 301

Telex: FOODAGRI UNSD Cable: UNSDRI ROME
Prof Tolani Asuni, Director

THE OFFICES OF THE PROGRAMME

CENTRAL COORDINATION OFFICE

Via Catalana, 5
00186 Rome, Italy
Tel. 654 2200
Cable: UNITAR ROME
Telex: FOODAGRI UNITAR

Ervin Laszlo,
Director of the Programme

Paolo Basurto,
Associate Director

U.N. HEADQUARTERS OFFICE

801 U.N. Plaza
New York N.Y. 10017
Tel. (212) 754 8635/754 8636
Cable: UNINSTAR

DOCUMENTATION AND INFORMATION
OFFICE

Research Centre for
Co-operation with
Developing Countries
P.O. Box 37
61113 Ljubljana, Yugoslavia
Tel. 347597/347598/343672
Telex: 32139 YUJCS ZQ DVR

Boris Cizelj,
Officer-in-Charge

REGIONAL COORDINATION OFFICE
FOR ASIA

Marga Institute
61 Isipathana Mawatha
Colombo 5, Sri Lanka
Tel: 85186
Cable: MARGA

V. Kanesalingam,
Coordinator-in-Charge

COORDINATION OFFICE FOR
LATIN AMERICA

Centro de Estudios
Economicos y Sociales
del Tercer Mundo
50 Corl. Porfirio Diaz
San Jeronimo Ildice
Mexico 20 D.F. Mexico

Alicia Puyana
Coordinator-in-Charge

COORDINATION OFFICE FOR
ARAB COUNTRIES

Arab Steering Committee
c/o The Arab League
37 Avenue Khereddine Pacha
Tunis Tunisia
Tel. 890100
Telex: 13241

Khaled Mohammed Khaled
Coordinator-in-Charge

COORDINATION OFFICE FOR
DEVELOPED MARKET ECONOMIES

Norman Paterson School of
International Affairs
Paterson Hall
Carlton University
Ottawa Canada
Tel. (613) 231 2693

John O'Manique
Coordinator-in-Charge

By

ALI A. ATTIGA
OAPEC SECRETARY GENERAL

Excellencies, Distinguished guests,
Ladies and Gentlemen,

On behalf of the Organizations hosting this meeting and in my capacity as a member of the Panel I have the honour and pleasure to welcome you all. I want to express special thanks to his Excellency Mr. Abdul-Latif Al-Hamad for taking some of his precious time to open our session with his eloquent and inspiring address. Indeed his presence with us and the fact that we are meeting in the premises of the Kuwait Fund demonstrates once more the pioneering spirit and the standing commitment of the State of Kuwait to the cause of development through cooperation among the developing countries. It is not only appropriate that we meet in Kuwait, but it is also fortunate that we convene in the Kuwait Fund and that our meeting should be opened by Mr. Al-Hamad, because the Kuwait Fund pioneered an effective policy of regional and interregional cooperation among developing countries more than two decades ago. It was under the leadership of Mr. Al-Hamad that the Kuwait Fund progressed from its limited regional role to its present worldwide activities and commitments. May I also

.. /2

Addressed to the Meeting of The Panel of Eminent Persons, Kuwait 8-9/1/1983.

On behalf of: The Kuwaiti Fund for Economic Development
The Arab Fund for Arab Economic & Social Development
The Arab Planning Institute
The Organization of Arab Petroleum Exporting Countries

express my thanks and deep appreciation to His Excellency Mr. Agha Shahi, Chairman of the Board of Governors of UNITAR, Mr. Chadli Klibi and His Excellency Mr. Farooq Sobhan President of the group of 77 for honouring us with their presence and for their encouraging statements.

Ladies and Gentlemen,

It is a source of encouragement for those of us who have been engaged in promoting regional cooperation through organizations outside the United Nations system to see that at long last the United Nations, through the good work of UNITAR, is beginning to realize the value and importance of the regional approach to development based on regional institutions and joint projects originating from and belonging to the countries concerned. Indeed it is only through regional and interregional cooperation that trade and development can become two inseparable ingredients of a highly complex process of economic and social development.

What we now call developed countries have long realized the overriding importance of this fact and made use of it on national and regional bases as far back as two centuries ago. Thus, in the United States it was generally agreed, almost from the beginning, that irrespective of the number of states that may be established within the Union, they should not have any power to obstruct the normal growth and expansion of interstate commerce. Similarly, in the great sub continent of the Soviet Union one of the most significant developments brought about by the Socialist Revolution of 1917, was the establishment of a large

economic unit within which no regional authority would have power to obstruct the over-all development and growth of the Union as a whole. In each of these cases we can safely conclude that rapid development required the expansion of trade and that greater and more varied trade gave rise to greater and more diversified development.

Except for China and Brazil other large economic units which had existed, politically at least, prior to World War II were, of course, made up of the colonial systems that had governed much of Asia and Africa for a longtime. Unlike the examples of the United States and the Soviet Union these "economic units" were each composed of one ruling power (which was usually technologically and militarily advanced) with many other colonial territories linked to it in a superior inferior relationship. In such a relationship a certain degree of specialization developed, but not economic integration. This specialization consisted largely of having the colonial territories produce raw materials, using cheap labour and consuming processed and manufactured products, exported by the ruling powers. This kind of relationship accentuated the problem of unbalanced growth within these units and ultimately contributed to their disintegration as political entities. In their place new patterns of economic relationship have emerged.

Parallel with the fragmentation of the former colonial territories into many independent sovereign states, some of the former colonial powers

initiated a process of economic cooperation and integration among themselves, which had far-reaching consequences on the trade and development patterns of the newly independent countries in Africa and Asia. Thus while the implementation of such highly successful measures as the Marshall Plan and the scheme for the European Economic Community had the effect of promoting economic integration in Western Europe, the opposite was the case in the developing countries. As economic blocs among developed countries began to be established and expanded, the initial impact of this development was economic fragmentation and excessive competition for export markets among developing countries. Such fragmentation was contrary to the normal prospects of regional integration and trade expansion among developing countries. Moreover, excessive competition for highly organized export markets reduced the individual bargaining power of these countries to a dangerously low level. Here again, we see that whereas trade and development were given the most favorable conditions within which to interact in Western Europe, the opposite was the case in the newly independent countries of the "third world."

Perhaps one of the most serious and devastating aftermaths of the post World War economic development, as far as the developing countries are concerned, has been the introduction of a highly powerful element of dissension among the developing countries. This came about largely

as a direct result of the way in which the newly formed economic blocs among developed countries have sought to link their former colonies, which are now formally independent, into a special relationship that differentiates between them and their neighbors on the basis of their former colonial associations. This development has in many cases, hindered the evolution of regional economic cooperation among the developing countries, since in many geographic regions there were two or more different and often antagonistic colonial regimes. These differences were reflected in the economic relations among developing countries, which belong to the same regions, but had been under the domination of different colonial powers.

With all of these historical considerations in the background, developing countries find themselves, numerous in number, but terribly weak in their economic powers and bargaining positions in world trade. Their large number and their historical economic role under the colonial system, as well as their inability to reach a reasonable degree of organization and coordination of their mutual interests made it necessary for each of them to compete against the other in the sale of their limited and homogeneous exports. The markets for which they were competing belonged to a few highly developed countries, whose mutual interests were largely coordinated and whose external trade policies were designed to promote economic growth and integration within their regions. These developments gave rise to a situation where the supply of the exports

of developing countries was highly competitive, while the demand for these exports was highly organized and administratively manipulated. When the oil exporting developing countries tried to break away from this rigid pattern they were wrongly accused of holding the world at ransom. Unfortunately for the developing world their success, may prove to be only temporary. Perhaps developing countries will now realize that if OPEC member states lose their bargaining position in world trade it may mean a loss for all of them.

Ladies and Gentlemen,

Perhaps historians will designate the seventies as the decade of international disappointments and frustrations with excessive and prolonged conferences, seminars, summit meetings, workshops, commissions, panels, task forces and dialogues or monologues. With this background in mind, I hope that this panel will succeed in assisting UNITAR with its global program of regional and interregional cooperations under the able and dedicated leadership of Dr. Ervin Laszlo. Let us hope that this program will make a significant contribution towards better understanding of the problems and opportunities of cooperation among developing countries and between them and the developed nations. Indeed it is not only a matter of choice, but it is also our professional and moral duties to do our utmost in helping to make this hope become a reality.

Thank you and I wish you all a fruitful and Happy New Year.

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s

Address by

Ervin Laszlo

Director of the Programme

Mr. Chairman, Distinguished Members of the Panel,
Excellencies, Ladies and Gentlemen

I shall not attempt to follow the major addresses which have preceded mine with further thoughts of my own on the world economic situation and the approaches required to cope with its problems. Rather, I shall restrict myself to giving you a concise overview of what we have done so far in this Programme, where we are at present, and what in our view remains to be done in the future. In this way I hope to provide context and background for your deliberations in the forthcoming sessions of this important meeting.

The UNITAR Programme on Regional and Interregional Co-operation was initiated in 1980. It owes its existence to a sudden turn in world economic conditions and relations around the beginning of the present decade. The turn was undoubtedly for the worse. The great objectives of a new international economic order, which were elaborated with such care in the latter part of the 1970s, seemed to recede into the background. Global negotiations, which were to bring at least some of the many weighty issues to the stage of active negotiations between all members of the international community, could not get started.

Many compromises had to be made in the elaboration of the Development Strategy for the Third Development Decade, and we are awaiting its mid-term review to see how far even its more modest objectives are on the way to realization. The 11th Special Session of the General Assembly reflected in its debates and conclusions this turn of events. It prompted those of us who are charged with trying to see ahead, and bring useful knowledge to the attention

of the U.N. family, to cast around for ways in which another turn in events could be furthered, this time one that is for the better.

We realized, like so many others before us and especially since, that closer forms of co-operation are needed among developing countries to bolster their self-reliance and provide an effective platform for the negotiation of their demands for a more equitable economic order. South-South co-operation has been long on the agenda of international conferences, but never has there been a need for it comparable to that which we have today in the mid-1980s. Such co-operation can take many forms: economic and technical, social, cultural and political. In the context of the turn of events at the beginning of this Development Decade, economic and technical co-operation — ECDC and TCDC as they have come to be known — have assumed paramount importance. The question we faced was how such co-operation can be implemented in practice. There are several necessary conditions of successful co-operation, regardless of who the co-operating partners are. There must be a complementarity of interest; there must be solidarity; and there must be political will to build on them. Relations need to be based on enduring factors, not those that may change overnight. For these reasons we have looked to countries that have something in common — such as natural resources — rivers, coastlines, forests and mineral deposits; human resources — similar skills and aptitudes and a larger labour pool; and common cultural resources — a history of shared struggles, a common language, religion, and social system. Such commonalities are prevalent among countries that are neighbours. Of course, neighbours also have their disagreements. But could inherited fears and conflicts not be outweighed by inherited ties — when mutual relations could bring benefits, while continued conflict, uncoordination, and unbridled competition could only bring more troubles?

These were the questions we decided to investigate in 1980. They make up the issues we identify with the letters 'RCDC.' They stand for Regional Co-operation among Developing Countries, and they are not a substitute for, or anything other than, South-South co-operation in the economic and technical fields. RCDC is a promising operational modality of ECDC and TCDC; nothing else. Such operational modalities are crucially important, however. They may spell the difference between declarations of noble goals with little or no follow-up, and the evolution of a more equitable and mutually beneficial economic system.

To explore how the international community may respond to specific proposals for regional co-operation, we organized, in May, 1980, a conference at the United Nations on the theme "Regionalism and the New International Economic Order." The response of some developing countries was cautious at first, but became strongly supportive when we made clear that by "regionalism" we mean neither political bloc formation, nor the fragmentation of Third World unity. To avoid any possible misunderstanding, we abandoned the term "regionalism" in favour of 'regional co-operation,' and added to such co-operation the interregional dimension. Interregionally, groups of developing countries can forge co-operation among themselves, as well as with the industrialized countries, both East and West.

The basic concept is simple and logical. At a time when hardly any nation in the world can be truly self-sufficient, interdependence with those with whom one can develop lasting and dependable relations is better than with others, who are intent mainly on exploiting it for power or profit and are ready to relinquish the relations when they can no longer guarantee either. The developing countries, for the most part late entrants in the world economic system, are more and more interdependent: they experience great difficulty in becoming autonomous and self-reliant. Many are forced into the position of economic colonies, by relations of dependence on one or a few industrial countries, often including the former metropolitan power. They could, however, exchange such dependence for a more equitable and dependable form of interdependence with other developing nations, who share their region or subregion.

A new economic order can, perhaps, be built bloc by bloc, step by step. Developing countries co-operating and integrating their basic economic processes in various subregions can form region-wide relations of mutual benefit and support with one another. The emerging regional groups can interact with one another and create new outlets for their products and new inputs for their processes of production. The countries of the North, whether in groups or individually, can enter into interregional arrangements with the consolidating groups of developing countries. The world economy would become better balanced and more secure. A path of mutual growth would be initiated.

This, in its briefest outline, is the Regional and Interregional Strategy for Collective Self-reliance. It was discussed at our U.N. conference on the basis of two dozen technical studies that explored many of its manifold aspects. From these studies and the discussions we distilled a series of proposals.

I shall mention them here one by one, because they merit serious attention.

In the field of development finance, we proposed the creation of regional financing facilities which would have the task and ability to establish a body of principles to underlie the facility's loan philosophy; that would emphasize domestic production rather than export dependence; and disseminate a body of economic precepts and accounting principles capable of analyzing Third World developments in its technological, financial, demographic, ecological, social, and cultural dimensions.

In regard to industrial production, we suggested the creation of regional centres which would formulate an investment code that offers preferential treatment for regional businesses by way of long-term loans, investment guarantees, and assured markets for the end products; and promote joint ventures among developing countries involving the supply of inputs and raw materials, location of industrial plants, and pooling of technical and managerial skills.

In the field of trade and marketing, similar centres are needed. They would act as the central clearing-house for marketing intelligence on prices, surpluses, shortfalls, distribution outlets, and shipping conditions to promote intra-regional trade, and study the development plans of Third World countries and how they may be enmeshed with their exporting strategy and strengthening of their infrastructural facilities. The activities of the centre could later be expanded to include downstream marketing operations in stocking, transport, finance, and related ancillary services.

In the area of agriculture and rural development, regional centres were proposed in order to develop a common agricultural policy, taking into account price support systems, stockpiles and sales; and devise programmes to improve agriculture inter alia through such measures as appropriate fertilizer production, irrigation, prevention of soil erosion, storage, marketing, and creation of transport and distribution systems.

Science and technology centres would, in turn, promote regional and interregional co-operation in field testing, adaptation, joint industrial research, evaluation and extension of technologies; develop appropriate regional technological capabilities; and enhance regional capabilities to adequately transfer and control imported technologies.

The more appropriate and beneficial use of endogenous energies, natural resources and environments would be promoted by regional centres that would establish joint regional enterprises for the R & D, exploration, exploitation and preservation of endogenous land and ocean-based natural and energy resources; identify all existing and potential energy resources required to sustain regional development; and establish an energy clearing system at the regional level to promote and facilitate the interregional exchange of appropriate forms of energy.

Last but not least, social, cultural and educational policies could be coordinated and harmonized through regional centres that would determine the development aspirations of indigenous populations and examine the impact of imported technologies and modes of economic and social organization on the cultures with a view to increasing socially equitable employment opportunities, reducing conflict and preserving the useful and appropriate elements of the cultural heritage of the nations and the region as a whole; review educational materials and curricula in regard to their appropriateness to impart required skills, provide useful knowledge, and sustain the basic values of human dignity, compassion and solidarity with a view to establishing a regional common market for knowledge; and coordinate the research, development and application of new educational materials and techniques with due regard for ethnic and national diversity, as well as for the commonality of problems and opportunities within the region.

The creation of such a broad regional infrastructure in different parts of the world calls for a detailed knowledge of the opportunities as well as obstacles, the costs as well as the benefits, of regional co-operation. Also the existing institutions must be analyzed, and the possibility of their reform or restructuring explored. Consequently we could not end our endeavours in the field of regional and interregional co-operation with the publication and dissemination of the results of the U.N. Conference. We were morally and intellectually obliged to create the scientific infrastructure for the detailed investigation of the conditions under which regional co-operation can be implemented. We recalled the words of the Secretary-General who, in his Opening Address, said that we should "consider the question how the United Nations family could become more effective in helping to implement the many already existing plans and programmes of action for regional co-operation ... /and/ give thought to how the appropriate new concepts and policies could be

developed and brought to the attention of the Secretariat and the United Nations system." Shortly after the Conference, therefore, we convened a Working Group to study ways and means of setting up a sustained research effort in this domain within UNITAR. The Working Group, which met periodically during 1981, was composed of representatives of the Under-Secretary-General for International Economic and Social Affairs, the Secretary-General of UNCTAD, the Administrator of UNDP, and the Regional Economic Commissions. On the recommendation of the Group we focused our efforts on the human and the institutional aspects of regional co-operation, and identified a number of major research tasks. These can be summarized in the following questions: what are the economic and social sectors and areas where regional co-operation is especially appropriate and beneficial? What is the size and nature of the regions and subregions where co-operation offers optimal chances of success? Which are the complementarities and the opportunities of reciprocal trade, investments, joint ventures and similar arrangements among two or more subregional or regional groupings, on the South-South as well as on the North-South level? What institutional structures and mechanisms are required to implement potentially advantageous schemes of subregional and regional co-operation? And, finally, what would be the appropriate attitudes and policies on the part of developed countries if they would wish to assist developing countries in evolving regional and interregional schemes of co-operation?

These questions are the cornerstones of the research currently pursued by our international network of research institutes. The projects are grouped under three headings: regional co-operation among developing countries; interregional co-operation among developing countries, as well as between developing and developed countries; and general functional issues which apply to all efforts of co-operation regardless of region, and level of development.

The projects of research under these headings — some 40 in number — were harmonized and coordinated with each other in a workshop organized by the German Foundation for International Development in Berlin, in November 1981. They were presented to the Programme's Panel of Eminent Persons at its Inaugural Meeting held in Brussels, in May, 1982, on the invitation of the European Community and the Belgian government.

The Panel, created to guide the work of the Programme and produce a report on the conclusions for transmission to the Secretary-General, used the occasion of the Brussels meeting to define its own role. It will guide the international research network in the selection of the topics of research and in assessing its plans and projects in view of implementation, and it may

also wish to conduct hearings with practitioners of subregional and regional co-operation and consult with the economic and social organs of the United Nations, in particular with the Regional Commissions. The Panel made clear that the final report of the Programme is to be addressed both to political leaders and to the public at large. The report shall present a clear and concise development co-operation philosophy, and project a compelling vision of the objectives to be achieved.

Since May of 1982 the great majority of the research projects of the Programme have been actively launched. The preliminary reports on research in progress were submitted to the Panel at its First Regular Meeting, held in Kandy, Sri Lanka, on the invitation of that country's distinguished Foreign Minister, in September of 1982. The reports focused on patterns and possibilities of co-operation within and among the subregions of Asia, as well as between Asian developing countries and the countries of the other regions of the world. On the basis of a review of the reports, the members of the Panel assembled in Sri Lanka unanimously adopted a declaration. The document, known as the Kandy Declaration, acknowledges that the purely bilateral strategy of international relations does not adequately meet the needs of either the developing or the developed countries, and that the best promise for collective and human survival and progress, and even for the preservation of human values and civilization as a whole, is held by co-operation. It calls on UNITAR to bring to a full and successful conclusion its studies on regional and interregional co-operation, and to generate a purposeful dialogue between political leaders, policy-makers, research institutions and the intellectual community to yield concrete results. As Director of the Programme in UNITAR, I am dedicated to achieve these ends.

Mr. Chairman, it is in this context that I particularly welcome the present occasion, here in Kuwait. Our Programme is fortunate in having for the second Regular Meeting of its Panel of Eminent Persons a venue in the Arab world, where regional co-operation has a rich and long history. I am conscious of the great efforts of the Arab world to establish fair and beneficial ties among its own peoples. I am convinced that such co-operation can and will have far-reaching consequences for all the countries of the world, developing as well as developed, since Arab regional co-operation is the basis for numerous interregional ties which can do much to bring the world economy into much needed balance and harmony. Some two dozen research reports and two position papers have been prepared for this meeting, on various aspects of regional

and interregional co-operation of particular relevance to the Arab nation. The conclusions the Panel will draw from them will be a guide to the further evolution of the Programme and will, I believe, demonstrate with force and clarity that regional co-operation in the 1980s is both necessary and feasible.

Mr. Chairman, I wish to thank you for the auspices you are providing for this meeting of crucial importance, and for your initiative in embodying, in the very organization of this event, the principles of regional co-operation. All four of our host organizations are regional bodies: the Kuwait Fund for Arab Economic Development; the Arab Fund for Economic and Social Development; the Organization of Arab Petroleum Exporting Countries; and the Arab Planning Institute. Their joining together in this endeavour is itself a shining example of the will to explore together paths of solidarity and collaboration. It is fitting that the two position papers of our meeting, on Arab regional and interregional co-operation respectively, should have been prepared by two of our hosts. It is fitting that one of the major Arab projects should be the work of another one of our hosts, and that the executive officer of the fourth should be a member of our Panel. It is also fitting that the Arab League itself should have assumed the role of coordinator of all the research projects dealing with co-operation among Arab countries.

On behalf of the entire Programme Secretariat I wish to thank all these eminent bodies for joining together and extending their invitation to us. The significance of this gesture shall not fail to make itself felt at this meeting and in its follow-up. And, Mr. Chairman, permit me to express our deep gratitude to all the participants of this meeting, members of the Panel, the Advisory Board, the International Research Network, and of other bodies and organs who collaborate with us. Without them the goals of this Programme cannot become more than a wistful dream. With their help, and with yours, Mr. Chairman and the four co-hosts of this meeting, the goals of the Programme -- goals of a new and more equitable world economic order achieved through co-operation and solidarity -- may yet become reality.



Conceptual Framework for Developing Countries' Co-operation
and Integration Processes GF-1

Summary

- (1) In defining the objectives of Developing Countries' economic co-operation and integration the following elements will be considered as most important:
 - A) Taking full advantage of existing complementarities among developing economies, including gradual elimination of intermediaries from the developed world in order to rationalize intra-developing countries economic relations,
 - B) Developing new areas of economic complementarity and systematically strengthening developing countries' joint productive capacities,
 - C) Improving their bargaining position at the international market,
 - D) Increasingly implement the principles of the NIEO in their mutual economic relations.
- (2) While assessing the results achieved so far, and estimating the potential for developing countries' greater collective self-reliance, researchers and practitioners face difficulties, since the above principles have not yet been successfully translated into criteria of micro and macro economic efficiency. There are serious efforts in this direction particularly in the area of integration theory. It is now generally recognized that regional integration among developing countries through trade liberalization does not produce positive results. Instead of market integration, more complex approaches have been suggested and attempted; however, the results were in most cases disappointing. On the basis of penetrating analyses of the factors responsible for the crisis of developing countries' integration (many of the identified factors are non-economic) a new, more flexible and functional approach is being developed.
- (3) The present study is evaluating the above-mentioned issues and will produce a brief survey of integration theory for developing countries, with particular reference to viable policies of regional industrialization under conditions of unequal development among the partner countries.
- (4) In our view the main strategic factors of regional co-operation and integration policies among developing countries should, above all, comprise the following:
 - A) Economic Factors:
 - The level of economic (and overall) development in the region, and differences between member countries;
 - the level of existing economic and other forms of interdependence among member countries;

- the optimization of the newly-formed economic region, with particular reference to the complementarity of resources and of factors of production, as well as to its development potential as a whole;
- the nature of economic relations with third countries and the position of foreign economic entities in the national economies of a given group (especially transnational corporations); and
- the suitability of the selected model and types of integration policies in view of the actual conditions in a given group.

B) Political and Institutional Factors:

- The degree of political homogeneity in the region (in other words, differences in the sociopolitical systems of member countries);
- the level and stability of 'political will' favouring integration in member countries;
- the pattern of foreign political relations of the group, especially with the superpowers and former metropolitan powers; and
- the efficiency of common institutions and the possibilities of innovative actions on their part to serve common interests within the group.

(5) In the above context the study will discuss in what way perceptions of national interests within a regional co-operation or integration process can be influenced in order to better serve the establishment of deeper and better balanced interdependence among the countries concerned. In the past, many failures have been registered in regional co-operation-integration efforts, not so much due to differences in national interests themselves, but because of an inadequate perception of these interests (with relationships often reduced to the logic of a zero-sum-game). Actually, the objective position of present-day developing countries is comparable to a non-zero-sum situation, particularly at the regional level or within the integration groupings. The loss of one country will not make the other country gain proportionately, but will often lead to loss for the other country as well, if not in the short, than certainly in the long run. This is of paramount importance for the proper understanding of the policies of greater collective self-reliance.

(6) The basic criterion of the efficiency of integration processes involving developing countries is their contribution to the economic development of the member countries. However, we still lack adequate methods for a reliable measurement of such contributions. Besides, the evaluation of any of such results is subject to uneven, changeable and subjective criteria.

Our analysis indicates that attention should inter-alia be paid to the following aspects of integration policy between the developing countries:

- integration factors in national development strategies and current economic policies must not remain exogenous, or even residual elements, but must be fully incorporated into national development efforts;

- production and infrastructure should be underlying areas of economic integration, while liberalization of trade within the group should be only supportive of this process;
- integration should comprise as many as possible economic and - the situation permitting - social activities so as to create and strengthen the regional identity of the countries concerned;
- special emphasis should be placed on the strengthening of interdependence and the reduction of development disparities through regional industrialization. The latter can be most efficiently achieved through intra-industrial specialization and not through inter-industrial specialization, i.e., through division of industrial sectors among member countries;
- regional coordination in regulating the activities of foreign economic entities (especially transnational corporations) through harmonized treatment of foreign capital in all member countries;
- the provision of preferential treatment favouring less developed member countries (comprising preferences both in trade within the group as well as in trade with third countries) so as to mitigate, or fully compensate for, the polarization effects of integration.



مَظْمَنَةُ الاقْطَارِ الْعَرَبِيَّةِ الْمَصْدَرَةُ لِلْبَيْتِ سَرُول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



الصندوق العربي للإِمْعَاءِ الاقْتِصَادِيَّ وَالْاجْتِمَاعِيَّ

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

B7

INTERNATIONAL ECONOMIC AND SOCIAL
LAW PROGRAMME
FACULTY OF LAW,
QUEEN'S UNIVERSITY
KINGSTON, CANADA K7L 3N6.

UNITED NATIONS INSTITUTE FOR
TRAINING AND RESEARCH (UNITAR)
NEW YORK/ROME.

Programme on Regional and Inter-regional
Cooperation in the 1980s

2nd Regular Meeting
Kuwait

January 8, 1983

The Arab Planning Institute : Kuwait

PROJECT GF-2

1. Legal and Institutional aspects of promoting trade related matters in a regional or inter-regional context.
2. Legal and Institutional considerations governing transfer of technology, protection of foreign investments and control over transnational corporations within the context of a regional or sub-regional economic arrangements.
3. Procedures and Mechanisms for resolving differences and for strengthening regional and inter-regional economic cooperation : Legal and Institutional questions.

K. Venkata Raman
Queen's University
Kingston, Canada.

January 8-9, 1983.

INTRODUCTION:

The research bearing upon the Institutional aspects of regional and inter-regional cooperation appropriate for the realization of the objectives associated with a New International Economic order must be function oriented. International practice is replete with "successful" examples of common or regional management systems for marine resources (fisheries) environment (pollution prevention) International Rivers, Lakes etc. We believe that the goals of RCDC (Regional and Inter-regional cooperation for Development) are not significantly different. Given the necessary political will and proper safeguards to respect the independence and sovereignty of members, regional institutions may be established in the various key sectors (Finance and monetary relations, trade and manufactures investment and industrialization or management of human resources and promotion of social and welfare goals. No matter at what level of organization such efforts at coordination are attempted, the institutional arrangements bear some common features.

1. They seek to harmonize the individual goals and initiatives of the members in a region.
2. Depending on the functions expected to be served, the institution should be able to adopt collective decisions. The agreement of its members on rational decision-making procedures within such bodies plays a critical role.
3. Criteria and procedures for effective and equitable distribution of rewards and obligations.

After RCDC need not be a response to the failures of the international community on the North/South dialogue. Given their common heritage and economic experience, and the challenge of rapid progress which some of them have already demonstrated they are capable of achieving, these are compelling reasons why the countries of the South must do more by themselves and for themselves in the fields of economic and technical cooperation. We may mention the basic hypothesis advocated earlier for research into the institutional and legal aspects of RCDC by recalling an earlier formulation:

Regional Co-operation Among the Developing Countries : Legal
and Institutional Aspects

The current impasse in the North-South dialogue on many of the critical issues confronting economic development of the developing countries, and the ever increasing protectionist practices of the industrialized countries thwarting even the limited progress made in a few sectors during the past few years, indicate the necessity for the developing countries to organize and act regionally in international economic matters. For example, a regional approach may offer the most effective method for realizing the benefits of special preferential treatment offered for trade by GATT in Part IV (the Generalized System of Preferences), for transfer of technology (under the special treatment in the Paris Convention for the protection of Industrial Property), or public sector foreign investment through international financial institutions.

The basic concepts of general international law, such as, non-discrimination and national treatment in trade and related activities, are increasingly now subjected to specially recognized exceptions through bilateral treaties and agreements. They are also included in international compacts and other codes of conduct although the developed countries have been meticulous in avoiding any fundamental departure from those basic tenets. Thus, for example, the measures enacted by the industrialized countries to give effect to trade concessions agreed upon within MTN under the auspices of GATT, or for the implementation of the scheme of Generalized System of Preference (GSP), which have "many strings attached", are of limited duration, limited by the ceilings on

imports of any one item from a beneficiary GSP country, and discriminatory in respect of such national attitudes towards dumping and countervailing duties. Precisely for that reason the GSP rules under the domestic legislation of the industrialized countries in fact act as a disincentive to third world countries to increase export production.

RCDC, to be effective, would require three distinct types of legal and institutional reinforcements. First, measures aimed at securing preferences based upon "region of origin" rather than on the present position which is on a "country of origin" basis. This will entail the establishment of regional systems in the areas of trade, customs, tariff and non-tariff measures, investment policies including the criteria for transfer of technology. Second, it is important to develop new legal concepts and procedures which will accord appropriate recognition on a regional and sub-regional basis to emerging practices and principles concerning commodity arrangements, debt-renegotiation, preferential trade arrangements and regional transport and marketing concerns of the developing countries. Take, for example, international trade, the differences between the EEC - ACP Lomé II Convention and domestic legislation of certain other industrialized states, such as the 1974 or its revised 1979 U.S. Trade Act, designed to give effect to the developing country trade preferences, are known to have substantially different consequences for regional economic efforts such as ^{that} of the Andean Group. It may be necessary to adopt detailed new measures which in turn will require further negotiation by the regional groups with the industrialized sectors or countries. Third, it may be necessary

to develop principles of international economic law designed to protect and strengthen regional interests and regional initiatives for economic development which may appear novel in character or differ from the traditional economic rights and obligations articulated in international conventions and agreements. These three categories of functions performed by international law and by institutions set up for its application may not be exhaustive in scope but they indicate the nature of the functions performed by law in this area.

The function of regional economic co-operation arrangements

RCDC efforts must be seen as just another approach for achieving the NIEO objectives in actual practice. The presence of certain commonly shared characteristics or economic features meriting a collective or common approach among a group of states in a region warrants consideration of a regional approach.

Complementing the global approaches for the management of international economic problems, there are in place a number of well organized regional arrangements in Europe, Latin America and, to a lesser extent, in Africa and Asia, established to give effect to special regional concerns and to promote more effectively the goals of economic development of states within smaller regions. Not every regional arrangement for economic development has as its objective "economic integration", although they do provide a necessary means for promoting more effectively the goals of economic development commonly shared by members within a region. The effectiveness of regional economic co-operation therefore will depend upon two essential factors : a strong desire to pursue certain clearly specified common policies in the interest of

in a region (or by forming a regional group) approach the management of their international economic issues in that sector on a collective basis. We believe at this stage a functional analysis of specific problem areas as such, rather than in their application to any particular geographic region or group of states, may be a desirable approach to highlight the advantages as well as disadvantages likely to be present when a regional approach to those problems is adopted. The question of their applicability to any particular region or group of states may be left for future consideration.

Problem areas :

The following specific issue areas are tentatively identified as the most appropriate for establishing co-operative approaches on a regional basis not only because those issues are central to the demands of the developing countries for a New International Economic Order, they are the issues likely to be of direct interest to them and viable for immediate action.

A. International Monetary and Financing Policies :

1. The role of regional banks and regional financial institutions.
2. Regional foreign investment codes : The advantages of establishing regional criteria for direct foreign investment, tax and Royalty structures including methods of dispute settlement.

B. International Trade, Access to Markets, Tariff and Non-tariff Barriers and other Related Issues :

1. A Regional Approach to Trade Preferences : The implementation of the objectives of Part IV of GATT, the impact

achieving mutually advantageous economic gains for the region as a whole; secondly, appropriate institutional arrangements for realizing in practice those regional goals. The role of law and legal techniques in both phases of the process is quite obvious.

No two regional structures are ever alike; each will have to be moulded on the basis of desired goals, existing level of consensus and available options. They may differ even within a single region from one sector to another (e.g., agricultural products, mineral resources, manufactures, etc.), as well as from one aspect to another (e.g., foreign investment, transportation, customs, tariff, etc.). Appropriate legal and institutional arrangements offer reliable procedures and necessary safeguards for the collective or co-operative actions of the members of the region to proceed on an orderly basis.

Some useful insights can be drawn from a comparative survey of well-known regional approaches such as the EEC, the Andean common market and others, although their applicability to other areas may remain moot in the absence of the necessary political climate or a regional identity among the countries in the area. There are other examples of collective action for economic development which do not involve formal regional arrangements. These include customs unions, regional marketing arrangements, common tariff zones, regional arrangements for the registration of contracts concerning transfer of technology, common transportation arrangements and so on. A useful way of analyzing the utility of a regional approach is therefore to indicate by way of analogy and innovation certain material benefits or advantages likely to accrue in the various sectors if members

of existing GSP operations and the scope for economic development of developing regions.

2. The advantages of establishing customs unions, tax shelters, and common tariff policies on a regional or sub-regional basis as incentives for enhancing access to markets.

C. Industrialization, Transfer of Technology and Transnational Corporations :

1. The criteria for an effective regional strategy to facilitate transfer of technology, skills and management for rapid industrialization of the developing countries.
2. The development of an integrated regional approach to facilitate arrangements for redeployment of appropriate industries within developing countries.

D. Regional Systems for the Management of Transportation, Insurance and Other Invisibles of Trade :

1. The scope for regional arrangements under multilateral conventions for the carriage of goods by sea, Liner Conferences and party lines.
2. The feasibility of establishing risk avoidance arrangements on a regional basis : the role of private banks in international trade.
3. Regional marketing agencies : The role of transnational regional corporations as actors on the international economic scene.

The context of regional strategy

For most of the specific areas listed above, the fundamental assumptions underlying the decisions to establish regional mechanisms for economic development must be adequately canvassed and clearly understood. RCDC cannot be an end in itself but only a strategy for the management of problems of common concern to a group of states; its justification rests in the clear prospect of a mutual gain in a collective approach yielding greater rewards in the immediate or longer run not otherwise forthcoming. Such benefits may or may not accrue in equal proportion to every indigent unit but each participant should be able to regard that it is decidedly better off proceeding on a regional basis. A regional arrangement, like any other arrangement, involves making some concessions and sacrifices in the common interest of the group as a whole. Within one group itself, some may appear to benefit from the marketing arrangements put in place, others from its transportation arrangements, or from its technology transfer facilities or from its industrialization or its tariff system. The group spirit clearly is directed to the prevailing interdependencies and perceived mutual interests. Trade-offs not apparent in the beginning may appear later once the process of regional action is put in place. It is essential that the arrangements remain flexible and easily adaptable to changing circumstances.

International Trade: Access to Markets
and Other Related Issues

1. The linkages in trade practices between advanced Industrialized countries and developing exporting countries eg; EEC/Common Market agreements with the Textile Exporting countries; ("basket - exit mechanisms" etc.).
2. Legal and Institutional mechanisms for orderly trade arrangements emanating from The Post Tokyo Power Multilateral Trade negotiations.
3. Emerging non-tariff barriers and concentrations of disguised protectionist measures in trade.
4. The newly industrializing countries and their access to GSP preferences.

The selective application of Article 19 of the GATT.

The scope for non-discriminatory application of measures aimed at restricting imports.

The need to re-interpret or amend Article 19 of GATT because it does not serve the needs of developing countries which are in a weak competitive position in the international and market place:

[At present any country seeking to restrict imports under Article 19 must do so on a non-discriminatory basis; it must in other words, restrict imports from all sources. This is obviously unfair to the smaller, less competitive developing countries.]

5. The proposed legal framework for selective application of Article 19 procedures: EEC/GATT Multi-Fibre Agreement Negotiations.
6. The need for uniform rules of application concerning tariff reductions under most favored Nation treatment. At the present tariff reductions granted under GSP are available only to developing countries as agreed upon by each donor country in their bi-lateral terms of understanding.

The need for a comprehensive review of the operation of the recently proposed "revised GSP" measures.

- 11 -

Foreign Investment, Transnational
Corporations and access to Markets

1. Legal aspects of International investment Insurance, Loan guarantees, Subrogation etc. as elements to promote a healthy climate for foreign investment intra-regionally
?
2. Harmonization of national investment laws or efforts toward the adoption of a common regional investment code: eg: EEC, The andean Investment Code, etc.
3. Procedures for the establishment of a regional centre for resolving investment problems; complementarily of national laws and access to regional dispute settlement procedures.

Select Bibliography

1. Douglas F. Greer: "Control of Terms and conditions for International Transfers of Technology to Developing countries" (Columbia Forum 1981)

- 12 -

Select Bibliography

1. "The Applicability of the Antitrust Laws to International Cartels involving Foreign Governments."
91 Yale L.J. 1982 (765-791)
 2. Dennis J. Encarnation, "The Political Economy of Indian industrial ventures abroad"
36 Int'l Org 31-61 (1982)
 3. Nina J. Lahoud, "The "Non-discriminatory" U.S. GSP: Defacto discrimination against the Least Developed Developing Countries"
23 Harvard Int'l L.J. 1982 (1-49)
 4. Dale Story: "Trade Politics in The Third World: A case study of the Mexican GATT decision."
36 Int'l. Org. 767-795 (1982)
 5. Shafie: ASEAN: Contribution to Stability and Development
6 Fletcher Forum 355-374 (1982)
- Thomas B. McVey: Counter trade and Barter: Alternative Trade Financing by Third World Nations.
6 Int'l Trade L.J. 197-220 (1981)
- Seymour Rubin: MFN and the MTN: A Quiet Revolution
6 Int'l Trade L.J. (1981) 221-241
- Roger S. Clark: Legal Principles of Non-Socialist Economic Integration as Exemplified by the EEC.
8 Syracuse JIL & Can (1980) 1-29
- Scott Horton: Peru and ANCOM A Study in the Disintegration of a Common Market
17 Texas Int'l L.J. 1982 (39-63)

Financial and Monetary Issues

1. Studies on the effects of the operations and practices of Transnational corporations: Transnational Banks in Developing Countries. U.N. Doc E/C 10/67 (10 April 1980)
2. The Institutional features of the European Development Fund and the operations (criteria for credit transfers etc) of the European Investment Bank.
3. The proposals for regional capital transfers mechanisms with special reference to the balance of payment problems faced by members within such regions. Criteria for establishment and questions of national Sovereignty.
4. Public/commercial debt renegotiation: The role of private banks in achieving the common policies for resolving transfer of payments problems.

Recent Initiatives

The proposed Caribbean Basin Initiative: A regional system to improve international trade and the overall economic development of the Caribbean Basin region:

Criticism of the Institutional features:

1. A large part of the proposed CBI initiative (\$350 million (U.S.)) was distributed through bi-lateral treaties whose main feature appears monetary assistance for specific projects.
2. It is a one-way free-trade zone and investment incentive proposal and therefore not all participants gave the CBI full support.
3. The CBI does not support the export of agricultural crops, an important foreign exchange source for the Caribbean.
4. The absence of regional projects and exclusive emphasis on bi-lateral approaches.
5. A requirement of the proposed scheme that a recipient Country sign an agreement to exchange information with the U.S. may not be viewed favorably, or even be interpreted as illegal under modern international law and the evolving principles of new international economic order.

Procedures and Mechanisms for resolving international conflicts arising in international trade, including investment and economic development related controversies

1. The traditional criteria for conflict management.
 - a. exchange of information
 - b. consultation and direct negotiation functions
 - c. informal techniques of conciliation.
2. The effectiveness of the traditional legal mechanisms employed in the North-South relations
 - a. Multi-lateral negotiations
 - b. Conciliation
 - c. Arbitration including special arbitration procedures
3. The Context:
 - (a) The "Controversial Provisions" of Article 2 of the Charter of Economic Rights and Duties of States - evolving consensus in respect of national sovereignty, and the local remedies doctrine.
 - (b) The new mechanisms for peaceful settlement of disputes under the Law of the Sea Convention, 1982 and their adaptability to a regional or sub-regional economic arrangement. eg; domestic law changes for automatic enforcement of judgments rendered by an international tribunal.
 - (c) The new GATT proposals for resolving individual trade disputes - November 1982 GATT Report of the Ministerial meeting on the subject of "Procedures for Settling Trade Disputes".

Specific Practices

1. The World Bank Convention: The International Convention for the Settlement of Investment Disputes and the additional Annex concerning conciliation: Review of a quarter-century practice: The effectiveness and impartiality of the procedures envisaged.
2. Special Arbitration procedures under investment agreements. The application of the London/New York Arbitral Rules of Procedure.

3. UNCITRAL Arbitration Mechanism

The Basic Issues

1. The need for a regional or sub-regional dispute settlement system as an integral part of the regional arrangement for promoting economic development.
 - (a) Politital Consensus Procedures
 - (b) Priorities and Conflicts Conciliation Procedures
 - (c) Security and Guarantee Provisions: eg: The Andean Pact arrangement

Criteria for Action

1. The adoption within the national legal systems of countries members of a regional arrangement of appropriate measures to facilitate automatically resolution of difficulties arising in international economic relations;
2. Such measures must include provisions for the establishment and initiation of provedures, their organization and the binding character of the decisions thus made within the jurisdiction of member States.

Formal

- (a) Jurisdictional questions
- (b) Subject areas (competency)
- (c) Enforcement questions (compliance)

Informal

- (a) Regional consultation mechanism
- (b) Exchange of information
- (c) Direct negotiation techniques
- (d) Conciliation /good offices. (GATT, World Bank, Law of the Sea, UNCITRAL etc.)

The Requirement of Mandatory International Procedures
for resolving Conflicts

The developed countries insist upon the establishment of binding third party procedures for resolving conflicts arising in the interpretation and application of the legal norms accepted in the name of a new international economic order. The need for dependable third party procedures, such as arbitration or judicial settlement of disputes has been recognized in many types of contractual undertakings. Where the industrialized and the developing countries appear to differ is not on the concept itself but, on the mechanisms or procedures acceptable to both sides. The conventional adjudicative procedures have not proven acceptable to the developing countries. Since the NIEO concepts are still in the form of recommendations rather than binding treaty principles, resistance to such formal procedures constitutes a major obstacle. The developing countries are unsure of the approaches which such procedures may take and fear that all their efforts to bring about changes in existing international law will be met with resistance. On the other hand the developed countries find in such entrenched institutions possibilities for imparting certainty and stability to the legal norms and principles affecting foreign trade and other issues. The obstacle is quite formidable, for in its essence it touches upon the legitimacy and reasonableness of the changes sought to be achieved through the United Nations system. When efforts are underway to bring about radical

changes in the overall set up of the international economic order, it is normal for the states initiating those changes to refuse to litigate under the old law.

These objections have surfaced during the debates concerning Article 2 of the Charter of Economic Rights and Duties of States. The absence of an internationally acceptable framework for negotiating changes in long term concessionary contracts has given rise to serious disputes about the competence of formal adjudicative procedures to provide equitable relief. At the same time there is obvious need to consider the desirability of establishing an inappropriate international forum for resolving such differences. Such a forum should be able to clarify the common interests of both the developing countries and the transnational enterprises involved. The existence of such a forum, with effective competence, is likely to enhance the confidence of the industrialized countries. Given a proper understanding of the mutual interests and responsibilities of both sides, the process of review of individual matters within such a forum, could come to be accepted as an integral part of the overall framework governing international economic relations.

The requirement that dispute settlement procedures be concerned with all aspects of economic development:

The traditional perspective of international adjudication, are often limited to the formal aspects of treaties and concessionary contracts, appear to the developing countries as an impediment and

therefore excessive reliance upon such procedures is unlikely to promote the objectives of a New International Economic order.

Further, in a number of important areas of the NIEO, the emerging concepts and rules, still nascent and formative in character, require the support of adjudicative institutions in order to strengthen the expectations they have generated. For example, in the areas of external financing, servicing of public debt, entitlement to protect aid and other related issues, international practice is already in the process of creating stability in expectations. International law can not but play an important role in promoting the authority of the principles thus crystallized by practice. The establishment of procedures appropriate for the transfer of financial resources and criteria for the grant of debt-relief are also matters that cannot be left for too long in the realm of diplomacy or politics. International law should embrace all aspects of economic development not just with some isolated aspects, such as the performance of concessionary contracts or adequate compensation for nationalized property.

The developed countries, however, do not consider the formulation of a set of general principles applicable uniformly to all debt-relief cases desirable. Such an attempt is resisted on the ground that its application would be highly capricious and unrelated both to capacity for financial support in the creditor countries and to financial need in the debtor countries. On the other hand, the developing countries regard the case-by-

case approach to be equally capricious, not only because the excessive leverage such a system allows the donor to interfere in the economy of the recipient, but because the process fails to sustain shared expectations as to how such decisions will be made.

The role of multi-lateral aid institutions, such as the IMF and The World Bank, can be very important for the manner in which such general principles come to be articulated. Their decisions and specific policy recommendations operate to complement the bi-lateral choices made by states. The developing countries see the decision-making procedures of these agencies inadequate for the realization of the NIEO goals. Those institutions are often perceived as intermediaries favouring the

- 21 -

Select Bibliography

1. Schmidt, "Arbitration under the auspices of the ICSID; Alcoa Minerals of Jamaica v. Government of Jamaica, 17 Harvard I.L.J. (1979) 91-109
2. Donald E. deKieffer: "GATT Dispute. Settlements: A New beginning in International and U.S. Trade Law 2 Northwestern J.I.L. & Bus. (1980) 317-333
3. GATT conciliation: Procedures Revised: See Canada-U.S. Fisheries Quota Problem resolved in November 1982 by GATT Panel -
4. Laing, "International Economic Law and Public Order in The Age of Equality 12 Law & Pol. in Int'l. Bus (1980) 727-779
5. "Legal Implications of The New International Economic Order". Report of The UNCITRAL Working Group. U.N.G.A. OR, A/CN. 9/176 25 January 1980
6. Roffe, Reflections on current attempts to revise International Legal Structures: The North-South Dialogue - Clash of Values and Concepts, contradictions and compromises.



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإنماء الاقتصادي والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

Co-operation Among Arab Countries in Human Resources Development

API Project within the framework of
UNITAR's Programme on Regional and
Interregional Cooperation in the 1980s

Rationale

1. The Arab States probably represent the collection of Third World countries most qualified for regional co-operation. In addition to a common culture and language, there is geographic continuity and complementarity of resources among Arab countries. The current distinction between rich and poor countries is only transient in a historical perspective. Arab countries share one common destiny in the sense that a genuine process of development can only take place at the level of the entire region.
2. It is generally accepted that the core of the development process is the development of Human Resources. The Arab region does not suffer a dearth of human resources. However, it is the level of satisfaction of social basic needs, the quality, mobilization, and utilization of the human resources that could make the difference between the beginning of a process of comprehensive development or the continuation of the present state of backwardness and small scattered islands of development in the region. There are various reasons to believe that human resource development can only be attained through truly cooperative effort on the level of the entire region.
3. The essential elements of a strategy of Human Resource development in the Arab Region consist partially of the system of education, including formal and informal components, and the social organization through which the energies of the people are mobilized in an Arab development project.



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعانة الاقتصادية والاجتماعية

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 2 -

Recent studies and statistics show that education efforts on the country level will not meet the end of compulsory education and eradication of illiteracy until the first decade of the 21st century. Consequently, a pan-Arab plan that depends to a large extent on people participation is the only way to overcome and, hence, hasten the achievement of those targets.

4. A different and equally important issue is that the Arab region is experiencing sizeable labour movements among its countries, towards the oil-rich States. These States also receive significant inflows of labour from outside the region. The modality of labour transfers in the region are not necessarily in the best interests of both sending and receiving countries from the point of view of sustained development. These transfers need to be rationalized with a view to maximizing development potential in the region. Accordingly, a systematic and scientific study should be conducted to identify current and future supplies and demands of levels of manpower in the Arab countries. Such results will function as a data base and inventory to draw-up policies for redistribution and utilization of Human Resources, and for specifying required operational programmes.
5. Another issue that needs close scrutinization is the migration from Arab Maghreb countries to Western Europe. Research on socio-economic composition, schemes for compensation and possible reallocation of these immigrants in the Arab thin labour countries should be conducted.
6. Finally, the Brain-drain of Arab intellectuals to Western Europe and North America reveals tremendous losses in Human Resources and in the technological potential of the region. The determinants and consequences of this phenomenon should be retrieved and tackled from social, economic and political perspectives, in order to render a comprehensive solution.

...3...



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإزفاء الاقصادى والاجتماعى

الصندوق الكويتى للتنمية الاقتصادية العربية المعهد العربى للتخطيط بالكويت

- 3 -

Scope of the Operational Stages:

1. Conceptualization of a normative Arab development model that relies upon development of people and their place in the social relations of production (level, structure and distribution of their social basic needs). Put it differently, the normative model will incorporate the criteria of efficiency and equity as simultaneous paths towards genuine development.

This level of conceptualization will function, in later stages of the project, as a frame of reference for analysis, criticism, and hence alternatives for better development of the human element.

2. The project will inquire basic and secondary data bank for aggregate and empirical-cum-distributive indicators that examine the level of basic needs satisfaction of people in each Arab country (e.g. education, health, employment, housing.....etc.) and, accordingly, highlights alternative development policies.
3. The proposed project will develop a computer-based model for manpower survey in Arab countries which consists of the following components :
 - a) Labour force block
 - b) Education and training block
 - c) Manpower requirement block
 - d) Manpower policy block

The model is to depend on different socio-economic scenarios that could work-out a pan-Arab plan for optimal manpower utilization and the achievement of universal compulsory education and eradication of illiteracy by the year 1995.

....4....



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعانة الاقتصادية والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 4 -

4. The Research Project will commission necessary background studies to be conducted by Arab experts, also to solicit related studies from previous works.

Background studies will include : Research on population distribution in the region, vital data and health situation (birth, mortality, life expectancy), the educational policies, problems of the educational system (drop-outs, repetition....etc.). Also studies on patterns of labour movements and migration, women participation in the labour force, socio-economic formation and mode of productions in Arab countries.

Specific studies will be commissioned to investigate the following :-

- i) The repercussions of labour migration on the labour market and economy of the Arab receiving countries.
- ii) The impact of immigrants' remittances on the economy of the country of origin. (Arab and Asian).
- iii) The socio-economic impact of the Maghreb migration to Western Europe.
- iv) Patterns of Development Strategies in the Maghreb countries and impact on the outflow of migrants.
- v) Socio-economic conditions of Arab migrants in the Gulf countries.
- vi) Socio-economic conditions of Arab migrants in Western Europe.
- vii) Studies on Arab Brain-drain.

.....5.....



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعانة الاقتصادية والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 5 -

Technical Commitments:

1. The Department of Human Resources at the Arab Planning Institute will supervise the undertaking of the Project in collaboration with the concerned Arab Organizations.
2. Data Collection is to be conducted in cooperation with research institutes and Governmental agencies in the Arab countries.

Computer Implementation will be shared among the following research bodies :

- i) Institute d'Informatique in Tunis will handle programming and data processing for the Maghreb countries.
- ii) The Arab Planning Institute in Kuwait will undertake programming and data processing for the Arab Middle Eastern countries, and that of the least developed.

Current Phase of Project Implementation:

1. Establishing a clearing house for the project, by soliciting related institutional research and individual contributions.
2. Writing the conceptual part of the project.
3. Building a system of socio-economic indicators, aggregate and empirical, to be utilized as a data base for evaluation of current efforts of HRD, and for modelling in the second phase of the project.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

PANEL OF EMINENT PERSONS

2ND REGULAR MEETING

ARAB FOOD SECURITY THROUGH
INTEGRATED RURAL DEVELOPMENT

BY

KHALID TAHSIN ALI

JANUARY 8 - 9, 1983

K U W A I T

Mr. Chairman, Ladies and Gentlemen

The issues

Permit me at the outset to outline briefly, some of the basic, contemporary as well as inherent problems and constraints to food and agricultural development in the Arab world, as this resume should lead the way for the identification of the various lines of action toward our final objectives of food security and rural development.

The most prominent feature is an inherent one, namely, the fact that the two basic resources for agricultural development, the natural and the financial are - with very few exceptions - very unevenly distributed among the countries of our region. This rather unfortunate, purely coincidental state of near dichotomy can be seen from few indicators :

More than 3/4th of the cultivated area and irrigation water, and the same proportion of rural population, are found in the 14 low and middle income countries, a total of 33 m/ha of cultivated land, of which 8 m/ha under irrigation, and 64 million rural people. Significantly^a much higher proportion of the future potential is found in these countries. However the combined GDP of these countries represents 24% of the total Arab GDP, with an average P/C income of 710 \$ (1980). The six least developed among these countries, whose economy is largely agricultural, and the majority of their population is rural - possess 1/4th of the presently utilized land and water, 28% of the total rural population, but only 4% of the combined Arab GDP, and having an average p/c income of less than 400\$.

On the other hand the seven high income countries possess the remaining 1/4 of the agricultural resources and rural population, as well as the remaining 3/4th of the GDP, and having an average p/c income of over 6300\$. If the two countries having good agricultural base are excluded from this group we find that the remaining five possess only 6% of the agricultural resources and rural population, but also 57% of the total Arab GDP.

Detailed supply and demand analyses, as well as the present picture of agricultural imports, clearly indicate that, due to limitation of the resource base the high income Arab countries can not achieve, in the foreseeable future an acceptable level of food security (again with the exception of one or two countries). In regards to the low and middle income countries these analyses show that, although many countries in this group have the potential for self sufficiency and the production of considerable surplus for export, the rate of growth of their agriculture in the past 10-12 years have been by and large, disappointing, due to a number of factors, most of them have their base in the scarcity of development funds.

Let us look at this problem from a little different angle, namely Government appropriations for agricultural and rural development. In the first half of this decade these appropriations averaged 3300 \$ p/c of agricultural population in the high income countries, 320 \$ in the middle income, and only 135 \$ in the low income countries.

This is only 4% of the high income countries. The full spectrum ranges from almost unbelievable 17000\$ down to equally unbelievable 70\$. And this last figure concerns one of the countries having the largest unexploited agricultural potential in the Arab world. In monetary terms the high income countries appropriated an estimated 65 billion\$ for their agricultural development in the 1st half of this decade while the figure for the seven least developed is little above 3.0 billion, much of it based on deficit financing and foreign aid which may or may not materialize. I must hasten to say at this juncture that these comparisons are not meant to reflect in any negative manner on the countries concerned. Rather they show the real serious effort of the high income countries to transform their agriculture and rural population, which is part and parcel of the social and economic development and of the food security of the Arab world. These comparisons are meant to convey the central message of this presentation : namely that we in the Arab world can only hope to achieve our food security, with all its far reaching socio-economic and political implications, through much higher level of cooperation than exists at present.

Allow me now, Mr. Chairman, to turn to the critical and deteriorating situation of food and agriculture in the Arab world. This situation is clearly reflected in the expanding gap between demand and local supplies and the resultant growing dependence on foreign sources of supplies for most of our basic food commodities. During the seventies agricultural production grew at the low rate of 2% annually in the Arab world as a whole; while demand, fueled by high growth rate of

population and per capita consumption, increased at an average of 4.6% annually. Self sufficiency ratios of most ^{basic}/food commodities declined from between 20 to 40% for the different commodities. We now import more than 60% of the wheat we consume, 70% of the sugar, 35% of the animal products and so on . The import bill increased at an average annual rate of 26% due to increasing quantities and prices, while most agricultural exports declined in volume due to growing local demand. The outcome of this is a seriously disrupted agricultural trade balance. At the beginning of the last decade there was a state of near equilibrium when export earnings, at a level of 1.6 billion \$, accounted for 90% of the cost of agricultural imports. In 1981 these exports which stood at less than 4 billion \$ accounted for only 15% of the cost of imports, which exceeded 23 billion \$. In the process 20 of the 21 Arab countries, are now having negative agricultural trade balance, while 6 of them at the beginning of the decade enjoyed a positive one. What is most disturbing of all of these negative developments is that practically all the Arab countries having known and well documented agricultural production potential sufficient to exceed self sufficiency and provide food surpluses for the other countries which do not have sufficient resource base, are now net importers of food.

The last point I'd like to mention here is the multiplicity and complexity of issues which should be tackled in a coordinated and harmonious manner to achieve effective agricultural and rural development. This is the demand of agricultural modernization and transformation in all the developing world, which adds a new complication and dimension to the problem, namely that of time. It should be

clearly recognized that, with minor exceptions, there can be no turn key development in agriculture. Real development in this sector has to deal with the complex social issues of farmers, their production relationships, their incentives and capabilities, and it must successfully cater to their basic needs. Numerous economic issues related to cost and return to farmers and cost to producers have to be resolved. Agricultural technologies are highly location specific, not only to the natural but also to the socio-economic local environment. These technologies, therefore, can not be imported, they must be generated from within. Agricultural endeavor - per se - is practiced over extensive areas thus its physical infrastructural requirement and linkages, both forward and backward, are numerous and expensive. Agriculture needs timely supplies of inputs, as well as proper network for marketing and processing of its output. To demonstrate the point let me call to your attention the time requirement of one major technological breakthrough namely that of the development of the high yielding varieties of wheat and rice, which is now referred to as the Green Revolution. It took the good part of twenty years between the initial stages of field and laboratory research and the general use of these new varieties.

Furthermore sustained agricultural development can only thrive on well managed and conserved natural resources. Ill considered agricultural and food production schemes have often dissipated these resources in a process not much different from mining. Examples of this tragic misuse are everywhere to be seen in depleted and salinated groundwater resources, overgrazed and desertified

natural grazing resources, saline and alkaline and eroded soils, wasteful uses of surface water, depleted forests, over exploited marine and inland fishery resources, and serious contamination of the environment from excessive use of pesticides and fertilizers.

In the Arab world these problems have reached alarming proportions.

Having gone over the major agricultural issues. Allow me Mr. Chairman, to take a few minutes on one other issue of critical importance, that is : are there really sufficient justifications and therefore a convincing case for the much higher level of cooperation among the countries of the region required for their joint food security. I realize time does not permit me to go into this involved matter in any depth. However, I'd like to state that the Arab world has so far addressed this issue in varying forms and manners. Our joint and national Arab Funds have contributed through the provision of concessionary loans, to agricultural development in the needy Arab countries, so did a number of joint organizations specialized in technical assistance, and a number of investment companies in the private and the public sectors.

But in spite of these efforts the flow and interaction of resources is decidedly insufficient, as can be seen from some of the figures mentioned earlier.

Given the present critical and deteriorating food situation; the abundance within the region of both natural and financial resources, and the will to achieve food security as expressed by the highest political authority - the Arab Summit of 1980 - why then have we not done any better ?

If I may answer this difficult question in a nutshell I'd say because we did not so far succeed in devising appropriate formulae and modalities of cooperation in the agricultural field that would insure tangible, mutual and balance benefits to the cooperating parties, and in the singular case^{where} the appropriate formula was produced we failed at the level of implementation. Thus the Arab cooperation in agricultural and rural development remains the prisoner of the conventional, traditional approach, which, I am sorry to say, has its naturally limited boundaries. Concessionary financing, the most important of the conventional approaches, can not exceed certain limits, beyond which it becomes a heavy burden on both the donor and the recipient. Grants given in technical assistance forms has its very limited scope. Conventional investment in commercially viable agricultural schemes remains very limited due to the high risk, the low level of technology and the multitude of supporting infrastructures and services required by these investments. Not to mention the legal, administrative and economic difficulties and insecurities these investment face in the host countries. Thus the special and specific need of agricultural development should be based on the adoption of the integrated approach to all these interventions, which would require effective coordination of the different bodies concerned as well as the organic linking of the different types of financing required

TOWARDS
A STRATEGY FOR ARAB FOOD SECURITY

Now that we have highlighted the major issues confronting agricultural and rural development, I will now attempt to identify major Lines of Action, each dealing with a specific aspect of the problem, and all converging eventually into the objective of food security. The selection of these Lines of Action is preliminary and tentative, neither are they comprehensive. They could form the basis, however, of a strategy for Arab Food Security.

Given a subject as complex and multifaceted as food security, no single research project can possibly deal with all its aspects. Neither is it prudent to carry out another research effort on a subject which has been dealt with in the past rather extensively, thus our approach to identify and conduct the necessary work on specific lines of Action. Some would require extensive research and field studies, others legal and institutional action, still others consultations co-ordination and policy decision, but all are clearly oriented to achieve practical results.

Finally food security is not the domain of a single body. The required efforts should therefore be clearly determined and the role of each institution identified and effectively coordinated.

The proposed lines of action could be grouped into four categories :

1. Legal and institutional requirements.
2. Long and short term perspectives.
3. Coordination and strengthening of ongoing and planned joint efforts .
4. Development programmes in a selected technical fields.

I shall now, in the limited time I may still have, attempt to outline the reasons and justifications for this selection, and the objectives of each Line of Action.

1. The Legal and Institutional Requirements :

It is now deeply felt that an appropriate legal base and an institutional set-up is required to formulate a joint Arab agricultural development strategy, within which the various issues are to be dealt with systematically, and on permanent and sustained basis. This should also afford the appropriate forum for exchange of experiences and interaction of resources; for the formulation of suitable modalities of cooperation among the Arab countries, and for the coordination and the strengthening of the activities of relevant, joint and national organizations.

Work on this aspect is already in progress as a joint effort between the Arab Fund for Economic and Social Development, the Arab Economic Unity Council and the Arab Organization for Agricultural Development. It is expected that this work will propose a treaty for Arab Agricultural coordination and integration, and to propose an appropriate institutional set-up by which the (AOAD) will be strengthened to carry out the additional responsibilities required by the proposed treaty.

2. Under the second category a number of Lines of Action are proposed. Their overall objective is to establish a clear and reliable picture in regards to demand, production and foreign trade in agricultural commodities, and inputs and their probable evolution in the short, medium, and long term. This is basically a monitoring function and an early warning system, on the basis of which appropriate measures could be identified and developed.

Specifically three Lines of Action are proposed within this category :

- (a) Long term (year 2000) country perspective studies. These studies will develop projections on 5 years intervals up to the year 2000. In demand projections it will apply low and high variants; and in production estimates it will employ three scenarios : a low or trend scenario assuming continuation of present conditions; a normative scenario assuming substantial support and policy changes, and a third high scenario assuming high level of cooperation where financial obstacles are by and large eliminated.
This work should form the basis, on country as well as joint Arab level, for the determination of possible food security levels and their inputs requirements - land, water, machinery, pesticides .. etc, including financial inputs and time requirements.
- (b) The Short Term Perspective Studies (1985). These studies are to be designed to carry out in depth analysis of the

ongoing agricultural and rural development plans, determine the reliability of their production targets from analysis of the different actions and policies included in these plans, also, to determine effectiveness of implementation and major constraints. This work should lead to the identification of specific measures to relieve these constraints and achieve objectives.

(c) Standardization of Agricultural Planning Methodology:

So far no attempt has been made in this direction, and therefore each country employs its own methodology in agricultural planning. And due to technical constraints the methodologies employed range considerably in reliability and sophistication. In the absence of a fairly uniform and sufficiently reliable planning system much of the future joint Arab effort would be hampered.

This Line of Action therefore will attempt to establish an appropriate uniform methodology which would be adapted if necessary in ways that would not interfere with the basic premises of the system. This work should also lead the way to the identification of specific measures to strengthen the national capabilities in agricultural planning, follow-up and evaluation.

3. The third category is an effort to review and evaluate ongoing and planned joint Arab agricultural and rural development activities. This review is intended to coordinate and intensify these

activities, to search for ways and means to increase their effectiveness, to identify major gaps in these activities, and importantly to search for ways of eliminating the obstacles facing some of the most important initiatives in this area.

- (a) The institutions involved in the proposed review include the regional and national Arab Funds, the technical assistance organizations (AOAD, ACSAD, specialized Federations), and the investment companies and organizations.
- (b) This effort should seek solutions for the stalled effort of the AOAD in the preparation of the Food Security Programmes. These Programmes whose first stage of preparation was carried out two years ago have now been nearly stalled due to lack of funds. The proposed efforts should not only seek funding for the pre-investment stage, but should also ascertain availability of funds for implementation.
- (c) Third Line of Action in this category is to develop an appropriate institutional set-up for the promotion and servicing of commercially viable investments in agricultural and food production and related areas such as the production of inputs, marketing and processing. The potential for such investments are tremendous but the obstacles facing it, as was mentioned earlier are also considerable. This could be an extremely rewarding undertaking which could yield rapid results. The proposed service should look at the investment

climate in each country thoroughly and try to work out specific solutions to existing problems. It should identify suitable projects for investment, and carry out the necessary technical and economic studies, then would promote these projects. The proposed institutional set up could indeed become the focal point that would bring together the investment opportunities in the host countries with the financial resources seeking such opportunities.

One of the most important initiatives in this area is the recent decision (1982) of the conference of private Arab businessmen in Taif, Saudi Arabia, to form the Arab Agricultural Investment Company, with a capital of 5 billion \$. This is a clear indication of the potential and the willingness of the private capital to enter the agricultural and food area. The need is to guide, assist and promote this great potential.

4. The fourth and last category includes a number of technical studies designed to come out with specific practical measures to be carried out in a coordinated manner at the country and the joint levels. Each of the proposed studies is a complex of measures and activities that would require a long and expensive effort; but each, however, would deal with a fundamental problem of agricultural and rural development in the Arab world.

Time will not permit me to go into any degree of detail, I shall therefore limit myself to few words on each, and will be glad to answer any enquiry which might arise.

These Studies and Programming efforts include :

- (a) A programme for the conservation and development of natural agricultural resources. The most important of which are surface and ground water, soils; natural rangeland, forestry and marine fishing resources. The intended effort is designed to determine gaps in knowledge and the country's development effort, and accordingly to formulate plans of actions at the country's and joint levels as appropriate.

- (b) A Programme for Agricultural Research and Development of Technology.

The need for concerted serious effort in this most important field is all too obvious. The individual country's capabilities, although different in extent, are invariably inadequate. Furthermore, and due to considerable environmental similarities, this field of activities lends itself well to joint efforts based on ecological zoning rather than on artificial geographic boundaries. Several basic studies on the subject have been carried out which should form the basis of a suitable plan of action.

- (c) Integrated Rural Development.

It is now clearly realized that effective agricultural

development should be humanized; technologies and infrastructures are useless in the absence of a contented, healthy, informed and motivated farmer. This social approach is now gaining rapid recognition at national and international levels. Some work has already been carried out. Completion, updating and reorientation of this work toward specific practical measures should receive high priority.

- (d) Physical Infrastructures for Agricultural Development.
The lack of sufficient physical infrastructure, particularly in the low income major agricultural countries, is seriously hampering the exploitation of the vast production potential of these countries. These include a vast number of components such as control and distribution of surface water, drilling for ground water, hydroelectric power, transport and communication, storage facilities, fishing vessels and gear, agro-industries etc... etc. Information on the nature, location, priorities, time requirement and cost is a fundamental prerequisite of the medium and long term development plan. Furthermore infrastructural development receive high priority with the development finance institutions. Such comprehensive information may well lead into greater interest and investment at the national and joint Arab levels.
- (e) A Programme for Strategic Arab Food Reserve.
Although a number of studies have been carried out at both the country's and the joint Arab level, no specific joint

programme has yet emerged. The available information on this subject indicate that there are serious gaps in the individual country's efforts in this area, and that considerable scope exists for joint action mostly at sub regional level that would afford greater degree of security and at lower cost.

Finally Mr. Chairman, Ladies and Gentlemen, I'd like to thank you very much for going through this ordeal of listening to me so patiently during all this time. Thank you indeed.

K. Tahsin Ali/ma

Jan. 7, 1983

For Discussion

KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

ARAB DEVELOPMENT ASSISTANCE

AID INSTITUTIONS :

THE ROLE OF KUWAIT FUND

Prepared for the Second Regular Meeting of the Panel of
Eminent Persons on "UNITAR Programme on Regional and
Inter-regional Cooperation in the 1980s".

(Kuwait, 8-9 January, 1983)

ARAB DEVELOPMENT ASSISTANCE

AID INSTITUTIONS: THE ROLE OF KUWAIT FUND

I. INTRODUCTION

Arab aid to developing countries accelerated rapidly over the last decade reaching significant levels in absolute terms as well as in relation to the performance of other donor groups. Several bilateral and multilateral Arab aid agencies were established in the aftermath of the adjustment of oil prices in 1973 for the allocation and administration of aid. Long before that date an initiative was already taken by the State of Kuwait to establish in December 1961 the Kuwait Fund for Arab Economic Development.

In the present paper we shall consider Arab development assistance and the complementary role of Arab aid agencies, particular emphasis is put on the efforts of the Kuwait Fund. However, no attempt is made to assess the effects of these efforts on the development process itself. Such task, to be meaningful, requires much more work than could be handled within the scope of this paper. Therefore, stress is on the efforts made and the manner in which they were effected.

II. ARAB DEVELOPMENT ASSISTANCE

Arab Aid in General

Three main groups of donors are usually referred to whenever the question of ODA flows to Third World Countries is considered. They are the DAC member countries, the OPEC members, and the CMEA group. The performance of CMEA is by far less significant than either of the other two groups.

The OPEC group includes seven Arab countries which provide the major part of OPEC aid. In fact, four of the Arab donors - Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar have so far been providing the bulk of what is termed 'Opec aid'. For the period 1970 - 1980, these countries' net ODA constituted 80% of OPEC's total for the entire period, and over 80% of OPEC's aid in 1980 (See Annex 1).

Arab net ODA flows accelerated rapidly during the 1970s to reach \$ 6.8 billion in 1980, equivalent to about 19 times their level in 1970, and constituting 2.34% of the group's combined GNP for that year. This ratio is more than 6 times the corresponding figure for the DAC group, which is .37%.

Again, considered individually certain Arab donors performed extremely well in terms of GNP and in comparison to other major DAC donors. For example, Saudi Arabia's net ODA ranged between 2.6% and 5.62% of its GNP during the

period 1970 - 1980. Similar figures for Kuwait were between 3.88% and 10%, for United Arab Emirates between 3.85% and 12.69%, and for Qatar between 3.57% and 15.67%. In contrast to this none of the other DAC donors even reached a level of 1% throughout the entire 1970 - 1980 period; and with the exception of Sweden, Norway, the Netherlands and Denmark, none of the other DAC donors succeeded in transferring ODA equivalent to the minimum target of .7% of GNP^[1], fixed by the UN Organization over a decade ago.

The above comparisons which indicate conspicuously the high performance of the Arab Group, do not take into account a host of other facts about Arab aid. First, all those Arab countries providing aid are themselves developing nations, and their economies are far from reaching the desired level of social and economic development. Second, dependence on one main export commodity - oil, renders their economies vulnerable to external factors beyond their control. Third, the 'financial surpluses', so far, realized by only few of the Arab oil-exporting countries are neither a true sign of their richness nor a measure of their income-generating capacities. These accumulated 'cash balances', arising from the liquidation of depletable assets were not, due to limitation of absorptive capacity, readily transformed into productive investments. Consequently, they have been exposed to the ravages of inflation, foreign exchange

[1] See, OECD, Development Cooperation, 1981 (Table A.3)

fluctuations and other risks. Fourth, unlike much of the aid provided by traditional donors, Arab aid is free from any strings attached to procurement sources of goods and services; and does not seek to promote the donors' national economic interests, by way of seeking export markets for their products, or otherwise.

Indeed, the Arab aid initiative - prompted by moral and religious principles, humanitarian considerations, and a sense of belonging to the developing countries - is a new phenomenon of cooperation, committed to the cause of development and solidarity of the Third World.

Arab Aid Institutions

Arab aid agencies comprise several bilateral and multilateral institutions which were established for the purpose of allocating and administering development assistance. With the exception of two institutions - the Islamic Development Bank and the OPEC Fund for International Development - all other development assistance institutions included in Annex 2 are entirely Arab Organizations. The Islamic Development Bank and the OPEC Fund are considered under Arab aid institutions because of the major contributions made to their resources by Arab countries, and, in particular, Saudi Arabia, Kuwait, the United Arab Emirates and Libya. Both of these two institutions are also members of the Arab Coordination Group'.^[1] All Arab aid institutions provide concessional

[1] All those shown in Annex 2 are members of this group.

assistance, and have similar development objectives. The differences between them pertain to the scope of their operations and geographical coverage.

The rapid emergence of numerous Arab aid organizations with huge capital resources, and financial and administrative independence constitutes a new phenomenon of cooperation. The most evident part of Arab aid is that channelled by the development assistance institutions. The latter as a group operate in most of the developing countries. In the Arab World as well as in Asia, Africa and Latin America. They have been able to cooperate with more than 95 developing countries, by providing them with financial and technical assistance for a wide range of operations. Funds were provided to finance infrastructure projects, agricultural projects, industrial projects and energy projects, as well as a number of other operations including balance-of-payments support.

Annual commitments by the Arab aid institutions increased continuously during the 1973 - 1980 period, from a level of \$ 59.5 million in 1973 to over \$ 2.0 billion in 1977. Total commitments by these institutions reached about \$ 4.9 billion in 1977, and rapidly increased to a total of over \$ 14.0 billion in 1980 as is shown in Annex 2. This acceleration of commitments was caused by the speed with which these institutions had to act in response to requests made by various developing countries, despite the fact that some of these institutions were only recently established.

As new channels of aid, complementing ODA directly provided by Arab governments, the Arab aid agencies are now assuming a greater role in Arab ODA flows to Third World Countries. For example, while net ODA provided by three Arab countries (Saudi Arabia, Kuwait and United Arab Emirates) amounted to \$ 4.0 billion in 1975, only 237 million was channelled through the national development institutions of those countries. In other words, only 6% of the countries' net ODA for 1975 was allocated by the related development institutions. The latter's role, however, increased rapidly between 1975 and 1980, as is evidenced by the growth of net ODA by three of the Arab aid institutions in relation to total net ODA by the countries concerned.

The following table shows the share of three aid agencies in total net ODA of the donor countries.

| <u>Share of National Development</u> | | | | | |
|--------------------------------------|-------------------|-------------|-------------|-------------|-------------|
| <u>Institutions in Total net ODA</u> | | | | | |
| | <u>(Per cent)</u> | | | | |
| | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>1980</u> |
| 1. Abu Dhabi Fund | 3.2 | 5.4 | 7.0 | 3.5 | 7.5 |
| 2. Kuwait Fund | 23.5 | 10.7 | 14.2 | 18.1 | 23.5 |
| 3. Saudi Fund | <u>2.5</u> | <u>7.8</u> | <u>11.5</u> | <u>13.2</u> | <u>10.4</u> |
| Average Share | 6.0 | 8.0 | 11.5 | 12.0 | 12.3 |

Source : Based on tables IX-2 and G.1 in OECD, Development Cooperation, 1981 Review.

It is clear from the above table that the combined share of the three Funds in the total net ODA of the donors more than doubled, rising from 6% in 1976 to 12.3% in 1980.

The increasing role of Arab funds in channelling aid implies that a larger proportion of Arab aid is being administered with a view to realizing more effective use of resources. Administrative and technical organs are in existence within each Arab development institution to ascertain the technical soundness of investments and their impact on development. And in discharging their duties these institutions give considerable attention to the needs and problems of recipient countries. To this end, the 'Arab Coordination Group' was established in recent years with the aim of coordinating the members' operations. The Coordination group holds semi-annual meetings to review, discuss and exchange views on various aspects pertinent to its lending activities.

These meetings have so far led to a number of concrete results. Loan agreements are now generally standardized and disbursement procedures unified. The institutions have also gone a long way in ironing out problems related to co-financing, follow-up of projects, etc. Despite these achievements we are aware that a lot more is still to be done and that the complex issues of development certainly require continuous and concerted efforts by all those involved in development activities.

III. THE KUWAIT FUND EFFORTS

Soon after gaining full independence in 1961, the State of Kuwait established the Kuwait Fund for Arab Economic Development as an autonomous public body, with administrative, financial and technical independence. The main purpose of the Fund was to assist Arab States in developing their economies, and to provide such States with loans for the implementation of their development projects and programmes. Important to note in this respect is the fact that the initiative to establish an aid agency was taken long before the adjustment of oil prices and despite Kuwait's relatively meagre financial resources at that time. Nevertheless, the initiative originally aiming at closer links of cooperation with Arab States in their developmental efforts remained an overriding consideration.

Immediately after Arab oil-exporting States restored sovereignty over their depletable resources in 1973, the mandate of the Kuwait Fund was extended, in July 1974, to include in its operations non-Arab developing countries as well. Today, the authorized capital of the Fund stands at K.D. 2 billion, its cumulative total commitments reached around K.D. 1104 million by the end of December 1982, representing the value of 236 loans distributed over 58 developing countries, of which 16 are Arab, 25 African, 14 Asian, and 3 other countries.

As a development assistance institution, the primary function of the Kuwait Fund is the allocation and administration of financial aid to developing countries, and its main objective is "to assist Arab States and Developing States in developing their economies and, in particular, to provide such States with loans for the implementation of their development programmes". Although Loans are the most apparent part of our all-inclusive aid efforts, we have always considered them only as a means in seeking the fulfilment of the desired objectives of development. Hence, realizing the fact that the requirements of development transcend the mere availability of financial resources, we got involved in various developmental activities, which unlike loans, are not usually recorded in monetary terms, yet they are important in an overall measure of aid performance and as such they should not escape notice.

Operations and Activities of the Fund

It is not our intention here to elaborate on the specifics of loans and grants provided to individual countries, but rather to highlight the collaborative efforts of the Fund since its establishment and to make some relevant remarks thereon.

Loans :

The last year ending on December 31, 1982 marks the twenty first anniversary of the Fund. During those two

decades, the Fund has been able to cater to the needs of a wide spectrum of developing countries. In this respect, the Fund operations which are essentially project-oriented covered high-priority projects and programmes in such sectors as agriculture, power, transport and communications, water and sewerage as well as other industrial infrastructure projects. As can be seen in Annex 3 showing the geographical and sectoral distribution of Fund loans, two sectors (agriculture and power) together absorbed nearly half of the Fund's total loan commitments up-to-date. This, of course, causes no surprise, but, it reveals some interesting facts. While in selecting projects to be financed by the Fund, our policy is to respect in principle the priorities set by the recipients themselves, and generally to turn down only those projects which fail to pass the rigorous appraisal made by our staff, the sectoral distribution of our loan operations is in line with the commonly accepted aim of increasing investments in agriculture and energy, being two priority sectors within the framework of a development strategy.

Indeed, our operations in the power sector, constituting more than 27% of our total commitments, consist mainly of large hydro-power projects. The huge natural water resources of the developing countries, of which, according to present estimates, only a very small percentage (of the order of 4%) has been tapped and developed, offer the developing countries an attractive opportunity in

their search for alternative energy sources. However, sometimes, the viability of large multi-purpose projects, such as for irrigation and generation of electricity, is hardly justified on the basis of national interests alone, but they can become viable investments through regional coordination and cooperation. Other similar examples of projects in various sectors may be cited, but the point to be noted remains the same, and that is that some projects which cannot be justified on the basis of limited geographical boundaries may stand a good chance of success by the concerted efforts and close cooperation of neighbouring countries who would be the ultimate beneficiaries of the joint action. To this effect, the Fund has always welcomed such regional projects and tried to assist the participating countries in working out feasible and sustainable arrangements leading to a more lasting cooperation among the countries themselves.

A quick look at the Fund's annual loan commitments given in Annex 4 reveals a sharp rise of such commitments in 1975-76. This was due to the enlarged mandate of the Fund in July 1974, which enabled it to extend its operations to a large number of African and Asian countries. However, the preceding and succeeding years indicate noticeable fluctuations which were often misunderstood by observers, and therefore call for some clarifications. It has been the Fund's policy to commit itself to those projects whose implementation would otherwise have been hampered if

financial resources were not made available at the right time. The size and pace of commitments, to be meaningful, should be considered jointly with the volume of disbursements. And for commitments to be of greater value to recipients, a more judicious policy in this regard should allow for greater flexibility in pipelining projects. In this sense, fluctuations may become inevitable, but not utterly undesirable.

Technical Assistance :

Another activity in which the Fund has been involved concerns grants and technical assistance. The latter activity was introduced into the Fund operations in 1971, after it became evident to us that certain Arab countries were unable to attract external financial assistance due to lack of well-conceived and prepared projects. Up-to-date, our efforts in assisting to fill this gap resulted in giving grants of a total value of around K.D. 14 million, spread over 28 countries, of which 10 are Arab, 14 African, and 4 Asian.

The major part of our technical assistance grants was directed to financing feasibility studies for projects in various economic sectors. The recipient countries and the Fund cooperate closely in the selection and appointment of Consulting firms, the drawing up of terms of reference, and the supervision of the Consultants' work. The active part we play within the framework of

technical assistance is intended to, not only to ensure a high quality product, but also to give the recipients the opportunity to gain experience in tackling problems and issues related to their efforts in the development process.

Contributions to Development Finance Institutions :

Apart from its main "business" of providing loans and technical assistance grants to Third World Countries, the Fund is entrusted with the responsibility to act on behalf of the Government of Kuwait in various activities related to development cooperation. In this connection, the Fund makes direct financial contributions, out of its own resources, to a number of multilateral development finance institutions such as the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the African Development Bank and the Fund, and the Inter-Arab Investment Guarantee Corporation. Such contributions totalled around K.D. 106 million by the end of December, 1982.

Although financial contributions to other multilateral development bodies such as, for example, the World Bank, the International Development Association (IDA), the Opec Fund for International Development, and the International Fund for Agricultural Development (IFAD), are made directly by the State of Kuwait, the Fund management is also assigned some role in representing the Government in those organizations, and therefore, through this role the

Fund is able to follow the activities of those institutions.

Initiatives :

As a development institution with a relatively long history in development cooperation and a background of related experience, the Kuwait Fund has been aware of the fact that its mission cannot be fulfilled by the provision of financial assistance alone, no matter how much is being spent to establish factories, to construct roads, or to build other physical structures. It was therefore considered essential to take within the limitations of our means and capacity, certain initiatives aimed at promoting the building up of institutional and administrative structures as well as development-oriented institutions.

In this regard, our humble initiatives relate to : (1) assisting in the creation of certain multilateral development-oriented institutions, (2) providing financial assistance to a number of national development banks, and (3) providing technical assistance and financial support for strengthening national operational bodies and institutions.

In the first category, the Fund's initiatives include the Arab Fund for Economic and Social Development, the Inter-Arab Investment Guarantee Corporation, Arab Bank for Economic Development in Africa, and the Opec Fund

for International Development. Such initiatives were of varying character and degree. For example, the proposal to establish the Arab Fund for Economic and Social Development and the preliminary documents for this institution were introduced first by the Kuwait Fund to the Arab authorities concerned. Subsequently, the Arab Fund was established. Again, the scheme for the Inter-Arab Investment Guarantee Corporation was proposed and sponsored by the Fund whose active participation in the scheme continued throughout the various stages of its elaboration and adoption.* Our initiatives in the establishment of the other institutions were not as direct as they were in the case of the two examples thus far mentioned. Nevertheless, the Fund's experience and expertise helped constructively in making arrangements for and reaching agreements on the establishment of these institutions.

Another area to which the Fund gives attention is national development banks. The Fund has actively participated in the establishment of several such banks in various countries. For example, in Lebanon, Kuwait, North Yemen, and Mauritania. Apart from this, some national development banks were granted loans to help them expand their operations and develop their capacities. Beneficiaries

* For more details on the initiatives leading to the establishment of the Arab Fund and the Inter-Arab Guarantee Corporation, See, Ablatif Y. Al-Hamad, Building up Development-Oriented Institutions in the Arab Countries, Kuwait Fund Publications, October 1972.

in this regard were development banks in Morocco, Sudan, North Yemen, and Tunisia.

Within the general framework of building up institutions, we consider that operational organizations, authorities, administrations and other structures are no less important than other bodies catering to the economic life of nations. The Fund's activity in this respect concerns the strengthening of managerial capabilities, promoting skills and advancing technical know-how for a more efficient utilization of human capital. To this end, the Fund assisted in organizing and funding technical assistance missions to advise on economic planning and policies in such countries as North Yemen, South Yemen, Comoros Islands and the Maldives.

Advisory and Consulting Services :

In its cooperation with Third World Countries, the Fund tries always to ensure that the basic economic interests of the recipient countries, often among the least developed, are protected. Various advisory and consulting services are rendered by the Fund and are geared towards fulfilling that objective. A normal feature of the Fund's operations is that of trilateral cooperation, so to speak, in which there is almost always a third party from the industrial countries. Consequently, a major part of our daily activities relates to assisting recipients in their dealings with consultants contractors and suppliers, and in tackling subsequent problems and issues.

In providing such services, the Fund identifies itself with the aspirations and interests of the recipients, and its leverage is used to ensure that contractual and other arrangements are based on more equitable and balanced terms and conditions. The strength of our leverage in taking specific attitudes with third parties stems from certain simple facts. First, the experience we have gained during twenty one years of active involvement in the international aid scene made us familiar with the nature of the problems and issues encountered, and at the same time aware of the appropriate course of action to be followed. Second, Kuwait, being primarily an oil-exporting country has no commercial interests to promote in external markets through aid-giving. Consequently, the Fund does not seek to solicit national economic advantages through its collaborative operations. Its primary goal of aid-giving is to accelerate development in the recipient countries, and to this end, it tries to utilize its power, experience and leverage in a way most advantageous to the aid-receiving countries.

Although it is difficult to measure the real impact of our advisory and consulting services in concrete terms, there is no doubt that their benefits are, more often than not translated into more practical concepts of projects, more appropriate choice of technology and design, lower costs of investments, more equitable terms and conditions and better performance.

Another aspect of our operations in which we have been actively involved is that of co-financing. Large-scale projects such as for the development of agriculture, infrastructure, hydro-power, and other multi-purpose projects require resources that are beyond the means of any one donor to cope with. Financing such projects, therefore, requires close cooperation and coordination with co-lenders, especially those co-financiers whose policies and procedures are dissimilar. Co-financing with Arab aid agencies poses no problems because of their similar procedures and largely harmonized policies. Other non-Arab co-lenders, providing tied aid, limit the scope for joint-financing, but very often this issue is resolved by resorting to parallel-financing whenever this is possible.

However, the Arab/OPEC donors have in recent years opened dialogue with their counterpart donors of the DAC and EEC groups with the aim of exchanging views on co-financing issues and other matters related to the development efforts of the two sides.

IV. CONCLUDING REMARKS

The world economy is suffering from severe problems. The industrial countries have been faced with a prolonged recession and heavy unemployment accompanied by unprecedented high levels of interest rates. The developing countries' economic problems have been aggravated by the drastic drop in the prices of primary commodities, high interest rates, exchange rate fluctuations, unfavourable terms of trade, a decline in export volumes, as well as protectionist measures and other trade barriers by industrial countries.

Against this background, one of the main issues currently discussed in a number of international forums concerns official development assistance. It is distressing to note that while the developing countries' capacity to absorb more aid has improved, the volume of aid has recently levelled off. Not only that, but some traditional donors' attitudes towards the question of concessional aid has changed markedly, and unfortunately, their call for a more active role by commercial sources of funds comes at a time when the developing countries are struggling with an already mounting debt servicing burden and only limited means for an access to the international financial market.

To avoid the worsening of the economic plight of the poor countries and keep the 'economic engines' working together, aid efforts need to be increased and the quality of assistance should be improved. Arab

oil-exporting countries played a major role in development assistance over the last decade by sharing, through their temporary 'Surpluses', "in what we believe to be, in the longer run, mainly the responsibility of the richer countries of this World". The industrial countries' current problems should not loom above those countries potential to provide at least the 'minimum aid' in terms of GNP.

ANNEX (1)

NET CONCESSIONAL ASSISTANCE BY OPEC MEMBERS 1970 - 1980(\$ MILLION)

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|
| Algeria | - | - | - | 25 | 47 | 41 | 54 | 47 | 44 | 272 | 83 |
| Iraq | - | - | - | 11 | 423 | 218 | 232 | 61 | 172 | 847 | 829 |
| Kuwait | 148 | 108 | - | 345 | 632 | 976 | 621 | 1517 | 1270 | 1055 | 1188 |
| Libya | 63 | 53 | 64 | 214 | 147 | 261 | 94 | 115 | 160 | 105 | 281 |
| Qatar | - | - | - | 94 | 185 | 339 | 195 | 197 | 106 | 277 | 319 |
| Saudi Arabia | 155 | 160 | 204 | 305 | 1029 | 1997 | 2415 | 2410 | 1719 | 2298 | 3040 |
| UAE | - | 50 | 74 | 289 | 511 | 1046 | 1059 | 1238 | 717 | 1115 | 1062 |
| Arab Donors | 365 | 371 | 494 | 1283 | 2974 | 4878 | 4670 | 5585 | 4187 | 5968 | 6802 |
| Iran | - | - | - | 2 | 408 | 593 | 753 | 221 | 278 | 25 | 3 |
| Nigeria | - | - | - | 5 | 15 | 14 | 83 | 65 | 38 | 30 | 42 |
| Venezuela | - | - | - | 18 | 59 | 31 | 103 | 52 | 109 | 83 | 130 |
| Non-Arab Donors | - | - | - | 25 | 482 | 638 | 939 | 338 | 425 | 138 | 175 |
| Total | 365 | 371 | 494 | 1308 | 3456 | 5516 | 5609 | 5923 | 4611 | 6106 | 6978 |

Source : OECD, Development Corporation, 1981 Review.

ANNEX (2)

EVALUATION OF COMMITMENTS BY MAJOR ARAB/OPEC AID INSTITUTIONS(U.S. \$ MILLION)

| | 1973 | 1974 | 1975 | 1976 | 1977 | Total Commitments End of 1977 | Total Commitments End of 1980 |
|--------------------------------------------------------|------|-------|-------|--------|--------|-------------------------------------|-------------------------------------|
| 1. Abu Dhabi Fund for Economic Development | - | 55.1 | 46.2 | 169.4 | 138.1 | 408.8 | 901.0 |
| 2. Arab Fund for Economic and Social Development | - | 127.3 | 200.8 | 336.3 | 362.6 | 1027.0 | 1250.0 |
| 3. Arab Bank for Economic Development in Africa (a) | - | - | - | 79.5 | 76.0 | 155.0 | 598.0 |
| 4. Islamic Development Bank | - | - | - | - | 120.3 | 120.3 | 1465.0 |
| 5. Kuwait Fund for Arab Economic Development | 59.5 | 143.4 | 343.1 | 324.5 | 411.8 | 1282.3 | 2526.0 |
| 6. OPEC Fund for Inter- national Development (b) | - | - | - | 42.7 | 243.0 | 285.7 | 1490.0 |
| 7. Saudi Fund for Develop- ment | - | - | 282.7 | 458.3 | 841.1 | 1582.1 | 4159.0 |
| 8. The Iraqi Fund for Foreign Development | - | - | - | - | - | - | 1744.0 |
| Total | 59.5 | 325.8 | 872.8 | 1410.7 | 2192.9 | 4861.2 | 14133.0 |

(a). Not including commitments under the Special Arab Aid Fund for Africa, administered by BADEA, which amounted to \$ 56 million in 1976 and \$ 13 million in 1977.

(b). Not including commitments to IFAD, IMF Trust Fund and UNDP, totalling \$ 477.6 million.

Sources : (1) All figures for the period 1973 - 1977 from : OECD, Development Cooperation, 1978 Review, (Table VII-13).

(2) Total Commitments at end of 1980 from : The OPEC Fund for International Development, OPEC Aid and OPEC Aid Institutions, Profile, January 1981.

ANNEX (3)

GEOGRAPHICAL AND SECTORAL DISTRIBUTION OF FUND LOANS(1.1.1962 - 30.11.1982)(MILLION K.D)

| Countries | Sector Agriculture and Primary Sector | Transport Communica- tion and Storage | Power | Industry | Water and Sewage | Others | Total | Share of Total (%) |
|-----------------------|------------------------------------------------|------------------------------------------------|---------|----------|---------------------|--------|----------|--------------------------|
| Arab | 130.580 | 182.422 | 105.707 | 123.493 | 27.300 | 10.864 | 580.366 | 52.56 |
| African | 54.810 | 84.828 | 32.770 | 17.500 | 4.000 | -- | 193.908 | 17.56 |
| Asian | 39.860 | 50.950 | 162.547 | 58.515 | 12.250 | -- | 324.122 | 29.35 |
| Other | 3.700 | 2.130 | -- | -- | -- | -- | 5.830 | 0.53 |
| Total | 228.950 | 320.330 | 301.024 | 199.508 | 43.550 | 10.864 | 1104.226 | 100.00 |
| Share of Total (%) | 20.74 | 29.01 | 27.26 | 18.07 | 3.94 | 0.98 | 100.0 | -- |

ANNEX (4)

LOAN COMMITMENTS

1.1.1962 - 31.12.1982

| Financial year (1 April - 30 March) | Number of Loans | Amount (K.D Million) |
|----------------------------------------|--------------------|-------------------------|
| 1962/63 | 3 | 11.871 |
| 1963/64 | 3 | 6.216 |
| 1964/65 | 2 | 17.384 |
| 1965/66 | 1 | 1.674 |
| 1966/67 | 4 | 14.416 |
| 1967/68 | 3 | 10.181 |
| 1968/69 | 2 | 1.124 |
| 1969/70 | 1 | 6.996 |
| 1970/71 | 7 | 11.699 |
| 1971/72 | 5 | 11.141 |
| 1972/73 | 2 | 7.633 |
| 1973/74 | 8 | 31.435 |
| 1974/75 | 6 | 26.500 |
| 1975/76 ^[1] | 34 | 158.618 |
| 1976/77 ^[2] | 22 | 106.590 |
| 1977/88 | 14 | 57.326 |
| 1978/79 | 25 | 100.350 |
| 1979/80 | 20 | 72.297 |
| 1980/81 | 24 | 121.870 |
| 1981/82 | 34 | 214.945 |
| July - Dec. 82 | 16 | 113.960 |
| Total | 236 | 1104.226 |

[1] 1.4.1975 - 30.6.1976

[2] The fiscal year begins July 1st and ends June 30th
for this year and the subsequent years.

UNITAR PROJECT:

RC-12 STRATEGIES AND PROSPECTS
OF MEDITERRANIAN
CO-OPERATION

Preliminary research report
of the yugoslav team

by the
co-ordinator

dr Vatroslav VEKARIĆ

Institute of International Politics and
Economics, Belgrade

Note:

The project is implemented
in co-operation with
Istituto affari internazionali(Rome)

Belgrade, 16, Decembar, 1982.

UNITAR project:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary research report on

CONFLICTS AND CONVERGENCES BETWEEN MEDITERRANEAN COUNTRIES

Prepared by

Vatroslav Vekarić,

Institute of international politics and economics, Beograd

1. Influence of conflicts in the Mediterranean Basin on the perspectives of regional cooperation in eighties;
2. Typology of conflicts in the Mediterranean Basin
 - 2.1. causes
 - 2.2. actors
3. North-South conflicts in the context of social and economic development in the Mediterranean region;
4. Conflict East-West in the context of social and political development in the Mediterranean region;
5. Regional conflicts
 - 5.1. palestine question
 - 5.2. interarab conflicts
 - 5.3. balcanian conflicts
 - 5.4. greco-turkish conflicts
 - 5.5. other conflicts
6. Conclusion

Note:

If necessary a contribution by Darko Bekić (Institute for Developing countries, Zagreb) on "Extraregional factors in the Mediterranean politics: case study of the Balkans" could be added.

UNITAR PROJECT:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary research report on:

TRADE RELATIONS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES
IN THE MEDITERRANEAN REGION

Prepared by

Mario Polić

Institute for Developing Countries, Zagreb

1. INTRODUCTION

The primary aim of this project is to investigate the present state, and the perspectives of trade relations between the developing and developed countries in the Mediterranean Region. The research project will cover a quantitative and qualitative analysis of these relations from the standpoint of the North-South trade, general and global characteristics, as well as from the standpoint of those specific characteristics that result from the particular socio-economic development of the Mediterranean Region.

2. GENERAL DESCRIPTION

The project will analyse the following topics:

- Trade relations in the Mediterranean (dynamics, merchandise structure, regional orientation)
 - North-South relations
 - South-South relations
- Implementation and utilization of the system of preferences and of trade agreements; their meaning for trade relations between the developing and developed countries of the Mediter-

anean Region.

- Generalized system of preferences,
- EEC agreements with developing countries,
- Implementation and utilization of preferences and other forms of co-operation among developing countries; their meaning for trade relations between developing and developed countries of the Mediterranean Region.
- GATT agreement on trade preferences among developing countries,
- Other aspects of co-operation among developing countries (co-operation of state trade organizations, foundation of multinational marketing firms).

3. METHODOLOGICAL NOTE

The past and the planned projects are based on statistic data analyses, on previous national and international analyses, and on individual and joint assessment of the present and future trade relations of the Mediterranean countries.

The usual statistic methods will be used for the further realization of this projects, complementing them by consultations in GATT and EEC, as well as by consultations with the representatives of individual countries.

4. ILLUSTRATION OF PRELIMINARY RESULTS

The present mechanisms, both general (the general system of preferences) and individual (EEC agreements with the Mediterranean and Middle East Countries) have improved the trade exchange in the Mediterranean Region and brought about the conditions for structural changes in commodity trade among the developing countries of the Region. The forms of co-operation among the developing countries have the same aim in spite of the fact that they are still in their initial phase.

5. CONCLUSION

Both the present and the planned research project should point to the range of past trade links and accesses, as well as to the possibilities of establishing more intensive, diversified and equal trade relations between the developing and developed countries as a basis of further development of the co-operation in general in the Mediterranean Region.

UNITAR PROJECT:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary Research Report on :

TRADE RELATIONS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES
IN THE MEDITERRANEAN REGION

Structure and Dynamics of the Mediterranean Newly
Industrializing Countries' Regional Trade

Prepared by

Jelica Minić

Institute of International Politics and Economics

1. Specific Features of the Mediterranean NICs Compared to the Asian and the Latin American Ones
 - 1.1. the type of industrialization and of the economic development
 - 1.2. the relation of the industrialization model and merchandise and regional structure of the foreign trade
 - 1.3. their degree of dependence on the more developed regional background
2. The Role of the Transnational Corporations in the Mutual Trade of the Mediterranean Countries with a Special View to the NICs
 - 2.1. the role and impact of the EEC's TNCs
 - 2.2. the role and impact of the American and Japanese TNCs
3. The Effects of the Institutional Factors
 - 3.1. EEC's Arrangements with the Mediterranean Developing Countries

3.2. the results of the Generalized System of Preferences

3.3. GATT Protocol on Trade preferences Among 16 Developing Countries

3.4. different arrangements and policies of the EEC, OECD, Group of 77, Non-aligned Movement etc.

3.5. new policies of the World Bank and International Monetary Fund with a special view to the introduction of the differentiated treatment of developing countries

UNITAR PROJECT:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary research report on

CO-OPERATION IN THE FIELD OF TOURISM

Prepared by

Ivan Brezović Mlinarić

Institute for Developing Countries, Zagreb

1. INTRODUCTION

The rationale for this project is to be found in the facts that (i) tourism represents a world-wide phenomenon, with broad and far-reaching implications for socio-economic, political, cultural and other aspects of human life in general, and that (ii) the Mediterranean has grown, over the past several decades, into the leading world tourist-receiving area, absorbing some 30 percent of the international tourist flows (60 million out of the total of 200 million visitors, WTO 1979).

In this respect, particularly significant is the emergence of high expectations in the 60s and 70s regarding tourism's potential role in the progress of the less developed countries, notwithstanding its apparent shortcomings and limitations. In order to set the framework for the proposed research, the main characteristics of tourism in the Mediterranean may be summed up as follows:

- social and economic importance (recreation, health, cultural impacts, foreign currency receipts, income generation, employment),
- coastal orientation (predominance of maritime aspects),
- marked seasonality (climatic factors, but also life patterns in tourist-generating areas), and
- specific relations with natural and man-made environment (its dual nature of user/benefactor and abuser of the assets put to use in tourism).

The objectives of the project are:

(a) to ascertain what beneficial effects could be obtained from regional co-operation, or, to put it differently, to identify the problems which require (which could be removed by or alleviated through) regional co-operations;

(b) to assess the present level and forms of co-operation in the light of (a); and

(c) to propose new forms of co-operation, involving human, institutional and financial resources (with the underlying "philosophy" being the one of development as opposed to the economic growth, drawing on the concept of self-reliance of developing countries as well as on the idea of a common tourist platform of the Mediterranean countries).

2. GENERAL DESCRIPTION

The above-mentioned objectives are to be reached through the analysis of specific topics relating to economic, socio-cultural and environmental aspects of regional co-operation in tourism. These may be outlined as:

I. areas of co-operation

ECONOMIC:

- strategies and policies of tourism development,
- provision of tourist facilities and infrastructure, and
- functioning of the tourist sector proper (organization and planning, technology, personnel, marketing).

SOCIO-CULTURAL:

- preservation of local patterns of life in receiving countries (productional, cultural, educational, etc.), and
- necessary adjustments in generating countries (straggling of vacations, information and education of tourists).

ENVIRONMENTAL:

- assessment of carrying capacity of tourist areas,
- application of locally adjusted town-planning and architecture,
- usage-cum-preservation of valuable natural and historical assets (national parks, cultural heritage, etc.), and
- research and use of alternative energies.

II. bearers of co-operation

- tourist sector proper,
- governments and their administration (national, subnational, local),
- other sectors (transport, agriculture, construction, etc.), and
- international agencies and other supranational bodies.

III. forms and modalities of co-operation

- joint research, planning and programming,
- consulting, education and information,
- financing, and
- legislature.

3. METHODOLOGICAL NOTE

The project will mostly be based on library research (national sources, WTO), complemented with some interviewing and, time and finances permitting, field research (based on characteristic case studies).

4. PRELIMINARY RESULTS

The most important regional co-operative activity undertaken so far has been the Mediterranean Action Plan (based on the 1976 Barcelona Convention), which means that this research will draw, whenever possible, on the results obtained within that framework. It will endeavour to assess critically the experiences of this undertaking in the field of tourism (institutional arrangements, priority actions devised to foster self-reliance in the solution of problems in

particular countries, etc.), thus contributing to the clarification of the crucial points underlying regional co-operation in the future.

5. CONCLUSION

Due to the fact that regional co-operation in tourism within the Mediterranean is of a recent date, no definite conclusions can, as yet, be reached with respect to its practical results. Nevertheless, it is clear enough that both the problems and the awareness of them are fact approaching the state which will allow for enough firm ground upon which it will be feasible to establish and promote such co-operation for the benefit of future tourism development. To this end, the final report will contain the essential recommendations concerning the ways and means to achieve such a co-operation, involving all of its above-mentioned constitutional elements.

UNITAR project:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Section:

CO-OPERATION IN THE FIELD OF AGRICULTURE AND FOOD INDUSTRY

Prepared by

Višnja Samardžija
Institute for Developing Countries, Zagreb

1. INTRODUCTION

In the seventies, the agriculture and food industry in developing countries is characterised by the following trends: (1) an insufficient growth of food production compared by current needs, together with (2) slow changes in the structure of production, that results in (3) growing dependence on the import from the developed countries.

The food production in developing countries between 1970's and 1980's had a 3.2 per cent growth rate, which is well under the 4 per cent planned for the Second Development Decade. At the same time, from the mid-sixties until the end of seventies the growth rate of the food imports in the developing countries had grown from 3.6 to 6.8 per cent, while in the developed countries it had declined.

No doubt, the problem of food production is one of the vital problems of the developing countries, the alleviation of which should be looked for in the mutual economic co-operation on an equal basis.

2. GENERAL DESCRIPTION

The aim of this research project is (1) the assessment of the objective possibilities for widening the co-operation in the field of agriculture and food production among the countries of the Mediterranean Region, as well as (2) the marketing of food products in the EEC and in other developed countries.

Within the framework of these set aims, the research project involves the following:

- a) ANALYSIS OF THE PRESENT CO-OPERATION IN AGRICULTURE AND FOOD PRODUCTION
(regional analysis, analysis of the food supply situation in the MEDITERRANEAN REGION, mutual co-operation between the developing and the developed countries)
- b) THE PROSPECTS OF CO-OPERATION IN AGRICULTURE AND FOOD PRODUCTION
(long-term productive co-operation, joint ventures, know-how, transfer of technology, etc.)
- c) MARKETING CONCEPT IN PRODUCTION AND DISTRIBUTION OF FOOD PRODUCTS
(production organization, distribution policy, and promotion of food products in the EEC market and in the markets of other developed countries)

3. METHODOLOGICAL NOTE

The research project will be based on "Library Research" (collection, elaboration and analysis of the existing data from the secondary sources). The verification of the information basis will be carried out by means of interviews with experts for different fields. If possible, a "Case Study" based on concrete experience will be carried out.

4. PRELIMINARY RESULTS

The past co-operation of developing countries in agriculture and food production was mostly based on merchandise trade and programmes of joint marketing organisations. The objective possibilities for the improvement of co-operation in agriculture are widened by the transfer from merchandise trade to production sphere, that is to say, through joint ventures, long-term productive co-operation, know-how, and transfer of technology.

5. CONCLUSION

The expected results of this research project should render the scientific contribution to the improvement of co-operation in agriculture and food production among developing countries in the Mediterranean Region, as well as with the developed countries (esp. with EEC).

The possibilities for the application of the results obtained through the research project are expected through (1) the assessment of the global framework that defines the fields and forms of co-operation among various countries, as well as through (2) the assessment of the possibilities for the co-operation on the horizontal basis which should be carried out by particular firms (the food producers) from different countries.

UNITAR project:

RC - 17 STRETEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary research report on
CO-OPERATION IN THE FIELD OF INTERNATIONAL LABOUR MIGRATION

Prepared by

Zoran Roca and Nada Švob-Dokić
Institute for Developing Countries, Zagreb

1. INTRODUCTION

International migration of labour force has been, already for some time, one of the most interesting demographic and developmental phenomena in the Mediterranean. Until the mid-fifties emigration of labour force from the Mediterranean was mainly directed to the transcontinental extra-Mediterranean directions. From the fifties until recently the dominant form of migration for the Mediterranean population has been the so-called temporary migration, - also directed mostly to the extra-Mediterranean countries (i.e. Western and Central Europe). In the context of the recent economic and social problems that are confronting the foreign labour-receptient countries, it is becoming ever more clear that in the foreseeable future the long tradition of emigration from the Mediterranean will be considerably modified and, eventually, stopped, from a quantitative and qualitative standpoint. Many jobs held by blue-collar migrant workers will be directed to skilled workers, which means that the brain drain from the Mediterranean to extra-Mediterranean countries might become the dominant form of migration of labour force. Clearly, for the sake of their own development objectives, the Mediterranean countries should seek for a better mutual use of their human resources. Intra-Mediterranean co-operation in this area should be promoted in order to reach a co-ordinated intra-Mediterranean labour force (both blue-and white-collar) migration policy, particularly from the point of view of the

regulation of the emigrants and returnees socio-economic status for the grater benefit of the Mediterranean countries.

2. GENERAL DESCRIPTION:

The research will cover the following issues:

- types, directions and volume of international labour migration from the Mediterranean;
- demographic, socio-economic and cultural characteristics of Mediterranean international migrants;
- positive and negative social, economic, and other effects of international labour-force migration in the Mediterranean labour-exporting countries;
- international migration policy in the Mediterranean countris, particularly from the point of view of the social and economic integration of returning migrants;
- national policies regarding migration of labour force and the aspects of social & economic-integration of returning migrants;
- areas for co-operation among Mediterranean countries in the field of mutual/beneficial development and use of human resource potentials, i.e. in the fields of education and training policy, social and economic security, transfer of state, firm and/or personal financial resources, legal and administrative instruments, etc. The ideas for the implementation of the concept of TCDC in the area of human resources will be put forward.

3. METHODOLOGICAL NOTE

The following forms of study and analysis will be used:

- field research (interviews and data collection at corresponding national focal points)
- library research at ILO, UNDP and OECD
- desk research at the Institute for Developing Countries, Zagreb

4. SAMPLE OF THE FIRST RESULTS OF THE RESEARCH

In 1974, in the most important European countries receiving labour, emigrants from the Mediterranean labour-exporting countries totaled four-million workers. In the 1980 this figure was reduced to 3.4 million. This 15 percent decrease does not, however, discredit the notion of the Mediterranean as being a "labour-force reservoir" for the industrialized Europe in the seventies. Namely, the "Mediterranean portion" was overwhelming in the foreign labour total in the immigration countries, i.e. 61 percent. Nevertheless, the ever growing restrictions on immigration and the obvious unfavorable demographic economic and social effects, due to the labour emigration, have forced the labour-exporting and -importing countries to set up SOPEMI, a joint system of permanent migration observation within the OECD. Moreover, the immigration and emigration countries have been recently signing bilateral agreements concerning the aid for the organized repatriation and the reintegration of the migrant workers. In this context the multilateral project "Experimental Programs Aiming at an Increased Employment in Significant Areas of Emigration" is to be considered of prime importance. For example, such return-stimulating programmes have had a significant impact on the transfer of savings (remittances in foreign currencies) to the labour exporting countries. In 1979, in Yugoslavia the remittances represented 23.1 percent of the total revenues and even 50 percent of the total savings of the country. In Turkey, the remittances in 1979, have totaled 33.4 percent of the total export covering 60.3 percent of the external trade deficit. It remains however, to be ascertained up to what point remittances can cover the production losses (i.e. due to the loss of skilled labour) as well as other costs due to an increasingly "positive selective" characteristics of migrants from the point of the labour-importing countries' interests.

5. CONCLUSION

The international transfer of "human capital", and the role of the Mediterranean countries in it, is extremely sensitive area of development and of international relations. Having "its own" North and South between which this transfer takes place, the Mediterranean could be an area where some of the basic assumptions of the NIEO should be realized. Namely, the individual and collective self-reliance of Mediterranean developing countries as well as a more equitable co-operation with the developed countries of the region, and ^{order} ~~order~~, could be established through various forms of co-operation in this particular area. Greater and more rational valorisation of human capital at the South - South level is needed but it is hardly conceivable without the co-operation with the North. This study should try to test empirically the various social, economic and cultural and political aspects of the already achieved ways and forms of a region-wide co-operation, as well as to propose new ones. ~~for development~~. This could eventually be a constructive conceptual and practical contribution of the "Mediterranean - case-study" to other Regions and/or North-South co-operation at the global level.

UNITAR project:

RC - 17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN
CO-OPERATION

Preliminary research report on

CO-OPERATION IN THE FIELD OF CULTURE AND INFORMATION

Prepared by

Biserka Cvjetičanin and Nada Švob-Dokić
Institute for Developing Countries, Zagreb

1. INTRODUCTION

The Mediterranean has traditionally been the region of inter-cultural and cross-cultural connections. It is the cradle of the great world cultures and civilizations that developed through mutual cultural influences. The present day cultural co-operation represents a rationalized and organized cultural exchange, which can no longer be identified with the processes of acculturation. The new dimension in cultural co-operation calls for the active participation of all cultural agents, even those which were neglected because of the extra-cultural reasons. Cultural co-operation is conceived as communication in the fields of education, science, culture in the narrow sense of the word, in art and also in the sphere of information. It should be closely linked with all other types of international co-operation. Having the long and rich tradition of inter-cultural relations, the Mediterranean countries might offer interesting examples of cultural co-operation integrated in the over-all process of cultural development. The analysis of such examples might demonstrate the values of new dimensions in cultural co-operation among the Mediterranean countries.

Close links between cultural development and international communication emphasize the role of information for the development in general. The exchange of information covers a wider scope of development, and will be treated as a special field of co-operation among Mediterranean countries.

Attention should be paid to national and international information systems operating in the Mediterranean region and the links among them, as well as to the role of mass media.

2. GENERAL DESCRIPTION

The research will cover the following issues:

- historical perspective of inter-cultural relations in the Mediterranean region; general evaluation of the historical trends;
- special characteristics of Mediterranean cultures and their impact on cultural exchange;
- types of cultural exchange in the Mediterranean region;
- new dimension in cultural co-operation: areas, forms and participants;
- creation of the new cultural values and the processes of cultural transformation in the Mediterranean countries;
- developmental role of information systems in cultural and other types of co-operation;
- traditional and modern modes of communication;
- socio-cultural role of mass media in Mediterranean countries;
- new dimension in the exchange of information: areas, forms and participants;
- changes in the existing systems of information and exchange of information among the Mediterranean countries.

3. METHODOLOGICAL NOTE

The efforts will be made to introduce the field research as much as possible. Library research will be carried out in this Institute, and other Yugoslav libraries, as well as at UNESCO and OECD. Interviews in the written form are envisaged.

4. SAMPLE OF THE FIRST RESULTS OF THE RESEARCH

The research carried out up to now demonstrates that the cultural co-operation among the Mediterranean countries has been limited to specific cultural circles: Arab countries (e.g. Film festival in Carthage), or countries of the Balkan peninsula (e.g. multilateral studies of cultural inheritance on the Balkan peninsula, meetings of the Academies of sciences of the Balkan countries etc.).

The extra-Mediterranean influences in the field of culture and information are very strong, and the cultural and informational contacts of Mediterranean countries are mostly realised with highly developed non-Mediterranean countries (e.g. Mediterranean countries import between 31. and 68.8 per cent of films from non-Mediterranean countries). The strong non-Mediterranean influence is particularly felt in mass media, general exchange of information and production of books. In spite of their very rich and diversified cultural heritage, most Mediterranean countries are passive consumers of foreign cultural values. They are not active enough in including their own cultural values and information of themselves in the international cultural co-operation and communication. Current institutional mechanisms are not sufficiently adapted to support direct, either bilateral or multilateral, cultural co-operation and exchange of information among the Mediterranean countries.

5. CONCLUSION

Cultural co-operation raises a number of questions regarding the principles and modes of communication among the Mediterranean countries. It covers a large number of fields which directly or indirectly affect all the processes of social development, including also relations among different fields. In the Mediterranean countries especially, cultural and informational exchange are related to a broader context of development, but it should also embrace all other

aspects of developmental activities. Cultural co-operation among Mediterranean countries should aim at valorization of all cultural resources of these countries (from cultural legacy to education and training) in order to include them in a broader communication and co-operation. This might help the development of communication between different modes of production, different social systems and different cultures, which leads to a better mutual understanding of Mediterranean countries, regardless to the differences in social and economic systems.

UNITAR PROJECT :

RC-17 STRATEGIES AND PROSPECTS OF MEDITERRANEAN CO-OPERATION

Preliminary Research Report on
CO-OPERATION IN THE PROTECTION OF THE NATURAL ENVIRONMENT
OF THE MEDITERRANEAN REGION

Prepared by

Vid Vukasović

Institute for International Politics and Economics, Belgrade

Protection and enhancement of the marine environment in the Mediterranean Area is an example of regional co-operation in an only seemingly 'technical' field, having economic, political, social, health, cultural and other implications not only in the region but on international relations in general. It is interesting that in this case the common foe of all the countries concerned (all mediterranean countries with an exception of Albania are taking part in the co-operation) was a common danger. A natural resource of vast importance, shared by all of them, has been endangered. Further degradation of it could amount to a catastrophe. The need to stop it forced the countries otherwise very different and not always in very good relations, to pool their strenght and to co-ordinate their efforts.

1. The Mediterranean as a shared natural resource ;
2. Special characteristics and vulnerability of the Mediterranean;
3. The need for close co-operation among the Mediterranean States and international organizations for the protection and enhancement of the marine environment as one of the main causes of interdependence;
4. The growing awareness of the environmental issue as one of the crucial issues of international relations in general and in the Mediterranean Area in particular ;
5. International legal regulation: °
 - 5.1. Principles
 - 5.2. International agreements
 - Global
 - Regional
 - Subregional
 - Bilateral
6. Barcelona Convention and the Protocols ;
7. Institutional Arrangements:
 - 7.1. The role of international organizations
 - 7.2. UNEP's Regional Seas Programme
 - 7.3. UN Specialized agencies
 - 7.4. The Role of Regional organizations (EEC, OAU etc.,)
 - 7.5. Nongovernmental organizations
 - 7.6. Bilateral Commissions
 - 7.7. Other bodies

8. The position of developing countries and newly industrialized countries of the region;
9. Assessment of the environment
10. Conclusion

Note: If necessary a contribution by Zoran Roca (Institute for Developing Countries- Zagreb) on the position of the mediterranean developing countries in the field of environmental protection, could be added.

Prof. Mihály SIMAI

INTERREGIONAL COOPERATION BETWEEN THE ARAB WORLD AND THE
CMEA COUNTRIES

• /Written in the framework of UNITAR Programme on Regional
and Interregional Cooperation in the 1980s/

A contribution of the Institute on World Economy of
the Hungarian Academy of Sciences.

Budapest, December, 1982.

2/ Some thoughts on the definition of regions

What could be considered as a region or a subregion from economic point of view?

Traditionally, two forms of regions have been recognized by geographers: single feature regions /like a product belt in agriculture /and multi featured or composite regions.

These latter are the geographical regions.

The geographical region is an organization of space based on both quantitative and qualitative criteria and expressing various interrelations between different elements of natural socio-etactical political, strategic and economic features.

From economic point of view a region can be defined as a system, as a set of comparable units with various interdependent relations among them. These relations include the interactions of countries groups or organizations in political field, in the production, distribution and use of goods and services. The heterogenous elements which are present in a region through these interactions must be blending into some form of unity.

No region could be however comprise a totality they are not finite. This is one of the reasons why regional boundries can hardly claim to universal acceptance. For

many scholars therefore a regional division is not a true picture of reality but an arbitrary device, depending on the elements which are selected as the most significant ones.

The above mentioned problems are especially important in the search for a definition of the Arab World as a region in the world economy. The names applied so far to this area may vary and the boundaries may change in the different concepts but the region securing a large part of the world oil consumption, consisting of countries with predominantly Moslem culture is implicit in international political, military and economic affairs including its subregions with specific economic and socio-political characteristics. The region as such very important also for its partners in the rest of the world, including CMEA countries.

In this paper we are dealing with the eastern part of this region, which is considered as Middle East in trade and economic statistics. Cooperation with the Maghreb countries is covered in the paper dealing with Africa. This is due basically to statistical reasons. There are in fact many similarities in the relations of CMEA countries, with the Maghreb and with the Middle Eastern Arab countries.

2/ Relations between CMEA countries and developing countries /General remarks/

In their general international economic policies the European CMEA member /Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, USSR are the European members of the Council of Mutual Economic Assistance/ countries are emphasizing the necessity of expanding their economic relations with the developing countries at a faster rate. This aim have been outlined time and again in different policy statements on governmental and party level. They want to elaborate and implement medium and longterm, comprehensive and sectoral programmes, which would include cooperation in industry, agriculture, science, technology etc. They want to help the strengthening of the economic foundations of their partners in order to promote internally generated economic development. They want to contribute to the strengthening of the developing countries in the world economy by helping the growth of export sectors in those areas which are based on national industrial progress.

The role of the CMEA countries in the world economy has certain special characteristics. Some of these are connected with the nature of the socialist system, others are connected with the level of development, the size of the countries, their natural endowment etc.

The CMEA region in international trade is playing less important role than their share in world output. The proportion of CMEA countries in world trade is one third of their share in total world industrial output. Statistically the great share of the USSR is reflected in this proportions /about 75 per cent of the GNP of the region/, but there are other historical and economic reasons as well. The economy of the CMEA countries was, at least until the sixties, strongly orientated to the home market, their economy was characterized by efforts for full utilization of domestic production factors. Exports and imports were subordinated to these aims. There were also some external barriers of export expansion on the world market for the countries which entered later to respective markets. These barriers were of economic policy and institutional nature like oligopolistic trade organizations, undeveloped marketing, weak bargaining power etc.

The trade and other economic relations, between the present European CMEA member countries and the developing world were rather limited in the period before the 1950s. Some trade relations existed also in the past and even in the pre World War II. period in the case of certain presently CMEA countries they were quite meaningful in the framework of the world economy of that time. In many cases, however trade and other relations started from zero. By the end

of the seventies, the share of the CPE countries in the import of the developing world has been around 5 per cent and in the total export of the region around 4 per cent. Similar proportions characterised the flow of resources in the form of loans and aid. These figures however, are in a way misleading, since both trade and other relations are highly concentrated to 16-20 developing countries. They helped many developing countries in difficult situations, to maintain their political independence and to avoid economic collapse. They developed new forms and conditions of relations unknown and unprecedented in the traditional world market /credit conditions, new forms of industrial cooperation etc./.

On the basis of the trade figures, the flow of new technology from the CMEA countries to developing countries embodied in machinery and equipment is estimated about 5-7 per cent of the total technology imports of LDCS between 1960-1980. In the case of about 15-18 countries, this figure was much higher /about 20 per cent/ and in individual branches more/. In addition to these figures one has to take into account the importance of some special area like iron and steel where the global figures are closer to 10 per cent, and in some countries much higher.

The CMEA countries in the international market of technology offered an alternative source for developing countries. This element is especially important in those

cases where the market is heavily oligopolistic. Several large projects, dams, power stations, steel mills etc. have been built by different CMEA countries in the developing world. They contributed to the progress of mining, different branches of manufacturing, agriculture and transport in several countries.

Beyond the competitive role of the CMEA countries there was also a relatively new possibility the complementary, the trilateral technology transfer deals, where the developing the socialist and the developed western countries took part together and thus the developing countries could utilize the advantages of each participating partner.

Cooperation between CMEA countries and developing countries in general takes place in the forms of

- a/ bilateral cooperation between CMEA member countries and developing countries;

- b/ cooperation between 2-3 CMEA countries and one developing country;

- c/ cooperation between CMEA group and individual developing countries;

- d/ cooperation between individual CMEA countries and the integration organizations of the developing countries;

- e/ cooperation between CMEA and the regional groups of the developing countries;

f/ cooperation between countries with developed market economy, CMEA members and developing country /trilateral cooperation/.

At the present very difficult international economic situation the multiplicity of the various forms has special importance, because it gives greater flexibility to the relations at a time when bilateralism is on the increase.

3/ Main Trends in Economic Relations Between European CMEA Members and the Middle Eastern Arab countries

Economic relations between European CMEA countries and the Middle Eastern countries are determined by several factors. The historical, political, geographical, economic and institutional /organizational/ factors of relations themselves are of rather complex nature, and each one of them could be the subject of separate analysis.

The process of economic and social transformation of the two groups of countries is in itself a source of important changes.

The great differences among the Arab countries concerning their population, market size, natural endowment, economic and social structure, development level etc. are well known sources of possibilities and limitations of cooperation with CMEA countries too.

The CMEA countries also differ according to their size, development level, economic structure and many other field, which influences their possibilities and practices of co-operation. The characteristics of the socialist system into which the CMEA countries belong, are of course sources of political and economic similarities. What are the main differences among them. From among the European CMEA members USSR is an Eurasian country a union of republics, within which there are different nations. The USSR has long traditions of economic cooperation with the Arab countries, she has also long historical experiences of integrating different nations an varying level of development into the economic system of the Union through planned industrialization, which has created firm ties and complementarity between the different republics and reduced the level differences among them. /An important part of the savings from the more developed republics has been redistributed in favour of the less developed ones through several decades. /Czechoslovakia and the German Democratic Republic are industrialized countries, with long historical traditions of manufacturing. Poland and Hungary are middle-level economies, with important agricultural and industrial sectors belonging to the higher level of this group, Romania and Bulgaria are on the verge of passing the frontiers between less developed and middle level economies. /The developing, nonEuropean members of

the CMEA are not the subject of analysis in this paper, though their experiences may be interesting from the point of view of the cooperation between countries of different regions within one integration organization. / Hungary and Czechoslovakia are landlocked countries which creates special transport conditions in their overseas relations. The European CMEA countries in general are going through a period of major change: from the extensive type of economic growth to the growth model which is based on the intensive use of production factors. This process is a source of new problems and possibilities at the same time for more intensive participation in the world economy.

Some of the smaller countries of the CMEA region have naturally limited capacities to offer markets and new technologies and this latter mostly only in a few branches since their production experiences are concentrated to certain areas. Large countries, especially the USSR which represents about 70-75 per cent of the production capacities of the CMEA countries can offer a much wider range in the export of goods, new technology and expertise and represent also larger import volumes.

The economic differentiation in the Arab World is also growing. Even the oil producers are in an increasingly different position. Several countries established important industries in the 1970s. There are countries however, where the oil incomes did not lead to substantial structural changes as yet.

4/ Actual and potentials of cooperation between CMEA countries and the Arab countries in the Middle East

The Middle Eastern countries of the Arab World are the most important trade partners of the CMEA member from among the Developing countries. The share of the Middle East increased in the total exports of the CMEA countries to developing countries from 20 to almost 30 per cent in the 1970s and from 8,5 per cent to 24 per cent in her imports. The importance of the CMEA countries in the trade of the Arab countries of the Middle East has declined during the same period, but it is still meaningful in the case of certain countries of the region. During the 1970s about 6-7 per cent of the total import of the Middle Eastern Arab countries came from CMEA countries.

With the help of the CMEA countries several important infrastructural industrial and agricultural projects have been implemented in the Middle Eastern Arab countries, during the past decades.

/Table 1. 2./

The most important Arab partners of the CMEA countries are: Iraq, Syria, Kuwait in Western Asia, Algeria, Morocco, Libya and Egypt in North Africa.

Table 1.

Trade Flows between European CMEA countries and the Arab countries in the Middle East

| | Total CMEA imports \$ MD 1. | CMEA Exports to MEAC \$ MD 2. | 2/1 | European CMEA share in total MEAC imports /per cent/ 3. | Total CMEA imports \$ MD 3. | CMEA Imports from MEAC \$ MD 4. | 4/3 | European CMEA share in total MEAC exports /per cent/ 5. |
|------|--------------------------------------|----------------------------------------|-----|------------------------------------------------------------------------|--------------------------------------|------------------------------------------|-----|---------------------------------------------------------------------|
| 1970 | 30,525 | 815 | 2,7 | 11,5 | 28,637 | 272 | 1,0 | 2,6 |
| 1973 | 52,253 | 1,335 | 2,6 | 8,8 | 50,184 | 778 | 1,6 | 2,9 |
| 1975 | 77,358 | 2,549 | 3,3 | 5,9 | 82,576 | 1,883 | 2,3 | 2,3 |
| 1978 | 112,434 | 4,578 | 4,1 | 6,4 | 110,608 | 2,671 | 2,4 | 2,6 |
| 1980 | 155,170 | 5,584 | 3,6 | 5,7 | 144,316 | 3,415 | 2,4 | 3,5 |

Source: UN. Trade Statistics.
Yearbook.

Commodity Structure of Trade between CMEA and Middle
Eastern Arab countries /1970-1980./

SITC

| | 0-1 Food Drinks Tobacco | 2-4 Raw mat. /excl. fuels/ | 3 Fuels | 5 Chemicals | 7. Machinery | 6+8 Other manufact. goods |
|------------------------------------------------------------------|----------------------------------|-------------------------------------|------------|----------------|-----------------|------------------------------------|
| 1970 | | | | | | |
| MEAC imports /SITC from CMEA 0-8=100/ | 8,1 | 4,7 | 1,0 | 2,7 | 57,3 | 26,0 |
| MEAC imports from CMEA as the pc. of import in the group | 7,0 | 11,5 | 1,7 | 3,9 | 17,7 | 10,5 |
| 1980 | | | | | | |
| MEAC imports /SITC from CMEA 0-8=100/ | 9,4 | 3,5 | 10,7 | 5,1 | 48,6 | 22,7 |
| MEAC imports from CMEA as the pc. of import in the group | 5,0 | 8,0 | 6,6 | 4,9 | 7,3 | 4,3 |
| 1970 | | | | | | |
| European CMEA imports /SITC from MEAC 0-8=100/ | 37,5 | 37,8 | 10,2 | 3,0 | 0,3 | 11,2 |
| CMEA imports from MEAC as the p.c. of imports in the group | 2,7 | 3,1 | 1,6 | 0,4 | 0,1 | 0,4 |
| European /SITC CMEA imports 0-8=100/ from MEAC | 8,7 | 8,7 | 78,5 | 0,5 | 0,1 | 3,5 |
| CMEA imports from MEAC as the p.c. of import in the group | 1,6 | 2,8 | 16,5 | 0,1 | ... | 0,4 |

Source: UN. Trade Statistics
Yearbook

While so far bilateral trade relations have been playing a predominant role, there is an increase in the field of industrial cooperation and some joint ventures were also established. Several CMEA countries are participating in the prospecting of oil and other natural resources. About 75 per cent of the total number of experts of the CMEA countries, working in developing countries are concentrated in the Arab World. /This figure includes also North Africa./

The specialization among the CMEA countries developed mostly on the following lines in implementing projects in the region:

USSR: metallurgy, several branches of heavy and light industries especially engineering, dams and electric power stations, agricultural development, mining and prospecting fishery, port, and road construction etc.

Bulgaria: light and food industries, irrigation systems, agriculture,

Czechoslovakia: engineering, light industries, prospecting,

GDR: engineering, chemical industries, coal mining and processing,

Poland: shipbuilding, engineering, chemical, light and food industries, fishery.

Hungary: telecommunication, food-processing, engineering, transport equipment, bridge-building, housing, agriculture,

Romania: chemical industries, oil extracting, and refineries, agriculture, irrigation systems, prospecting.

The above specialization patterns are not representing the whole picture and range of technology transfer activities of the individual countries.

Besides specialization there was also some direct cooperation among the CMEA countries in their economic relations with the Arab countries, usually within the framework of a general contracting system. This cooperation is promoted institutionally also by the CMEA both directly and indirectly.

Taking into account the possibilities and the mutual interests of the CMEA countries and the Arab world there is a great potential in the expansion of economic relations between the two groups of countries. The analysis of these potentials is based on the long term trends in the structural changes of supply and demand, the geographical proximity, the established channels of cooperation and on the interests of both partners to diversify their relations.

a/ The import requirements of the European CMEA countries in the field of oil, are going to increase from sources outside their region.

b/ It will be more advantageous for many CMEA countries to purchase some petrochemical products from abroad instead of increasing their output.

c/ Certain countries in the Middle East may offer different agricultural products /like oranges, lemon etc./ and industrial goods /especially light industry products/ for exports which may be purchased by some of the CMEA countries.

d/ The development of infrastructure the process of industrialization, the agricultural development programmes are offering good export facilities to CMEA countries, which are at present supplying about 5-7 per cent of the total import of machinery and equipment of the Middle Eastern Arab countries. /In certain cases these proportion are much higher./

e/ The transformation of consumption, the improvement of the health services, housing etc. are also representing possible areas for cooperation especially with the oil exporting countries of the region in the field of industry, agriculture and services.

f/ The development of human skills in the Arab countries proved to be a very important field of cooperation between the region and the CMEA countries. There are great possibilities also in these very important areas.

g/ CMEA countries could be also important partners in geological prospecting, improvement of water supplies, designing large territorial development project and other areas of services.

h/ There are important possibilities for tripartite cooperation which represent an increasing part of trade

relations already at the beginning of the 1980s. /Implementation of projects with the participation of CMEA countries and Western countries./

5/ Trade Policy Instruments and Institutions

One of the important features of economic cooperation between the European CMEA countries and the developing countries in general is the direct active participation of governments in specifying the scope of cooperation and also in regulating and controlling the realization of cooperation programmes. This factor is very important in Arab countries where the governments are also playing a major role in promoting economic development and trade relations. On both sides, the elaboration and realization of comprehensive, complex, long-term cooperation programmes would be inconceivable without the direct involvement of government organizations.

In the European CMEA countries, where foreign trade is a state monopoly and the foreign-trade plan is an organic constituent of the national-economy plan, direct government participation in laying down the scope, volume and main thrust of international economic transactions is a matter-of-course necessity. There are of course differences among the CMEA countries concerning the actual forms of state involvement. In some countries it is practiced in

a decentralized way in others it is more centralized. In many Arab countries too, the state is increasingly becoming a direct actor in the regulation of international economic relations. The similarities are sometimes helpful in promoting economic relations.

Tariff systems do not play identical role in the trade policies of the different European CMEA countries. Several of those countries /Hungary, Czechoslovakia, Poland, Romania/ are members of GATT, the general agreement which ensures access to markets through tariff measures above all. One of the demands of long standing of the developing countries is for one-sided tariff preferences vis-a-vis the industrially more developed countries, with a view above all to stimulating the exportation of their own manufactures.

The Soviet Union abolished tariffs on imports from the developing countries as early as 1964, thereby accorded to the developing countries a more favourable treatment than MFN. This decision is unilateral/that is, it stimulates no mutuality/; it is also free of discrimination, as it extends to every developing country. The preferences cover the full range of products /basic materials, manufactures and agricultural produce/. The Soviet Union at the same time retained a right to assign contingents to imports from the developing countries.

Most of the other European CMEA countries introduced in the early 1970s some form of preferential treatment of the developing countries.

Bulgaria - which, like Romania, itself enjoys some non-reciprocal tariff preferences - in April 30, 1972 announced a 30 per cent linear tariff reduction applicable to the developing countries' products. Since 1977 Bulgarian trade policy has classed the developing countries into two groups: Group A contains the least developed countries, which, since that date, enjoy full exemption from tariffs, whereas the 50 per cent tariff reduction has been maintained for the countries of group B.

Czechoslovakia introduced a system of preference in February 1972: it makes possible the granting of a 50 per cent tariff cut to the overwhelming majority of products originating from the developing countries, and contains provision concerning further significant reductions.

Hungary has been applying since the beginning of 1972 a preferential tariff system under which cuts are granted to the manufactures of all those developing countries whose per capita national income is less than Hungary's, which maintain normal trade relations with Hungary and apply no discrimination to Hungarian products. The list of preferences covers some 600 products and product groups, including some 100 items which enjoy full exemption. In other instances, there is a reduction of 50 to 90 per cent against the tariffs applied to products of countries enjoying MFN status. As an important distinctive feature, this tariff

system also covers finished goods of agricultural origin /food products, tinned goods etc./.

Poland introduced in 1976 a preferential tariff system which grants an average tariff reduction of 50 per cent to imports purchased in the developing countries and indeed, full exemption to a number of products. The preferences do not, however, extend to those products originating in the developing countries which reach Poland through middlemen in the developed market-economy countries.

Intergovernmental trade agreements are instruments rather widely used in any relation of international trade. In trade between the European CMEA countries and most of the Arab countries also such agreements determine the scope and conditions of trade.

Practical experiences proved of course, that concluding a trade agreement does not automatically bring about trade-generating results.

The role of intergovernmental agreements more comprehensive cooperation: in trade, industry, science and technology and in the creation and operation of mixed intergovernmental commissions have been more important.

Intergovernmental commissions tend to play a role of increasing importance in bringing about a more meaningful division of labour between the countries of the two groups.

The parties to an intergovernmental agreement delegate as a rule high-ranking officials into these commissions which are usually headed on both sides by deputy prime ministers or ministers. These mixed commissions are standing ones as a rule, meeting at regular intervals /once or sometimes twice a year/. This permits to avoid the haphazard and incoherent approach which used to characterize some earlier trade relations, and which led in quite a few cases to ill-advised economic action in the cooperation between the two parties. These commissions, headed by high-ranking political and economic personalities, are in a position to submit their recommendations to the respective governments for vetting and decision-taking without undue delay and to take the necessary practical economic measures with government approval and backing.

In a majority of cases, the mixed commissions' authorization covers the entire spectrum of bilateral relations/trade industrial and technical cooperation, modalities of payments, deliveries etc./.

Intergovernmental joint commissions usually play a key role also in the preparation of those long-term /10 or 15 year/ economic and scientific-technical intergovernmental agreements.

Often, a broad network of subsidiary organs - sub-committees or working groups - are created by the intergovernmental joint commission: the brief of those organs covers concrete areas /sectors or branches/ of economic

cooperation. The discussions of these committees or working groups and the recommendations submitted as a result of their deliberations are apt to promote the elaboration and implementation of action programmes aimed at the laying of sound foundations for cooperation or for a partial division of labour within their respective areas of competence.

Sectoral agreements whenever they exist envisage the priority development of certain sectors of a developing country; they help thereby to minimize the difficulties and risks that newly created sectors usually have to face. This is achieved, firstly, by the European CMEA countries' participation in the development of the sector in question /by supplies of equipment, by the preparation of technical documentation, plans and edesigns, by the seconding of specialists, etc./ and secondly, by the European CMEA countries' undertakings to purchase a certain part of its output. The purchase obligations are medium- or longer-term as a rule, giving sufficient time for the nascent industry to grow strong, for its production to become profitable, for its competitiveness to increase. The time horizon of such agreements tends to be longest in mining, where enormous investments, involving deliveries of machinery and equipment for huge sums, are necessary.

In a world economic situation of increasing complexity, in a period of difficulties for Arab or the European CMEA countries there is quite understandably a

growing demand for framework agreements on complex, many-sided cooperation embracing as many sectors of the economy as possible. The various mixed commissions with their flexible and task-oriented organization are especially well suited for managing the implementation of agreements of a complex content.

This would presumably entail a greater efficiency and a better economic viability. It would also permit to cater more efficiently to the accessory needs arising in the course of economic cooperation /training of specialists, protection of the environment, health etc./, and to avoid some of the tensions arising almost automatically as a consequence of one-sided development. Between those Arab and European CMEA countries whose relations have been characterized by a significant and extensive cooperation, a growing institutionalization of relations in certain specific areas can be observed nowadays, involving agreements between ministries and bodies other than the intergovernmental joint commissions. The purpose of these lower-level agreements is the implementation of joint projects within the competence of the bodies involved. In several European CMEA countries, the authorization of the industrial ministries includes responsibility for the organization of industrial cooperation ventures abroad, for supplying the machinery and equipment sold abroad with spares and after-sales services.

The various forms of cooperation in production have resulted in more and more active participation in inter-country economic contacts on the part of the competent ministries of the developing and of the European CMEA countries, in their more and more direct involvement in the external economic process.

Another important instrument of intensifying trade and economic relations is the ever more frequent exchange of trade missions and high-level economic delegations.

In the light of experience gained so far, the activity of the joint intergovernmental commissions and similar institutions is assessed favourably by both the European CMEA and the Arab countries. By common consensus, the useful features of this special institutional mechanism have in the 1970s greatly contributed to the upswing of economic cooperation between the two groups of countries.

One important element of the institutional infrastructure of cooperation with the Arab countries is a set of agreements of multilateral cooperation between those and the CMEA integration.

By their very nature, these agreements are called upon to demonstrate in the long term the extent to which they can be regarded as efficient institutional instruments of cooperation.

There are possibilities for such agreements between CMEA on the one hand and the regional international organizations and integration-type groupings of the developing countries on the other. They could represent a comparatively new and - as yet - unusual type of institutional tie of economic cooperation between the two groups of countries.

The present constitution and structure of institutions in the CMEA facilitate multilateral cooperation on region to country on region to region basis. The constitution of the CMEA opens the way for the participation of any country which agree with its aims and principles. The basic principles of CMEA cooperation adapted in 1962 emphasizes, that, the socialist international division of labour developes with the consideration of the global international division of labour. /Multilateral Economic Cooperation of the Socialist States. Moscow, 1972. p. 107. in Russian/.

The Comprehensive Programme of Cooperation within the framework of the CMEA went one step further and declared. In the framework of the CMEA any country member of new member of the CMEA could participate fully or partially which shares the aims and Principles of the Programme" /Comprehensive Programme of the Future Endeeptening and Improving Cooperation and the Development of the Socialist Economic Integration of the CMEA members. Moscow, 1971. p. 117/ in Russian./

The two financial and credit institutions of the CMEA the International Bank of Economic Cooperation /IBEC/ and the International Investment Bank /IIB/ offer also some possibilities. While IBEC is responsible for trade transaction accounting and its possibilities outside the region are limited IIB has not only a broader authorization, but also manages a "Special Fund for Credit Measures for Economic and Technical Cooperation with the Developing Countries", which started operation on January 1, 1974. This fund was made up in 95 per cent in transferable roubles and 5 per cent in convertible currencies.

In the discussing concerning the further development of CMEA cooperation, relations with the developing countries broader multilateral institutions are having an important place too. It is evident however from the experiences gained so far, that the institutional framework of cooperation with developing countries must be improved on the line envisaged on the Declaration and the Programme of Action on NIEO.

6/ New policies, possibilities and adjustments for inter-regional cooperation

The strategic aims of interregional economic cooperation can be realized only if they conform also to the changing possibilities and needs of the individual countries or, if the direction and structure of economic development in member countries change in harmony with the regional interests.

Besides, of course, a readiness to develop and maintain interregional relations is also necessary. From this latter point of view the similarity of political, strategic, and economic aims in the narrow sense /or their deviations/, cooperation experience, and the knowledge of each other's efficiency are of extremely great importance.

A comparison of the changes taking place in the Arab world with the interests and perspectives of CMEA countries suggests that there are possibilities for interregional cooperation.

Interregional cooperation, relations between the European CMEA countries as a group with Arab countries /or with any subregion within the two area/ require the solution of many complex problems, if it is done on a larger scale.

1. The scope and intensity of regional cooperation within the Arab world must increase. At present there are important political, economic structural and institutional problems of inter-Arab cooperation. While there are important regional institutions their role is limited by political difficulties and by legal and economic considerations. There are very important financial institutions with great prestige and of global reputation. There are very few regional production projects however, which are implemented by several Arab countries. Initiative for regional cooperation must come of course from the countries concerned. External

actors /integration organizations, countries or trans-national corporations/ should participate in this process at the consent of the Arab countries on the basis of mutual interests and benefits. If the Arab countries of the region are not ready for full scale cooperation and their economy is not developing on the line of complementarity, no harmonious relations will be possible with other regions on multilateral scale. The participation of CMEA countries as a regional group could be also limited in this case.

2. The character of regional and sub-regional cooperation among the Arab countries must be better defined. If the efforts for regional cooperation will be confined to the ideas of customs-union or to the establishment of a few firm from the common funds especially in the private sector, subject to national tariff, financial tax and other regulations influencing the flow of goods and concrete steps will be very slow towards real integration the region will remain in fact in the present framework. Studies, in connection with the integration projects of the developing countries and more specifically about the Arab integration revealed the reasons why those projects failed or why they are stagnating. It is evident from these studies that the integration, aiming at trade liberalization only does not lead to the wanted results. This especially applies to the Arab region, where the minimal results of the Arab Common Market and the problems of subregional free trade areas proved the fact, that integration confined to the

"customs union" was not a feasible approach under the conditions of the respective countries. The joint development policy on regional level, the regional production and development integration which would establish a true division of labour and by "correcting and partially eliminating the market mechanism" would jointly develop the productive capacity of the region could be the basis of a real integration /regional or subregional/.
/See for example: Klaus Glenbitt/Bernhard Lageman: Arab Economic Integration - Which Way. Bochum, 1980. p. 3./
This qualitatively different approach to the regional cooperation an integration based on large scale inter-country projects within the public sector /or with the massive involvement of the public sector/ and private firms which would be developed with the aim of supplying the market of several countries, or promoting joint exports establishing common infrastructure in different areas, like transport /ports, shipping and air companies/ education /regional universities/ would also create a different level for external participation. In this latter case regional cooperation must be connected very closely with national planning of the countries concerned. A similar regional mechanism, which has developed within the framework of CMEA for the coordination of medium and longer term plans will be helpful. In this case, the

participation of the CMEA countries could be also more meaningful. The nature of their economies would facilitate much broader cooperation both by country /or countries/ with the region and interregional basis.

3. Regional or subregional economic institutions must be further developed. This is not an easy task. There are well known political difficulties which go beyond the scope of the analysis in this paper. There are also economic problems. Experts are probably available but the smooth running and management of the institutions is expensive. The costs are justified only by the achievements, which must be measurable from the point of view of the member countries. They must have the ability of coordinating not only regional interests but also promote the coordination of interests with other regions.

4. Concerning interregional cooperation, non-discriminatory relations between the members of the European CMEA region and all the Arab countries must be established. Interregional cooperation presupposes the absence of discrimination against the CMEA countries in the Arab world and vica-versa. They must enjoy mutually both fair political and economic treatment in the respective markets. Neither the necessary level of confidence nor the required degree of security could be achieved otherwise.

5. It is also evident, that more meaningful co-operation between the European CMEA countries and the Arab world requires deliberate structural adjustment on a long term basis.

The European CMEA countries will have to take into account much more than in the past at the elaboration of their medium term /5 years/ and long term plans those areas, where structural changes are required in production and consumption in order to increase her imports from the Arab countries.

The increase of CMEA exports require also certain adjustments. It is not enough to create simply more export potentials. Export must be developed such a way which corresponds to the changing needs of the Arab world. The complexity of exports /exporting for example production cultures or systems, including machinery and equipment know-how, expertise not only in a framework of a product group but also in the closely interrelated areas/ is a very important requirement as well and these could be done on a regional or subregional basis.

From the point of view of CMEA countries with a given system of central planning it is also important to be able to rely on their partners as relatively stable markets, with which long term relations could be established.

A deliberately organized long term division of labour is not a one way deal. It can be efficient and meaningful when the nature of the economies and the interests of both partners are taken into consideration.

The interests of the Arab world of course require, that regional and interregional cooperation with them should help in the solution of their basic problems the liquidation of backwardness, the increase of the standard of living of their people, more social justice and the strengthening of their position in a changing world economy. Interregional cooperation must serve also the long term economic aims and interests of the European CMEA countries. These basic tasks should not be lost in the technical details.

C o n t e n t

| | Page |
|-------------------------------------------------------------------------------------------------------------------------------------|------|
| 1. <u>Africa's struggle for a transformation of international economic relations, and co-operation with the socialist countries</u> | 2 |
| 2. <u>Mutual significance of economic relations - in the light of commodity turnover</u> | 3 |
| a/ Socialist exports and the African market | 4 |
| b/ Socialist imports and the African source of procurement | 8 |
| 3. <u>Extra-foreign trade forms of economic co-operation</u> | 12 |
| a/ Long-term agreements | 12 |
| b/ Delivery of complex equipment and facilities | 14 |
| c/ Technical and scientific co-operation | 21 |
| d/ Co-operation in production - joint ventures | 24 |
| e/ Financial and credit relations | 27 |
| 4. <u>Geographical distribution of relations and partner selection</u> | 31 |
| <u>Literature</u> | 37 |

Economic Relations of CMEA Countries⁺ with Africa

1. Africa's struggle for a transformation of international economic relations, and co-operation with the socialist countries

Africa's struggle for a restructuring of international economic relations, for the development of interregional relations aims - as in the case of the other developing countries - at eliminating its considerable underdevelopment, at diversifying its distorted and unilateral economic structure, at reducing, counterbalancing its one-sided but multifaceted economic and political dependence on the developed capitalist countries and multinational companies, and at exploiting its wealth of natural resources in the interest of national development. The ultimate goal, beside political independence (having already been attained by most African countries) is the attainment of economic independence, the realization of an autonomous and balanced economic development and growth, a satisfaction of the basic needs of the Africans numbering some 470 million /1980/.

Besides the African countries having the intention to rely both in their struggle for a transformation of external economic relations and in the realization of their fundamental economic and social goals mainly on the national and all-African resources, they reckon in a considerable measure on political and economic support of the socialist countries, on deep-

⁺ By CMEA countries primarily the Soviet Union and the European CMEA countries /Bulgaria, Czechoslovakia, the GDR, Hungary, Poland, Romania/ are understood, since the extra-European CMEA countries /Vietnam, Mongolia and Cuba/ have just slight or no economic relations with Africa.

ening with them interregional co-operation. So much the more as co-operation with the socialist countries - which is called the new-type /or socialist/ one in economic literature -, following from its basic principles, forms and impacts, promotes - even if only to a slight extent - the achievement of all those goals for which the African countries conduct a struggle.

The co-operation realized with the socialist countries - as distinct from and as against the colonialist or neocolonialist-type division of labour "established" with the developed capitalist countries - is aiming at a "decolonization" of the African countries' internal economy on the one hand, and of their external economic relations on the other: it promotes the internal economic development of these countries, their economic and social integration, a transformation of their economic structure, and - partly by means of these - it avoids in external economic relations the inequalities, asymmetries that are characteristic of the international division of labour realized with the capitalist countries, and forces the capitalist countries to improve the conditions of their relations with the African countries.

2. Mutual significance of economic relations - in the light of commodity turnover

In evaluating, analyzing economic relations between the socialist and the African countries, it is necessary with a view to objectivity to point out the mutual significance, the importance of relations. A usual method ~~of this~~ is the presentation of the role played by foreign trade, by bilateral commodity turnover in the external economic relations of the two groups of countries, so much the more as today still, foreign trade is the most important form of co-operation. On the other hand, it must be taken into consideration that the role played in each other's foreign trade may only partly reflect the sig-

nificance of economic relations, since beyond mutual commodity deliveries economic relations also cover other forms of economic co-operation, often ones having implications of greater significance than foreign trade; identical foreign trade shares may imply different significance, depending on the commodity structure of deliveries, ~~and~~ the terms of exchange.

a/ Socialist exports and the African market

Examining the socialist countries' ~~exports, their ex-~~ ports to the developing countries, and within them those going to Africa, it can be stated that while between 1960-1981 the socialist countries' total exports - in terms of value and calculated at current prices - increased ~~by~~ 10.4 times, exports to the developing countries grew ~~by~~ 22.2 times, consequently the developing countries' weight within the socialist countries' total exports rose from 6.5 per cent in 1960 to 13.8 per cent in 1981. An even more dynamic growth than that of socialist exports to the developing countries was marked by the exports going to Africa /27.2 times increase in terms of value between 1960 and 1981/, as a result of which a considerable growth occurred in Africa's share both within socialist exports to the developing countries and within the overall exports of the socialist countries: while in 1960, 29 per cent of socialist exports to the developing countries went to Africa, in 1981 the corresponding share was already close to 36 per cent, i.e. in 1981 5.0 per cent of all socialist exports went to Africa, as against 1.9 per cent in 1960.

The African countries, consequently, represent a ~~very~~ dynamically developing market, but a fairly modest outlet, for the commodities of the socialist countries, which is to be attributed partly to a later attainment of political independence by the African countries, ~~to stronger~~ "ties" with the ex-mother countries, with the capitalist economic and financial organi-

zations, with the monopolies and multinational companies, to an instability of economic and political systems, to a small size and narrow internal market of the majority of African countries, to transport difficulties, to a lack of market knowledge on the part of the socialist countries; to an insufficiency of adjustment to the special climatic conditions, and partly to competition becoming keener also on the market of African countries, ^{and} to an unsatisfactory level of the competitiveness of the socialist countries' commodities.

And what do the socialist countries' supplies mean for the African countries? What weight is accounted for by socialist exports in meeting the import demands of these countries, *and* which are the commodity groups within socialist exports that are of particular significance?

As is evident from the figures of the tables included, the socialist countries - despite a dynamic growth of the volume and value of their exports to Africa - satisfy just a very slight share of the import needs of the African developing countries: while in the early 70s the socialist countries satisfied some 6-8 per cent of all African imports, by the end of the 70s this share declined to around 5.0 per cent, that is to say, in the last decade the African countries increased their procurements more dynamically from other countries, primarily from the developed capitalist countries dominating some 80-85 per cent of their trade relations, with an increasing role being played in their purchases by the other developing countries too. Consequently, the socialist countries continue to account for a modest weight within the African countries' imports, it is difficult for them to counterbalance the dominance of the developed capitalist countries.

Despite the fact that the greater part of socialist exports /35-40 per cent/ is accounted for by machinery and transport

Table 1

The socialist countries' exports to Africa by commodity groups

/million US \$, fob/

| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|--------------------------------------------|------|------|------|------|------|------|------|------|------|
| Food, beverages and tobacco /SITC 0+1/ | 105 | 105 | 300 | 280 | 275 | 364 | 431 | 491 | ... |
| Crude materials /SITC 2+4/ | 58 | 110 | 185 | 145 | 125 | 214 | 193 | 209 | ... |
| Mineral fuels /SITC 3/ | 69 | 87 | 220 | 180 | 175 | 204 | 146 | 210 | ... |
| Chemicals /SITC 5/ | 35 | 47 | 99 | 110 | 115 | 165 | 194 | 209 | ... |
| Machinery, transport equipment /SITC 7/ | 425 | 560 | 590 | 670 | 660 | 884 | 1134 | 1228 | ... |
| Other manufactured goods /SITC 6+8/ | 195 | 265 | 475 | 450 | 435 | 563 | 536 | 722 | ... |
| Total exports /SITC 0-9/ | 1000 | 1280 | 1910 | 1960 | 1890 | 2508 | 2913 | 3234 | 4098 |

/Source: Calculation based on UN Yearbook of International Trade Statistics 1980/

Table 2

Commodity structure of the socialist countries' exports to Africa /%/

| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Food, bev., tob. | 10.5 | 8.2 | 15.7 | 14.3 | 14.6 | 14.5 | 14.8 | 15.2 |
| Crude materials | 5.8 | 8.5 | 9.6 | 7.3 | 6.6 | 8.5 | 6.6 | 6.5 |
| Mineral fuels | 6.9 | 8.7 | 11.5 | 9.1 | 9.2 | 8.1 | 5.0 | 6.5 |
| Chemicals | 3.5 | 3.6 | 5.1 | 5.6 | 6.0 | 6.5 | 6.6 | 6.5 |
| Machinery, transport equipment | 42.5 | 43.7 | 30.8 | 34.1 | 34.9 | 35.2 | 38.9 | 38.0 |
| Other manufactured goods | 19.5 | 20.7 | 24.8 | 22.9 | 23.0 | 22.4 | 18.4 | 22.3 |
| Other | 11.3 | 8.6 | 2.5 | 6.7 | 5.7 | 4.8 | 9.7 | 5.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

/Source: Calculation based on UN Yearbook of International Trade Statistics 1980/

Table 3

The weight of socialist countries' exports within African imports

| | <u>/ % /</u> | | | | | | | | | |
|--------------------------------|--------------|------|------|------|------|------|------|------|------|--|
| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | |
| Food, bev., tob. | 6.6 | 3.6 | 6.1 | 5.0 | 5.2 | 5.6 | 5.8 | 5.8 | ... | |
| Crude materials | 11.4 | 12.6 | 11.7 | 9.8 | 8.4 | 10.8 | 9.1 | 7.7 | ... | |
| Mineral fuels | 9.9 | 9.4 | 7.8 | 5.9 | 5.4 | 5.6 | 3.8 | 3.7 | ... | |
| Chemicals | 3.6 | 3.0 | 3.9 | 3.8 | 4.2 | 4.8 | 5.0 | 4.4 | ... | |
| Machinery, transport equipment | 9.4 | 6.4 | 5.0 | 3.9 | 3.4 | 3.8 | 4.5 | 4.9 | ... | |
| Other manufactured goods | 5.8 | 5.3 | 5.9 | 4.4 | 4.4 | 4.5 | 3.8 | 4.5 | ... | |
| Total imports | 8.4 | 6.3 | 6.0 | 4.8 | 4.4 | 4.8 | 5.1 | 5.1 | 4.8 | |

/Source: Calculation on the basis of UN Yearbook of International Trade Statistics 1980/

equipment /agricultural machinery, mining and construction equipment, tractors, aeroplanes, machine-tools etc./ and to an extent of 20-25 per cent by manufactured goods, even in the case of these products the socialist countries can meet just a very modest and declining share /4-5 per cent/ of African import demands. It may be anticipated also for the future that the greater part of socialist deliveries will be made up of capital goods, machinery, complete equipment of fundamental significance for the economic development of the African developing countries, besides these becoming outlets for certain foodstuffs, food industry products too. On the other hand it is expected that the manufactured consumer articles exports going there will decline in respect of both dynamism and share, not, ^{the} least as a result of the African countries' endeavours at an import substituting industrialization.

b/ Socialist imports and the African source of procurement

Examining the dynamism of the CMEA countries' imports, ~~their~~ imports from the developing countries, and within them of those coming from Africa it can be stated that while between 1960-1981 the socialist countries' total imports increased ~~by~~ 10.1 times, their imports from the developing countries grew ~~by~~ 14.9 times, consequently the developing countries' weight within the total imports of the socialist countries rose from 7.4 per cent in 1960 to 10.8 per cent in 1981. And since of total CMEA exports currently a share of 13.8 per cent goes to the developing world, a 4 billion ruble surplus turns out to be in the trade balance to the benefit of the socialist countries.

Socialist imports coming from Africa grew less dynamical-ly between 1960 and 1981 than the total imports of the CMEA countries and than those from the developing countries, consequently the weight of Africa - which for that matter had not been of particular significance - continued to decline in the course of the 60s and 70s, and currently the CMEA countries cover just 2.0 per cent of their imports from Africa, although of their exports 5.0 per cent goes to that continent. The socialist countries' trade balance with Africa showed in 1981 a surplus of some 3.7 billion rubles, i.e. the ratio of import/ex-
port cover amounted to some 250 per cent in the case of the CMEA countries' African trade. It is probable ~~anyway~~ that in the future there will be a considerable decline in the extent of the surplus, in case the socialist countries - and within them primarily the East-European socialist countries - will in-crease their fuel and raw material purchases from the African countries, and the industrial division of labour will ~~show~~ deepening between the socialist and the African countries.

Table 4
The socialist countries' imports from Africa by commodity groups
/million US \$, fob/

| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|--------------------------------|------|------|------|------|------|------|------|------|------|
| Food, bev., tob. | 265 | 385 | 520 | 630 | 650 | 621 | 635 | 710 | ... |
| Crude materials | 330 | 350 | 700 | 760 | 400 | 516 | 319 | 438 | ... |
| Mineral fuels | 31 | 200 | 115 | 230 | 335 | 175 | 155 | 632 | ... |
| Chemicals | 21 | 26 | 39 | 66 | 42 | 45 | 47 | 37 | ... |
| Machinery, transport equipment | 1 | 4 | 3 | 9 | 2 | 0 | 0 | 0 | ... |
| Other manufactured goods | 135 | 170 | 255 | 345 | 235 | 251 | 264 | 199 | ... |
| Total imports | 783 | 1135 | 1632 | 2040 | 1754 | 1608 | 1415 | 2016 | 3114 |

/Source: Calculation on the basis of UN Yearbook of International Trade Statistics 1977 and 1980/

Table 5
Commodity structure of socialist countries' imports from Africa

| | / % / | | | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 |
| Food, bev., tob. | 33.8 | 33.9 | 31.9 | 30.9 | 37.1 | 38.6 | 44.9 | 35.2 |
| Crude materials | 42.1 | 30.8 | 42.9 | 37.3 | 22.8 | 32.1 | 22.5 | 21.7 |
| Mineral fuels | 4.0 | 17.6 | 7.0 | 11.3 | 19.1 | 10.9 | 11.0 | 31.3 |
| Chemicals | 2.7 | 2.3 | 2.4 | 3.2 | 2.4 | 2.8 | 3.3 | 1.8 |
| Machinery, transport equipment | 0.1 | 0.4 | 0.2 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 |
| Other manufactured goods | 17.2 | 15.0 | 15.6 | 16.9 | 13.4 | 15.6 | 18.7 | 9.9 |
| Total imports | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

/Source: Calculation on the basis of figures in Table 4/

As these tables show, the most important commodity groups of the socialist countries' imports from Africa are made up of

tropical agricultural produce, foods, fruits and beverages /cocoa, coffee, tea, spices, tropical fruits/ to an extent of about 40 per cent of imports, and of crude materials /bauxite, phosphorus, raw phosphate, nonferrous metal ores, wood, hide, cotton, wool/ and mineral fuels /crude oil, gas/ to an extent of 20-30 per cent of imports. The African countries' exports to the socialist countries - similarly to the commodity structure of all African exports - are characterized by an 80 per cent crude products dominance; it is on the other hand a favourable tendency that a considerable increase occurred in the socialist countries' imports of manufactured goods, consumer items from the African countries too. Among the manufactured goods worthy of mention are various textile items, leather, shoe and clothing industry manufactures, and products of iron and non-ferrous metallurgy.

The significance of the procurement from Africa of tropical agricultural produce and of crude and basic materials is shown by the fact that while just 2.0 per cent of all socialist imports comes from the African countries, some 6 per cent of CMEA imports of tropical agricultural produce, about 10 per cent of crude and basic materials, and 4 per cent of mineral fuels are of African origin, i.e. in respect of these items Africa represents a relatively important source of procurement for the socialist countries.

The above products are not only significant from the viewpoint of the socialist countries' procurements, but also the CMEA countries represent for African exports an outlet of greater significance than the average, in comparison to total exports, to be sure. For example, while in 1979 some 3.0 per cent of all African exports went to the socialist countries, the CMEA accounted for 7.4 per cent of the exports of agricultural produce and mineral raw materials and for 7.9 per cent of those of foods and beverages.

Taking into account that with regard to certain crude materials Africa is in the group of leaders as to world production and world reserves⁺, that the socialist countries also participate in the development of the extractive industry of the African developing countries, and that in view of that they want in the future to ensure part of their crude material needs from external /including African/ sources, it is probable that within the socialist countries' imports from Africa crude products, and their processed variants, will continue to play a leading role, and it is also ~~inevitable~~^{conceivable} that Africa's weight in respect of the imports of these products will even exceed the current - relatively high - share. In the future the African crude material base may be an area of mutual economic interest forming a basis for the economic co-operation of the two groups of countries, but for taking advantage of this, a greater activity, flexibility and an increase in the competitiveness of the socialist countries will be required. On the other hand, considering the future, the African countries - besides wanting to ensure solid markets for their crude products - will also search primarily for such expanding outlets /which are readily available for them in the socialist countries/ where they can sell the products of their rising industries.

+ + +

⁺ Africa is the place of occurrence for 96 % of the world's diamond reserves, 90 % of the chromium reserve, 50 % of the cobalt reserve, 50 % of the phosphate reserve, 55 % of the manganese reserve, 40 % of the bauxite reserve, 30 % of the thorium and uranium reserves, and 20 % of the copper reserve, and this continent accounts for 72 % of the world's cobalt production, 67 % of the gold production, 36 % of the manganese production, 35 % of the chromium production, 28 % of the phosphate production, 22 % of the copper production, 10 % of the iron production, and 7 % of the bauxite production.

A definitely one-sided picture would be given of the economic relations of the socialist and the African countries, if economic co-operation were evaluated just on the basis of foreign trade figures, and no account were taken of the distinctive marks existing between co-operation with the socialist countries and economic relations realized with other groups of countries, and of the fact that economic co-operation covers much wider areas than foreign trade and that in the co-operation of the two groups of countries such important forms of co-operation also appear as are at least of the same significance as mutual commodity deliveries.

3. Extra-foreign trade forms of economic co-operation

The economic co-operation being realized by the socialist countries with the developing - including ~~the~~ African - countries differs mainly in the basic principles of the establishment of economic relations, in the indirect and direct impacts of co-operation and, to a certain extent, in the forms of co-operation from the relations established with the capitalist countries and playing a dominant role in the majority of cases. It is often these qualitative distinctive marks that permit a strengthening of the impact of co-operation slight in quantitative terms, a quantitative expansion of relations.

The basic principles determining co-operation between the two groups of countries - observance of sovereignty, equality, mutual advantages, free^{dom}~~ness~~ from exploitation and dependence, full equality of rights, non-intervention in each other's internal affairs - are in evidence in all forms of co-operation ~~being~~ realized with the developing countries.

a/ Long-term agreements

Among the forms of co-operation most fundamental is foreign trade, commodity turnover already presented and analyzed

in detail, which - despite its slight volume and weight - is of particular significance for the partners participating in turnover, because it is generally handled within the framework of long-term, but at least yearly, trade agreements and related agreements on payments and economic co-operation, and introduces thus certain stability, systematic character, safety and continuance in the system of relations. And this - with a view to both market assurance and an assurance of the sources of procurement - isⁱⁿ the interest of both parties, and often it may be a form counterbalancing political uncertainty and bringing to expression mutual economic interest. Currently the socialist countries have long-term agreements and arrangements with 34 African countries.

In the co-operation on raw materials between the CMEA countries and the African countries an ever more frequent phenomenon is the conclusion of long-term supply contracts in force for 10, 20 or 30 years, where the concrete form of relation between the partners may range from usual selling and buying through barter-type mutual commodity deliveries to co-operation covering also credit and technical co-operation between the partners. In 1978 Poland concluded an agreement with the Moroccan firm Office Cherifien des Phosphates, in accordance with which Poland receives from Morocco an annual 500 thousand tons of phosphate in exchange for sulfuric acid factory equipment. In accordance with a Polish-Tunisian phosphate contract Poland receives between 1977 and 1985 an annual 300 thousand tons of phosphate as an offset to complete factory equipment. In 1978 Poland concluded a long-term oil supply contract with Libya, within the framework of which Libya pays, as from 1979, by a definite amount of oil, for the Polish party's building industry services and participation in power station construction. Likewise oil supply contracts were concluded with Libya

by Hungary and Czechoslovakia, and the Soviet Union entered into a bauxite supply contract with Guinea and a 30-year phosphate supply contract with Morocco.

b/ Delivery of complex equipment and facilities

A distinctive trait, beyond the stability and systematic character already mentioned, of the socialist countries' commodity turnover with the developing - and among them the African - countries is the delivery of turnkey plants, complete equipment⁺, and the participation in the construction of various facilities of significance for the national economy.

Though this form of co-operation depends to a greater extent on the shaping of political relations than simple commodity deliveries and often it also serves demonstrative purposes, but considering its effect - primarily its effect exercised on the developing countries' economy - it is superior to the direct and indirect impact of commodity deliveries. Complex deliveries, the setting up of facilities of national economic significance permit in the first place the establishment and development of complete vertical lines of production of individual industries, of a research and development base, of agriculture and of infrastructure in the developing countries, they increase the productive capacity and the possibility of accumulation, promote indirectly a modernization of the production pattern, a decrease in its one-sidedness, possibly the establishment of export capacities, an easing of the employment problem, and if deliveries are complete with a transfer of know-how and technology, and the education and training of the local staff of specialists, they even contribute to lessening technological dependence and to lightening the concern about the shortage of specialists.

⁺ In 1978 some 53 per cent of the Soviet Union's machinery and equipment exports to the developing countries was made up of complete equipment.

The greatest significance of this form of co-operation lies in its complex character, that is to say in that

- it includes for a given economic facility the designing, the erection, the putting in service, ^{and} the supply of machinery and equipment, occasionally the sending of specialists, the transfer of technology, technical and scientific assistance, the training of local workforces, possibly the granting of credit, and buyback of part of the goods produced;

- it contributes to reducing the unilateral dependence on the developed capitalist countries' machinery and equipment supplies, technology transfer, and credit granting;

- it promotes the development of the given country's national economy and means of production, a realization of its economic integration, an increase in its export capacities, in many cases a reduction of its dependence on imports, an active and mutually advantageous involvement in the international division of labour, the development of interregional relations;

- and it contributes to a long-term development of solid, systematic, mutually advantageous economic relations to be realized with the socialist countries, ~~to~~ creating mutual economic interests.

Until the beginning of 1981 the socialist countries participated in the establishment of 4.918 facilities⁺ in the developing countries, of which already 3.300 are in service⁺⁺ and in the possession of these countries, with total ^{production} capacities of ~~an~~ annual 30 million tons of steel, 67 million tons of oil, 50 million tons of oil products, 23 million kw of electric power, etc. Some 90 per cent of the facilities established by the so-

⁺ Of which 2752 ^{were} in Asia, 1964 in Africa, and 202 in Latin America.

⁺⁺ 1647 in Asia, 1507 in Africa, and 140 in Latin America.

cialist countries are to be found in key branches of the productive sphere; 70 per cent came into being in the field of industry, processing and extractive industry, energy production and agriculture, while 30 per cent were realized in the domain of infrastructure, education, health and culture. The CMEA countries ^{brought} ~~came~~ into being in the developing countries 193 machine factories and metal-working plants, 161 chemical industry plants, 103 oil producing and processing plants, 1969 energy supply facilities, 229 mines, extractive industry plants, 96 iron and nonferrous metal smelting works, 663 food industry plants, 239 light industry facilities, 172 building industry factories, 335 transport, traffic and telecommunication networks, 344 agricultural farms, furthermore 641 facilities in the field of public health and education.

Of the facilities the CMEA countries ^{brought} ~~came~~ into being in the developing countries 1964 are to be found on the continent of Africa /with 1507 already in service/ and four fifths of them are in the possession of ^a ~~the~~ African countries with socialist orientation. The distribution by branch of the facilities erected on the African continent is similar to the picture characteristic of the whole of the developing countries: the greater part /three fourths/ of the facilities are in the productive sector - primarily in industry, in the extractive industry, in energy production and in agriculture -, but in view of the considerable underdevelopment of the continent's infrastructure, of the backwardness of the transport and communication network, the socialist countries laid greater stress in Africa, than in the other developing regions, on the establishment of infrastructural facilities. The majority of the facilities ^{brought} ~~came~~ into being with the CMEA countries' co-operation contribute to a strengthening of the public sector of the African developing countries, since once constructed, these facilities ^{came} ~~are~~ in the possession of the developing countries.

Of the facilities established in Africa 107 are in Egypt, 100 in Algeria, 36 in Somalia, 21 in Ethiopia, 30 in Guinea, 15 in Sudan, 14 in Mali, and 5 in Morocco, and some other facilities were constructed with the help of the socialist countries in Angola, Benin, Ghana, Congo, Libya, Mozambique, Nigeria, Zambia, Tanzania and Tunisia.

The Soviet Union established in Africa some 500 facilities of national economic significance /168 in industry - 26 in energy, 15 in metallurgy, 8 in petrochemistry, 26 for metal working -, 57 in agriculture, 11 in transport and telecommunication, and 108 in public health and education/. Of these some 150 are to be found in the countries of Black Africa. 45 of the latter are in operation in industry and energy, 11 in transport and telecommunication, 15 in the extractive industry, 19 in agriculture, and 45 in the field of education and public health.

The facilities ^{established} ~~called into being~~ in the field of industry are designed on the one hand to contribute to creating the foundation of a domestic national industry, ~~to~~ laying the foundation for the heavy industry, ~~to~~ establishing an energy base, ~~to~~ developing the forces of production, ~~to~~ increasing employment, and ~~to~~ raising the level of qualifications and, on the other hand, they contribute to an improvement of the developing countries' external economic balance, ~~too, as~~ They also serve purposes of import substitution and possibly of export orientation. With a view to this, the socialist countries ~~call-~~ ^{established} ~~ed into being~~ in the field of industry, on the hand, heavy industry /metallurgical, metal working, engineering and building materials manufacturing/ facilities: iron and steel works in Egypt /Helwan/, in Nigeria /Ajakouta/, in Algeria /El-Hadjar/, in Congo, Mali, Somalia; an aluminium plant in Egypt /Hag Hammadi/, with an annual capacity of 100.000 tons; Romania estab-

lished tractor factories in Zaire, Egypt, Tanzania and Nigeria, and Czechoslovakia in Ghana; the Soviet Union set up in Libya two nitrogen fertilizer factories; in Ethiopia /Assab/ Soviet participation was ensured for the erection of the country's largest oil processing plant, which releases the country from the import of oil products, as its capacity was already 800.000 tons in 1980; the Soviet Union built ~~a~~ cement works in Mali, and the GDR contributed in Mozambique to the reconstruction of the cement industry. The GDR set up in Mozambique an IFA truck assembly plant and electrotechnical enterprises; and on the other hand, energy facilities were established⁺ /water and heat power stations, power station complexes in Egypt, Somalia, Guinea, Tanzania, Ethiopia, Angola, Zambia, Libya, Mali, Mozambique, Nigeria and Sudan/.

Besides concentrating on heavy industry facilities, the socialist countries also participate in the setting up of light industry /textile, clothing and shoe/ and food industry establishments satisfying the needs of the population and possibly increasing the country's export potential /Hungary, for example, brought into existence mills, bread factories, slaughter-houses and meat processing plants in Algeria; slaughter-houses, meat complexes were established by the Soviets in Guinea, Somalia, Ethiopia and Sudan; dairy plants in Ethiopia, Somalia and Sudan; the Soviet Union set up in Guinea four fish plants and fish canning plants, and established fish processing plants in Somalia and Angola; the GDR set up a textile complex in Mozambique/.

The co-operation realized in the field of the extractive industry is based on the one hand on the African countries'

⁺ Until the beginning of 1981 the CMEA countries established 502 energy facilities in Africa.

wealth in raw materials /oil, phosphate, iron ore, manganese, nonferrous and rare metals, copper, tin, lead etc./, and on the other on a complex character of the co-operation realized by the socialist countries, which practically covers all phases of the extractive industry activity /sending of geologists, surveying, development of natural resources, delivery of extractive industry equipment, mining machines, production, concentration, treatment, pipeline construction, ~~development~~^{transport} of geologists etc./. The CMEA countries co-operation in extractive industry covers above all the following African countries: Algeria /iron ore, oil, nonferrous metals, mercury/, Libya /oil, gas/, Morocco and Tunisia /phosphate/, Egypt /raw phosphate and bauxite/, Ethiopia and Guinea /bauxite/, Ghana /manganese, iron ore, gold, bauxite/, Sudan /bauxite, copper, magnesite, asbestos/, Congo /zinc, lead, gold/, Benin /copper, tin, zinc, molybdenum, cobalt, nickel, chromium/, Mali /cement basic material, iron, gold/, Mozambique /coal/, Nigeria /iron, coal, metallurgical basic material/, Senegal /titanium, gold/, Tanzania /gold, zinc, rare metals/, the Ivory Coast /iron ore, manganese ore/, Angola /oil, raw phosphate/, Zaire /nonferrous metals, copper, lead/, Zambia /copper/ etc.

One of the best examples of complex co-operation in the extractive industry is the Soviet-Moroccan phosphate agreement signed in 1978, in accordance with which the Soviet Union, as general contractor, develops with Soviet credit the open mine of Meskala together with the related transport network, in exchange for which Morocco is to deliver to the Soviet Union, for 30 years, raw phosphate, phosphoric fertilizer, and phosphoric acid.

The most important areas of co-operation in the field of agriculture are: supply of agricultural means of production, complex facilities, turnkey plants and complex production sys-

tems; increase in and mechanization of agricultural production; establishment of state farms, agro-industrial complexes, agricultural machine stations, stock-raising farms and systems; improvement of veterinary hygiene, plant protection; drawing new lands into cultivation, complex utilization of stocks of land and waters, soil amelioration, soil protection, irrigation; processing of agricultural produces; designing, establishment and equipment of pilot farms and laboratories; education, training of agricultural specialists, sending of agricultural experts, consultancy./In Angola and Egypt the Soviet Union called into being several dozens of mechanized state farms for increasing cotton and wheat production; agro-industrial complexes were established by Romania in Libya, by the Soviet Union in Mozambique, and by Hungary in Algeria; poultry, cattle and sheep raising farms were set up in Algeria by Romania, Hungary and Bulgaria; the Bulgarians co-operate in Mozambique in increasing the production and processing of rice, fruits, tobacco, sugar, vegetables, and of products of animal origin; the Soviet Union undertook the drawing into cultivation of virgin lands, carrying out of soil improvement, supply and establishment of irrigation systems in Egypt, Algeria, Morocco, Tunisia; Romania carried out soil improvement works in Tunisia, Algeria and Morocco; the Soviet Union participates in the supply and establishment of water power plant systems, barrages and in development of water resources in Egypt - Aswan dam, Tahrir district -, in Algeria, Angola, Mozambique, Madagascar, Ethiopia, Guinea, Guinea-Bissau, Tunisia, Mali, Zambia, Nigeria, Somalia; the Soviet Union set up scientific experimental laboratories in Guinea, Congo, established grain stores in Ethiopia, with an average capacity of 200.000 tons./

Another significant domain of co-operation is the development of infrastructure /construction of railways, bridges, roads,

airports, telecommunication systems/, and the development of public health /establishment of hospitals, maternity homes, sending and training of physicians/ and of education.

c/ Technical and scientific co-operation

From the viewpoint of the developing countries' economy and economic development, a very important role is played by technical and scientific co-operation, sending of specialists, training of specialists, and technology transfer being realized by the socialist countries. This form of co-operation is important in the first place because of the impact it exercises on the developing countries, since it promotes in these countries an alleviation of the shortage of specialists, a reduction of technological and technical dependence, it helps to counterbalance the ideological and political influence of the developed capitalist countries and to weaken the demonstration effect, and it contributes to an expansion of the scientific and technical potential of these countries.

The socialist countries' scientific and technical assistance is realized on the one hand within the framework of, or related to, other forms of co-operation /e.g. supply of complete equipment, turnkey plants, usually complete with technology, licence, know-how transfer and training of specialists/, or is conducted independently of other forms of co-operation, under autonomous technical and scientific co-operation contracts, agreements. The socialist countries concluded technical and scientific agreements with some three dozens of African countries.

The most important areas of technical and scientific co-operation being realized with the African countries are as follows:

1. Transfer of licences, know-how, technology, experience in production, management and work organization; co-operation in the elaboration of the appropriate technology; conduct of

joint researches; joint solution of scientific, technical problems; exchange of information; carrying out of consulting-engineering activity in the developing countries; technology transfer in the form of designing and technical services; elaboration of economic and social development plans. /For example, the socialist countries handed over oil, gas and mineral development technologies to Nigeria, Congo and Algeria; the Soviet Union provided technical aid in the field of agriculture to some 25 African countries, including Somalia, Guinea, Algeria, Egypt, Mali, Tunisia; Bulgaria concluded a contract with Egypt on joint solution of scientific and technical tasks in the field of agriculture and food industry; the Algeria-based Hungarian TESCO-KÖZTI office sees to designing services./

2. Assignment of specialists and instructors with the purpose of technical assistance for the construction and putting in service of various facilities of national economic significance, or as consultants or instructors in local facilities, educational institutions. In the late 70s some 90.000 specialists worked in the developing countries from the Soviet Union, the East-European socialist countries and Cuba. About half of the experts on assignment are active in Africa.⁺ Half of the socialist country specialists working in Africa were sent from the Soviet Union, and the other half from the other socialist countries.

The socialist countries' specialists work in most different fields of economic life: the Soviet experts /geologists, engineers, physicians, agronomists/ are active mainly in Algeria, Libya, Nigeria, Ghana, Guinea, Mali and Ethiopia in the field of the extractive industry /geological exploration, mapping, test drilling etc./ and in the development of the heavy

⁺11.750 e.g. in Algeria

industry, of agriculture and of the food industry; Bulgarian stock-breeders, agronomists, engineers, technicians, economists work in Tunisia, Mali, Sudan, Algeria, Nigeria, Tanzania, Kenya, Ethiopia; Rumanians carry out geological development work in Mauritania, Guinea, Nigeria, Kenya; the most important domains of Hungarian specialists - who, among the African countries, mainly display activities in Libya, Algeria, Nigeria, Tanzania, Ghana, Zambia, Ethiopia, Mali, Sudan and Guinea - are: economic management and planning, industrial development, agricultural production, soil amelioration, management of water resources, stock-raising, veterinary hygiene, mapping, geological exploration and prospecting, town planning, town development, public health, education.

3. The training of specialists provided for by the socialist countries include on the one hand the education of Africans at the socialist countries universities and colleges, the secondary-level training of technicians and postgraduate development, furthermore the development and training of local staff in the course of the construction and putting in service of various facilities. On the other hand it covers the establishment of educational institutions and places of research in the developing countries.

The socialist countries' universities and colleges provided education in the early 70s for 24 thousand students, in 1978 for 30 thousand, and currently /1981/ for some 51 thousand. Some 50 per cent of the students of 103 developing countries pursuing studies in the socialist countries are from Africa, and about one third from the countries of Black Africa. Worthy of mention is the Scholarship Fund of the COMEA, with the assistance of which some 3.500 students from 50 developing countries pursue studies in the socialist countries. As to the African students enrolled in Hungarian universities and col-

leges, 3 per cent of them continued studies in the philosophical and law faculty, 5 per cent in the faculty of natural sciences, another 5 per cent in that of economics, 21 per cent in the technical university, 50 per cent in the university of medical sciences, 14 per cent in the faculty of agricultural and veterinary sciences, and 2 per cent in other colleges.

In the African developing countries the socialist countries established 56 higher and secondary educational institutions, and 158 centres for special technical-professional education, where some 350.000 specialists are trained, and they participate in the development of a research base, in the setting up of scientific-experimental laboratories. /In 1973 five technical schools were set up in Algeria with Soviet assistance, which provide among others for the training of agricultural specialists; the Soviet Union brought into existence an education centre in Egypt's Yanaklis, where between 1970 and 1974 1.400 agricultural specialists were trained. The GDR called into being in Egypt's Maryut district an education centre called "Bagdad", which trains agricultural mechanics and machine operators, and puts out agricultural engine fitters, special engineers, technicians. Bulgaria called into being a research centre for waters management. The educational facilities established by the socialist countries are to be found mainly in Egypt, Algeria, Tunisia, Ethiopia, Mali and Guinea./

a/ Co-operation in production - joint ventures

More stable and lasting co-operation, than the forms presented above, is assured by the forms of co-operation that cover production, the fundamental determining process of reproduction, and are based on common economic interests existing in production. This is the area where economic interests are manifest most directly, where the socialist countries can show best and most conspicuously the advantages of economic relations

with them /equality, freeness from exploitation, direct and mainly indirect impact on the development of the developing countries/, the marks showing the distinction as to a similar production/ co-operation with the advanced capitalist countries.

In the case of production co-operation between the socialist and the developing countries the motivation of the socialist countries is not making profits, skimming the domestic absolute and relative capital surplus, making extra profits, and intensifying thereby the dependence of the developing countries, but creating an alternative for domestic investments /for ones designed to be realized in the socialist countries/, finding markets for sales, assurance of the procurement of certain products, furthermore establishment of an industrial base, a producing capacity in the developing countries, development of agriculture and of infrastructure, increasing their exports and changing their commodity patterns with a view to diversification, promotion of an efficient and equitable involvement in the international division of labour, improvement of their situation in world economy, promotion of the internal economic integration, satisfaction of the needs of local population.

Production co-operation may be realized in various forms. Traditional forms are the sectoral or infra-sectoral co-operation cases - mostly industrial ones - between autonomous producing units, production specialization, mutual use and development of licences and technologies, joint ventures in the field of marketing, services and research, joint ventures mostly relying on the developing countries' raw material and labour bases, the so-called "tripartite co-operation", which includes enterprises from the socialist, developing and advanced capitalist world, and recently horizontal and/or vertical com-

plex co-operation combining various forms of economic collaboration.

Up to now the socialist countries have availed themselves in just a ~~very~~ slight measure of the above-enumerated possibilities and forms of production co-operation in respect of both the whole of the developing countries and Africa. The joint ventures so far called into being in a number of about 100 primarily serve the sales of the socialist countries' commodities /Bulgarian joint ventures in Nigeria, Guinea, Tunisia, Sudan, Morocco, Ethiopia; Soviet joint ventures for machine sales in Nigeria, Ethiopia, Hungarian joint venture in Nigeria for the marketing of pharmaceutical preparations/, or carry out technical and scientific activity /e.g., the Hungarian Nigerian Mapping Co. Ltd. Lagos displays geodesic, mapping, cartographic, aerial photographic and technical designing activity in Nigeria; the TESCO-KCZTI Consulting Engineering Ltd., Calabar, handles civil engineering and overground construction tasks/.

The overwhelming majority of production-type joint ventures - in which joint capital interests are held by the developing country and CMEA country partners - were established by the CMEA countries in the African countries' extractive industry. In the raw material ventures called into being in the African countries the CMEA generally holds 10 to 49 per cent of the shares. The greater part of socialist shares is made up of machinery and equipment supplies, various technical and scientific services, whereas the smaller part is represented by convertible currency contributions. Romania is the most active in the foundation of extractive industry joint ventures: in 1977 it established a joint venture with Burundi called Somiburom for the geological exploration and exploitation of non-ferrous metals; the joint venture established in Kenya con-

cerns itself with the development of the African country's lead, zinc and silver production; the Mokambo Romanian-Zambian venture carries on copper exploitation in Zambia; recently a Romanian-Algerian joint venture called Alicsme was established for the exploration of new oil fields. The Soviet Union participates in bauxite production in Guinea /Kindia mine/ and takes over 90 per cent of the output of the mine having an annual capacity of 2.5 million tons.

It is probable that in the future there will be an increase in the number of joint ventures called into being by the socialist countries, mainly in the African countries' extractive industry, and possibly in their light and food industries. The activity of these is expected to cover the exploitation, the processing of raw materials in Africa and the exports of processed raw materials and finished products to the socialist countries. By their help the African developing countries will come by capital goods, modern technologies, and reliable sales outlets, while the socialist countries may safely rely on continuous deliveries of the products of such ventures.

e/ Financial and credit relations

It is perhaps not accidental that among the forms of co-operation the last to be mentioned are financial co-operation, credit granting and rendering of assistance. The intention is to emphasize thereby that in the economic relations the socialist countries realize with the developing countries, and among them with the African countries, they don't want to put on the first place credit granting and the rendering of assistance. They don't want to promote the "assistance" of the developing countries by a transference of financial means, but through the forms of co-operation analyzed above in detail, through enforcing to the full the basic principles presented. Naturally the socialist countries also engage in credit granting and ren-

dering assistance, considering it as a means that furthers, accelerates and strengthens the development of co-operation between the two groups of countries.

In the interest of achieving this goal, the socialist countries conclude financial agreements with the African developing countries. Instead of the previous clearing account, a changeover is being made more and more to accounting in convertible currencies featuring greater dynamism and flexibility. A definite tendency is becoming evident towards making accounts multilateral and making use of the transferable ruble for the financing of plants established in the developing countries and for amortizing debts, for settling them on a multilateral basis. A new possibility is offered by the 1 billion ruble Special Fund of the International Investments Bank of the CMEA, which may be used for the establishment or reconstruction of /energy, metallurgical, chemical, textile industry etc./ plants in the developing countries.

Within the framework of financial agreements the socialist countries grant credits - state or government credits and commercial firm credits - to the developing countries, among them to the African developing countries. The credits have very favourable terms: the socialist countries usually grant their government credits for 8 to 12 years, with a 2-3 per cent interest, the amortization of which either occurs in convertible currency or by deliveries of the developing country's traditional export products, or - and this is what occurs most often - by deliveries of products /oil, gas, steel plate, tin and copper concentrate, aluminium, bauxite, carbamide; coffee, cotton, caoutchouc, tropical fruits, cocoa, clothing items, shoes etc./ of the facilities financed by the credit. Since the greater part of government credits are loans serving the

construction of definite facilities⁺, the distribution of credits by use and sector fully coincides with the sectoral structure of the establishments constructed by the socialist countries: in 1979 three fourths of the credits granted by the Soviet Union and the socialist countries went to the producing sphere, and within it to industry, whereas in the same year just 19 per cent of the official development aids /ODA/ of the advanced capitalist countries went to the developing countries' producing sector, with a 6.1 per cent share going to industry. In the case of the Soviet Union an even more favourable picture is shown by the distribution of credits: 71.5 per cent went to industry, energy, 9.7 per cent to agriculture, 1.6 per cent to transport and communication, 9.0 per cent to the extractive industry, 7.0 per cent to education and public health, and 0.7 per cent to the development of housing.

While between 1965 and 1972 half of the credits granted by the socialist countries were received by the African countries, by the mid-70s the share of the African continent fell below 30 per cent, which is to be attributed to a diversification of the socialist countries' credit granting. On the part of the socialist countries the most important donor is the Soviet Union, which accounts for 50-60 per cent of all credits. This is of particular significance for the African developing countries for the reason that the overwhelming majority, some 80 per cent, of Soviet credit grantings is made up of government credits, which are granted on more favourable terms than commercial credits. /While state credits are granted with a

⁺ Recently the Soviet Union granted to Algeria a 715 million dollar credit for increasing steel and aluminium production, and it gave a 2 million dollar credit to Morocco for phosphate exploitation and supplies.

Table 6

The socialist countries' granting of credits to the developing countries /million US \$/

| | 1954-1972 | 1973 | 1974 | 1975 | 1976 |
|---------------------------|-----------|------|------|------|------|
| Bulgaria | 334 | 43 | 117 | 17 | 8 |
| Czechoslovakia | 1341 | 303 | 108 | 168 | 1064 |
| GDR | 857 | ... | 46 | 277 | 105 |
| Hungary | 542 | 148 | 110 | 151 | 20 |
| Poland | 719 | 247 | 107 | 54 | 52 |
| Romania | 910 | 36 | 752 | 465 | 261 |
| Soviet Union | 8147 | 1230 | 1260 | 1642 | 1208 |
| OMEA countries, total | 12850 | 2007 | 2500 | 2774 | 2718 |
| Credits granted to Africa | 6193 | 746 | 761 | 639 | 720 |
| Share of Africa /%/ | 48.2 | 37.2 | 30.4 | 23.0 | 26.5 |

Source: Afrika v 70-80-ye gody, stanovlenie natsionalnoy ekonomiki i strategiya razvitiya, "Nauka" Publisher, Moscow, 1980, p. 297

2.5-3.0 per cent interest rate, for 10-15 years, with a grace period of 1-3 years, in the case of commercial credits the rate of interest is higher /3.0-3.5 per cent/ and the period of repayment is shorter /5 years//.

The socialist credits were divided by and large on a fifty-fifty basis between the North Africa and the Black African countries, showing of course very great fluctuations by the year and in certain periods. In general it can be stated that while in the 60s and in the early 70s socialist credits went mainly to the North African countries /to Egypt in the first place/, from the mid-70s the countries of Black Africa have gained much in significance. Within the Black African region

the most important recipients are: Sudan, Ghana, Guinea, Ethiopia, Mali and Zambia, and from the late 70s Angola and Mozambique.

4. Geographical distribution of relations and partner selection

Economic co-operation between the two groups of countries, the socialist and the developing - among them the African - countries, may be stable, long-term and advantageous for both parties if the partners' economic and politico-strategical interests coincide also in the longer run. In case partner selection is made in subordination to the interest of one party only, then the appearance or becoming prevalent of the other's interest leads to a loosening, a disorganization of relations. From this viewpoint, however, political and economic interests are not equivalent. In case partner selection is based just on political motivation, with the change of political relations the economic ones having been launched regress fully, stagnate, or decline to a minimum level /see e.g. the evolution of economic relations with Somalia in 1978/, or if political change is in favour of the socialist countries, they may begin to develop all of a sudden /see e.g. the large-scale deliveries to Angola and Ethiopia/. On the other hand, relations based on mutual economic interests - even if the political situation is unstable - remain on an unchanging level, or may even develop /see e.g. the shaping of relations with Nigeria or Sudan/.

Examining the structure by country of the socialist countries' exports to and imports from the African developing countries it can be stated that the greater part of relations are maintained, even now, with the North African region, which can be attributed to the geographical proximity of the North African region, to the traditional character of relations with these countries, to the greater absorptive capacity and flexibility of the market, and to a relative development of infrastructure.

Table 7

Geographical distribution of the socialist countries' exports to Africa /%/

| | 1970 | 1975 | 1977 | 1978 | 1979 |
|-------------------------------|-------|-------|-------|-------|--------------------|
| Algeria | 9.8 | 14.4 | 18.2 | 15.1 | |
| Egypt | 60.0 | 35.4 | 24.7 | 19.9 | 19.0 |
| Libya | 5.8 | 23.1 | 22.2 | 26.0 | 28.2 |
| Morocco | 5.8 | 7.4 | 5.6 | 5.8 | 4.1 |
| Tunisia | 1.4 | 1.9 | 1.6 | 1.7 | 2.4 |
| The 5 North African countries | 82.8 | 82.2 | 72.3 | 68.5 | 53.7 ⁺ |
| Cameroon | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 |
| Ethiopia | 0.7 | 0.6 | 1.8 | 3.9 | 2.9 |
| Ghana | 1.7 | 1.1 | 1.3 | 0.8 | ... |
| Guinea | 1.2 | 2.0 | 1.5 | 1.2 | 1.4 |
| Ivory Coast | 0.1 | 1.4 | 0.8 | 0.8 | 0.6 |
| Nigeria | 3.7 | 6.9 | 8.4 | 9.0 | 5.4 |
| Somalia | 0.3 | 1.6 | 0.5 | 0.0 | 0.0 |
| Sudan | 6.2 | 2.0 | 1.4 | 1.6 | 1.0 |
| Tanzania | 0.2 | 0.4 | 0.5 | 0.8 | 0.8 |
| Total of countries above | 97.2 | 98.5 | 80.0 | 87.1 | 66.3 ⁺⁺ |
| Total for Africa | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Own calculations based on figures on pages XXX, XXXI, XXVIII, XXIX of Monthly Bulletin of Statistics, July 1981, Vol. XXXV, No. 7

⁺ Without Algeria

⁺⁺ Without Algeria and Ghana

Table 8

Geographical distribution of the socialist countries' imports from Africa /%/

| | 1970 | 1975 | 1977 | 1978 | 1979 |
|-------------------------------|-------|-------|-------|-------|-------|
| Algeria | 10.2 | 15.0 | 6.2 | 9.0 | 7.9 |
| Egypt | 57.8 | 45.0 | 37.1 | 22.6 | 19.2 |
| Libya | 0.1 | 4.8 | 13.3 | 21.3 | 31.7 |
| Morocco | 6.4 | 11.5 | 9.0 | 9.1 | 8.9 |
| Tunisia | 1.6 | 2.1 | 1.7 | 1.4 | 0.6 |
| The 5 North African countries | 76.1 | 78.4 | 67.3 | 63.4 | 68.3 |
| Cameroon | 1.1 | 2.7 | 2.1 | 1.3 | 0.7 |
| Ethiopia | 0.1 | 0.3 | 0.3 | 0.6 | 1.1 |
| Ghana | 6.9 | 4.9 | 8.6 | 8.0 | 8.3 |
| Guinea | 1.1 | 1.4 | 3.3 | 2.6 | 1.4 |
| Ivory Coast | 0.5 | 1.5 | 2.8 | 6.4 | 4.7 |
| Nigeria | 3.5 | 5.5 | 1.4 | 4.6 | 0.6 |
| Somalia | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Sudan | 8.2 | 1.4 | 2.3 | 2.3 | 2.7 |
| Zambia | 0.4 | 0.5 | 0.3 | 0.2 | 0.0 |
| Other countries above | 97.9 | 96.9 | 88.4 | 89.4 | 88.1 |
| Total for Africa | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: The same as for Table 7

and of the market organization. On the other hand, while previously the most important partner in this region was Egypt, which accounted for 60 per cent of all African turnover of the socialist countries in the 60s and in the early 70s, by the late 70s and early 80s Libya and Algeria have become the most important partners.

While in the 60s economic relations maintained with the African countries were concentrated - mainly because of political considerations - on just a few countries /Egypt, Guinea, Ghana, Sudan/, in the 70s - with political motivation remaining prevalent - greater stress was laid on a development and diversification of relations based on mutual economic interests, primarily towards such countries where agricultural produces and mineral raw materials could be relied on as setoff /Libya, Algeria, Morocco, Nigeria, Sudan/. From the mid-70s - simultaneously with the increase of Africa's international political weight - we can witness again an establishment of relations on grounds of political motivation /with Angola, Mozambique, Ethiopia, and partly with Libya/, but a further development of relations will probably depend on the mutuality of economic interests, too.

In the future the most important partners of the socialist countries will be or remain, on the one hand, the potential raw material and fuel exporters and the countries having considerable solvent markets /Algeria, Libya, Nigeria, Sudan, Guinea, Morocco, Tunisia, Zambia, Angola/, on the other hand, we will further develop, on the basis of political viewpoints, the relations with the socialist-oriented African countries /Angola, Mozambique, Ethiopia, Tanzania/.

On the part of the socialist countries the most important supplier to Africa is the Soviet Union, which in 1979 accounted for one third of the CMEA countries' exports to Africa, after

which Romania, Bulgaria and Poland, and then Czechoslovakia and Hungary follow suit.

Table 9

Distribution of the socialist countries' exports to Africa among the socialist countries /%/

| | 1970 | 1975 | 1977 | 1978 | 1979 |
|----------------|-------|-------|-------|-------|-------|
| Bulgaria | 4.9 | 10.5 | 13.5 | 13.8 | 13.4 |
| Czechoslovakia | 11.3 | 11.4 | 8.2 | 9.8 | 9.0 |
| GDR | 6.1 | 6.4 | 8.9 | 10.3 | 10.6 |
| Hungary | 4.9 | 4.7 | 6.6 | 6.9 | 6.8 |
| Poland | 8.4 | 12.3 | 12.9 | 11.5 | 9.9 |
| Romania | 5.8 | 14.3 | 14.8 | 15.0 | 17.2 |
| Soviet Union | 58.6 | 40.4 | 35.1 | 32.7 | 33.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: The same as for Table 7

Table 10

Distribution of the socialist countries' imports from Africa among the socialist countries /%/

| | 1970 | 1975 | 1977 | 1978 | 1979 |
|----------------|-------|-------|-------|-------|-------|
| Bulgaria | 3.5 | 4.1 | 4.6 | 3.1 | 4.0 |
| Czechoslovakia | 7.9 | 8.0 | 9.0 | 4.3 | 2.2 |
| GDR | 6.5 | 6.0 | 11.4 | 9.3 | 6.0 |
| Hungary | 4.6 | 5.6 | 6.4 | 7.5 | 4.0 |
| Poland | 6.4 | 11.1 | 7.0 | 5.4 | 7.4 |
| Romania | 3.6 | 10.6 | 9.5 | 21.2 | 24.7 |
| Soviet Union | 67.5 | 54.6 | 52.1 | 49.2 | 51.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: The same as for Table 7

Among the COMECON countries the most significant importer is also the Soviet Union /with half of all COMECON imports of African origin/; and the second place is taken by Romania. They are followed by Poland, the GDR, Hungary, Bulgaria and Czechoslovakia.

5. Possibilities for developing interregional cooperation

Taking into account the present - relatively low - level of economic cooperation between the two groups of countries, experience gained by the socialist countries in national economy building, industrialization, developing and transforming agriculture and accomplishing national scientific and technical base, their intention and interest to deepen international division of labour especially with the developing countries, the requirements of ECA developing countries and the African region to reach higher and maybe more equal economic development, to meet basic needs of the rapidly growing population - there are a great number of possibilities for increasing and deepening interregional cooperation between the socialist and the developing African countries.

a./ The main criterion and basis for increasing interregional economic cooperation has to be the common economic and political interest of the two groups of countries, their interestedness in establishing and deepening a real division of labour, in achieving a certain degree of complementarity in their economic structures.

From the side of the socialist countries it involves their increasing reliance on the raw material, fuels and tropical agricultural sources of the African region, their increasing purchases but not exclusively in crude form but in processed or semi-processed form, as well. Besides the raw material sector the socialist countries and especially the small European socialist countries are more and more interested in establishing a real industrial division of labour with the developing countries, and within the Third World with the African countries, first of all in the field of industrial consumer goods /textiles, clothing, footwear etc./, in certain heavy industry branches /metallurgy, steel industry, petrochemical industry/ and food processing. For the socialist countries the importance of the African region would increase not only in the import side, but on the export side as well, especially in the field of capital goods, machinery, complex plant, turnkey projects deliveries and in exporting expertise, skills etc.

As far the African region interest in deepening interregional economic cooperation with the CMEA region is concerned its main objective - according to the Lagos Plan of Action and other resolutions of the ECA - is to liquidate backwardness, to increase economic growth and promote economic development through taking part in the international division of labour and realizing comparative advantages on the basis of equality and reciprocity.

b./ Deriving from the common economic and political interest of the two regions the main fields of interregional cooperation would be the following:

- Industry. As for the African countries as well the main driving force in economic development would be the industrial development, the further development of heavy and light industries /metallurgy, manufacturing, machinery, petrochemical industry, food processing/ the main emphasis has to be laid on industrial cooperation and industrial division of labour between the two groups of countries. The necessity to deepen industrial cooperation can be explained by the fact that most of the European CMEA countries, and especially the small ones, would like or has to stop the production of certain manufactured goods, mainly labour-, energy- and raw material intensive products and transfer this production activity to developing countries, and within the Third World to the African developing countries.

- Raw material sector. Taking into consideration that nowadays for the majority of the African and the Gulf-countries the most important /or in most cases the single/ export revenue is deriving from the exports of raw materials /minerals, fuels and agricultural raw materials/ and there will be an increase in raw material demand in the socialist region in the coming years, the raw material sector will remain a very important sphere in interregional cooperation.

Both regions' interest is to increase the stability and security of raw material deliveries and enlarge the share of processed and semi-processed raw materials. The realization of deepening raw material cooperation will necessitate the coordination of the activity of the competent CMEA, ECE and UNIDO organs, and that of the different African regional integrational groupings.

- Agriculture. In contrast with the past, one of the most rapidly developing fields of interrégional cooperation would be the agricultural sector. It can be substantiated by the ~~fast~~ growing necessity to increase domestic agricultural and food production in Africa, to carry through a certain degree of regional self-sufficiency, to re-orientate the structure of agricultural production towards staple food-stuffs meeting domestic demand. The fulfilment of the African agricultural plans laid down in the documents of FAO /FAO: Agriculture towards 2000/ and ECA /African Food Plan/ necessitates not only the development of agricultural production forces, increasing the use of inputs, reclaimating and meliorating of land, irrigation, building up agricultural infrastructure, but the development of production relations, as well. In both fields the cooperation with the socialist countries can promote the elimination of agricultural underdevelopment and contribute - though modestly - to counterbalance the increasing role of agribusiness. The socialist countries can deliver different agricultural machinery, equipments, inputs, productions systems and technology contributing to development of agricultural production forces, and through providing agricultural expertise, skills and handing over their experience in the field of agricultural development they can change the prevailing production relations, as well. The agricultural cooperation between the two regions can be helped not only by the harmonization

of the activities of CMEA and competent African organs /ECA and regional integrational groupings/ but by that of the FAO and the UNIDO, firstly in the field of food processing industry and agricultural machinery, technology, fertilizer etc.

- Technological and scientific cooperation. Like in the past, the socialist countries in future also will attach special importance to cooperationⁱⁿ the field of science and technology. This type of cooperation will cover technology transfer, sending specialists, educating and providing skill to Africans or on the spot, or in the socialist countries. Possibilities available in this field could be utilized by the help of UNESCO and UNITAR. A more active cooperation with CODESRIA also could contribute to develop a real scientific cooperation with the African countries.

c./ AS far the future and possibly forms of interregional cooperation is concerned they will vary according to the aims, fields and partners of cooperation. The most common form will remain the foreign trade, mutual deliveries with a more stable and planned character leading to a genuine division of labour. The long term delivery agreements, comprehensive, long-term economic /trade, industrial, agricultural, financial/ and scientific-technical inter-governmental /maybe interregional/ agreements, the creation and operation of mixed intergovernmental /or interregional/ commissions serving the practical realization of these agreements and covering the entire spectrum of bilateral relations, subcommittees and working groups for concrete areas /sectors and branches/ of economic cooperation, for elaboration and implementation of action programmes, for cooperation or for partial division of labour within their respective areas of competence will play an increasing role.

In a world economic situation of increasing complexity, in a period of difficulties for either the developing African or the European CMEA countries, at a time when the importance of external economic relations between the different regions is on increase there is a growing demand for frame-work agreements on complex, many-sided cooperation covering the most important branches. The various mixed and sectoral commissions with their flexible and task-oriented organization are especially well-suited for managing the implementation of complex agreements. This would presumably entail a greater efficiency and a better economic viability, and so strengthen both the developing African and the European CMEA economies. It would also permit to cater more efficiently to the accessory needs arising in the course of economic cooperation.

This form of intergovernmental and maybe interregional cooperation can be supplemented by agreements between ministries and bodies other than the intergovernmental joint commissions. The purpose of these lower-level agreements would be the implementation of joint projects within the competence of the bodies involved. In several European CMEA countries /like in Hungary, Romania, Bulgaria/ the authorization of the industrial ministries includes responsibility for the organization of industrial cooperation ventures abroad with spares and after-sales services.

Another important instrument and form of intensifying trade and economic relations would be the exchange of trade missions and high level economic delegations.

An increasing role will be played by production cooperation which is justified not only by the export goals of the CMEA countries, but by their import requirements, as well, especially in the field of certain branches of manufacturing industry as a consequence of their would be redeployment policy. The most common form of pro-

duction cooperation could be the joint ventures for which certain incentives are provided in the socialist countries. There are also realistic possibilities for cooperation without the direct participation of production capital from the CMEA countries within the framework of complex contract systems, joint deliveries, division of production, inter- and intra-branch cooperation, division of technology and research, joint marketing activity.

A major advantage for the future development of interregional economic cooperation is the fact that on both sides the governments play a direct and active participation in specifying the scope, the aims and means of cooperation, in regulating and controlling the realization of cooperation programmes as the elaboration and realization of comprehensive, complex, long-term cooperation programmes would be inconceivable without the direct involvement of government organizations.

d./ As far the participants of interregional cooperation is concerned here also a wide range of varieties can be imagined: from ~~the~~ narrowest bilateralism towards ~~the~~ total multilateralism. These patterns could be the following: bilateral cooperation between CMEA member countries and certain African or Gulf-countries; cooperation between 2-3 CMEA countries and one African or Arab country /one of the very few examples is the common Polish-Romanian agricultural cooperation with Egypt/; cooperation between the CMEA, as an integrational group and an individual African country /like in the case of Angola, Ethiopia and Mozambique/ on a "region to country" basis; cooperation between individual CMEA countries and the African integrational groupings; cooperation between the CMEA, as an integration and the integrational groupings of the African devel-

oping countries, on a region to region basis; cooperation between developed market economy countries, CMEA member countries and African developing countries /one of the rare examples of present tripartite cooperation is a Hungarian-Belgian-Kuwait cooperation in the field of agriculture in Kuwait/.

e./ The realization of all the proposed changes and developments depends on the one hand on the internal economic and political developments, financial, trade policy and institutional changes in the two regions. At present there are a great number of problems hindering the cooperation between the African countries, there are only few such regional projects which has been implemented. The intensity of regional cooperation within the African region must ~~be~~ increase. If the region's countries are not ready for a regional cooperation and their economies are not developing on the line of complementarity, no harmonious relations will be possible with other regions on a multilateral basis. The participation of CMEA countries could be also very limited in this case.

There are important conditions on the side of the CMEA countries which must be fulfilled. Some of these are institutional, especially in the field of international payments, where a multilateral system of settlements would be first of all necessary. Up till now the realization of this type of payments it is possible to envisage a joint operation by several CMEA countries in a developing country with which each of them has a bilateral clearing agreement, because in the case of constructing a large project in one of the African countries it is possible to settle the surpluses or deficits of the individual CMEA countries between

them in transferable roubles, and only the residual surpluses or deficits would appear on the clearing accounts. Another option involves a payments agreement between a clearing union of a number of African developing countries and the socialist countries interested in expanding their trade with the developing countries in question. The development of relations between the two financial and credit institutions of the CMEA /the International Bank of Economic Cooperation and the International Investment Bank/ and the African Development Bank and the Arab financial organizations /like the AFESD/ provides further possibilities for financing the interregional cooperation.

A further possibility is to conclude trade and market agreements involving several CMEA and developing African and Arab countries for deliveries of tropical agricultural products, fuels, raw materials against machinery, manufactured goods, expertise etc.

A most important precondition for the further development of interregional cooperation from the side of the CMEA countries is the credit term, which main purpose is to promote foreign trade, to increase the purchasing power of the poorest African countries, because in the case of the African region - in comparison with the other regions - the most rigid constraint to expanding trade is the lack of financial resources.

A more meaningful cooperation between the European CMEA countries and the African developing countries requires deliberate structural adjustment as well, especially from the side of the CMEA countries. The countries will have to take into account much more than in the past at the elaboration of their medium /5 years/ and long term plans those areas where structural changes are required in production and consumption in order to increase their imports from the African countries, especially in the field of processed raw materials and manufactured goods. The

increase of CMEA exports also requires certain adjustments, greater activity and flexibility, because it is not enough to increase export potential quantitatively but it has to be developed according to the needs of the African region.

The strategic aims of interregional cooperation can be realized only if they conform with the changing possibilities and needs of the individual countries, and if the direction and structure of economic development in member countries change in harmony with the regional interests.

The character of interregional cooperation will depend on the character of regional cooperation. If the efforts for regional cooperation in Africa will be confined to micro-integration, which means basically inter-firm relations, then the external participation will not differ from the joint venture type operations, and the CMEA countries can participate only in the interfirm cooperation. The regional integration or cooperation based on large scale inter-country projects within the public sector /or the massive involvement of public sector/ and private firms it would create a different level for external participation. In this case regional cooperation must be connected very closely with national planning of the countries concerned and the participation of the CMEA countries would be facilitated by their similar nature of economies.

Of course, the development of interregional cooperation will strongly depend on the future development of the CMEA integration. In the case of a more open, extroverted type of socialist integration there would be more possibility for increasing inter-regional economic cooperation with the Third World regions, including Africa.

For promoting interregional economic cooperation regional and sub-regional institutions must be established with the main task to coordinate regional and interregional interests.

The third factor on which the realization of all the proposed changes and developments of the interregional cooperation will depend is the future world economic and political situation (economic growth, structural changes in the world economy, changes in the world market prices, terms of trade, world trade regulations, free trade, liberalization of trade or further restrictions, easing of political tensions, development and trade policy in the Third World, realization of self-reliance^{NIEO} etc./.)

Apart from the advantageous or disadvantageous changes in the world economic and political order the interregional cooperation between the European CMEA countries and the African developing countries will play a very modest role in each other's external relations. By the author's own calculations - elaborated within the framework of an international world trade model directed to outline world trade development alternatives for the year 1990 - in 1990 only 4 per cent of Africa's total exports will be directed to the socialist countries /but 10-11 per cent of their chemical exports, 12-16 per cent of their consumer goods exports and 12-15 per cent of their agricultural product exports/, while in the field of imports 6 per cent of Africa's total imports will be covered from the socialist countries. For the socialist countries Africa will remain a very modest outlet as by 1990 about 6 per cent of the European CMEA countries' exports will be directed to Africa, while 3-4 per cent of their import demand will be covered from African sources. /+/

/+/ For more details see the author's coming publication: What kind of future for Africa? - Studies on Developing Countries, Budapest, Institute for World Economics/.

6/12/2



istituto affari internazionali
88, viale mazzini • 00195 roma
tel. 315892 - 354456 • cable: Intaffari-roma

UNITAR PROJECT:

RC-17 STRATEGIES AND PROSPECTS
OF MEDITERRANEAN
COOPERATION

SUMMARY

Preliminary research report
of the Italian team :

THE INDUSTRIAL AND FINANCIAL ISSUES

by the
coordinator

Dr. Massimo D'Angelo

Note:

The project is implemented
in cooperation with the
Institute of International Politics and Economics
(Belgrade)

Rome, 3 January 1983

IAI/1/83/PROVV.



PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s

Strategies and Prospects of Mediterranean Co-operation

RC-20

Summary

During the last 15 to 20 years the Mediterranean countries, like countries in other regions, have attempted to change the character of their relations from colonial or semi-colonial to normal international relations among peers. Because of the oil surplus of some and deficit of others, change has been particularly sweeping. The strategic importance of this ancient historical area, both on economic and political grounds, has involved a great number of actors, including the two superpowers and other external powers. This has made the Mediterranean a highly conflict-prone area. Nonetheless, different networks of co-operation have already been created. The European Community has set up a number of association agreements with all the coastal countries except Albania and Libya. Arab and West European countries have started the complex exercise they call the "Arab-European dialogue," while the European Community and the League of Arab States have continued their regional co-operation. Important bilateral relations, such as those between Yugoslavia and Italy, have been evolved at last, along with specific Mediterranean multilateral undertakings such as the United Nations Environment Programme's "Plan Bleu".

In view of this mixture of conflict and co-operation, two different attitudes have been worked out by Mediterranean peoples towards their area. A first attitude -- by far the most widespread and active -- stresses the common cultural heritage and blames external interference (especially that coming from the presence of the superpowers) for both the existing conflicts and the lack of political and economic integration. In this view the Mediterranean is considered a region of its own, cutting across Western Europe as well as Africa and the Middle East. By contrast, the second attitude stresses existing differences in economic development and political alignments and, without ruling out the potential for co-operation, looks at the latter as interregional in character. The implementation of Mediterranean co-operation is, then, subservient to the respective regional co-operation schemes, and cannot exceed the bounds of both regional and international interests and alignments.

Although the "Mediterranean" school of thought has been the most outspoken in its rhetoric, the evidence is that Mediterranean countries, such as Italy and Egypt, co-operate as best they can; but any goal of Mediterranean unity will never supersede, in their eyes, either European or Arab unity. Rivalries between Mediterranean and non-Mediterranean countries within the European Community have been largely responsible for producing a misleading interpretation of Mediterranean interregional reality. France, and partially Italy, in order to shift the centre of gravity of the European Community, have attempted to claim the existence of a Mediterranean region. The real meaning of this move is clarified by the fact that the Economic Community's so called "global" Mediterranean policy, far from being a multilateral arrangement, is a set of bilateral agreements without any link between them other than the Community itself. This is not to make a negative

valuation of the EC's Mediterranean presence, but only to say that its regional rhetoric should not conceal the inter-regional reality of the Mediterranean.

Once the inter-regional nature of Mediterranean relations is affirmed, all schemes for co-operation must be studied and implemented on the basis of co-operation and integration processes within the various regions bordering the Mediterranean Basin. Also, conflicts induced from the outside cannot simply be played down as alien influences in an otherwise co-operative environment. Beside conflicts, also co-operation is prompted from outside the Mediterranean. Conflicts within the Mediterranean are those of the different regions bordering the basin, and not of the Mediterranean macro-region itself. All this suggests that international integration and involvement is an important factor in analyzing Mediterranean regional and interregional perspectives.

In order to put all these factors on the path of self-sustaining growth, a new sequence must be followed. The rising price and national reappropriation of oil have started a process of growing international interdependence by triggering new patterns of trade and financial flows all over the world, and new processes of industrialization in both the oil exporting countries and the so-called newly industrialized countries. The financial and economic aspects of this evolution have been **decoupled**. Whereas the financial flows have tended to increase interdependence at the world level, interdependence related to the aspects of trade, industrial development, etc., has largely grown across the Mediterranean, especially between the Arab and the Western European countries. This enhanced interregional interdependence has threatened conflicts and offered opportunities for co-operation. To lessen conflicts and seize opportunities within the interregional frame, significant progress is needed in the respective regional integrative processes. Were the Mediterranean countries to fail in accelerating their respective processes of integration, interregional relations would never manage to overcome present conflicts and to evolve smooth and fruitful patterns of economic co-operation. In particular, one has to bear in mind that a factor of Arab integration is at the same time a factor of Arab economic development. This factor can allow the European Community and other Western European countries to transform interdependence into sound international specialization and integration. The key to the working of the self-sustaining growth circle in the Mediterranean is the deepening of Arab integration.

In the following sections, in order to test this hypothesis, we will discuss Mediterranean industrial growth, as well as Arab financial integration.

Industrial Growth in the Mediterranean

At the global level industry grew very rapidly until the beginning of the seventies. In the last decade, however, global industrial growth has slowed down considerably.

These tendencies are the result of divergent national and regional trends. Until the early 1970s Japan and most European countries tended to grow faster than the United States and Great Britain, while within the group of developing countries a **subgroup** emerged, experiencing considerable expansion of industry. In the seventies the slowing down of industrial growth affected mostly the industrial nations. Europe ceased to grow more rapidly than the United States, while Japan continued to outpace both, although at a considerably reduced rate. Industrial growth continued and was only marginally affected in those developing countries that

had begun to industrialize in the previous decade(s), while the oil-producing countries were able to devote increasing amounts of financial capital to investment in industry.

In relation to these global trends, the Mediterranean fared rather well. Industrial growth was more dynamic than the global averages, while at the same time there was a redistribution of industry, from its previous concentration in France and Northern Italy.

Although the process of industrialization takes specific forms in each of the countries, there is no country in the Mediterranean which is not experiencing some level of industrial growth. This is the result of a determined effort on the part of national governments, intent on an industrialization policy whose primary goal is to find sufficient domestic employment for a rapidly expanding labour force.

Some major aspects of Mediterranean industrial growth deserve elaboration. The first of these is the role of energy.

The circumstances under which energy is supplied will continue to play a growing role in the Mediterranean context. The Arab oil producers intend to increase the added value of their exports domestically by integrating their oil industry downstream and exporting an increasing proportion of refined and petrochemical products instead of crude oil. This will change the industrial geography of the above sectors, which in the past tended to be concentrated on the Northern shore of the Mediterranean.

A second important element linked to crude oil is the probable evolution of the transportation system. There will be an increase in the role of pipelines, and a larger proportion of exports will use Mediterranean outlets. This will change the configuration of transportation costs, and affect the siting of some types of industrial activity.

A further important development will be the utilization of gas resources. This can be pursued through the use of natural gas in industrial processes in the producing countries, or through exports. No doubt, both alternatives will be pursued. As far as exports are concerned, because of persisting problems with the economies of liquefaction, we might witness the development of a Mediterranean grid of gas pipelines which would become a strong attraction for industrial activities with a high energy content.

Finally, new technologies could be developed to utilize coal in liquefied or gasified form in order to take advantage of the existing transportation infrastructure, once the supply of traditional hydrocarbons starts to decrease.

The second noteworthy aspect is the importance of basic industries in all Mediterranean countries. This is due to the crucial role played by the State in the industrialization of typical latecomer countries, and creates both dangers of conflict and opportunities for co-operation. The outcome will depend on the total installed capacity in some crucial sectors. The two sectors in which conflict is most likely to occur are petrochemicals and steel. In both cases the increase in the production capacity of the Arab and European NICs cannot be singled out as a relevant cause of the overcapacity plaguing the European countries,

including some Mediterranean ones. Yet the problem remains, because of the essentially regional nature of these markets, which is a consequence on the one hand of global conditions of excess capacity and on the other of widespread **protectionism**.

Altogether, steel production and industrialization "downstream" from oil production represents additional productive capacity in sectors where the Western European countries are already strongly represented; hence, it could take place only if there were a shift of such activity to the developing Mediterranean countries, with a simultaneous liberalization by the European Community and the other West European countries with respect to imports of those products from new Mediterranean manufacturing sites.

A third crucial aspect is the fact that the current processes of industrialization, based on the exploitation of the natural resources of Mediterranean countries and on the development of substantial basic industry (usually state-owned), create economic and social tensions within each of the industrializing countries, with evident imbalances between the rise in incomes and the limited productive capacity for consumer and intermediate goods. In the more populous countries, such imbalances tend to be covered in the short run virtually exclusively by a recourse to imports. The only way to avoid greater and greater dependancy on imported manufactures is to induce a parallel growth of light industry integrated with the already established basic industries. For the most part this course is open only to the more heavily populated countries. However, this type of intermediate industrialization can no longer be based on simple import substitution under policies of **autarky**. Rather, to be sustainable and to constitute a driving force for each individual economy, it must be open to international competition, seeking new outlets at the regional level, particularly in the markets of the newly industrializing countries with rising incomes.

In all this it is easy to pick out reasons for co-operation in the energy field, among public enterprises, and in trade and investment policies. However, these aspects of industrialization assume a situation of rivalry among the various economies, inasmuch as efforts by any individual country or group of countries to obtain a new position in the industrial division of labour can always be interpreted as threats to the other countries. In fact, the industrial policies of the oil-producing Mediterranean countries are founded on just such conflictual confrontations, thanks to the powerful weapon of energy supplies, which has shown itself to be an extremely effective tool for producing accelerated growth. However, if we assume that such conflictual mechanisms are the only factors that generate a drive toward industrialization, then the industrial growth path of Mediterranean countries cannot go much further than a conflict-ridden expansion of productive activity connected with energy resources.

We must ask whether there is an alternative to this conflictual scenario. Indeed, we can envisage a harmonized process of industrial transformation for the Mediterranean economies, by means of a policy of interregional co-operation, which could produce more positive results for all the countries of the area.

The substantial role of the state in the Mediterranean countries' industrial policy has already been underscored. What is needed, now, is to end the strictly "national" outlook that rules the activity of the Mediterranean countries' public industrial enterprises, to establish regional co-operation among the various publicly owned industrial groups. Such an arrangement would provide a framework of

mutual economic and social interest in which compromise agreements could be reached concerning the exploitation of natural resources, "downstream" industrialization, marketing, and the regional division of production.

Obviously, such concerted action would not necessarily exclude private firms. But the main thing is to establish a framework of co-operation -- necessarily a public one -- within which the economic and social problems of all the countries can be properly considered.

Essentially, this hypothesis means getting over the "spontaneous" confrontation between Mediterranean economies, with oil-price rises, protectionist measures, and deflationary tight-money policies, that has so far dominated economic relations within the Western European-Mediterranean macro-region. Oil-price policies and the industrial countries' trade policies would thus be put in a new context. Sidestepping world economic slowdown, they would spur growth in all the countries of the Mediterranean. Only in conditions of rising income in all the economies, can we imagine the development of new manufacturing activities in the industrializing Mediterranean countries together with an accompanying rise in industrial exports from the advanced economies.

The recession in the OECD area cannot help but damage the Third World's prospects for industrialization, relegating industrial development in the emerging Mediterranean countries to a high concentration in a few energy-based products.

Thus, the alternative -- more dynamic co-operation between the less developed Mediterranean countries and the Western European countries -- is undeniably attractive. In conditions of rising world demand, it will be easier to make the needed production adjustments gradually, through a subsequent relocation of some energy-intensive production activities to the developing Mediterranean countries, just as it will be possible to understand the benefits of creating new market-oriented manufacturing plants once the economic geography of the Mediterranean Basin becomes more decentralized.

In our view, the prerequisite to this path of interregional co-operation is the strengthening of both the European and the Arab processes of regional integration. This is the point to which we now revert.

Arab Financial Integration

The Western European area is well integrated by average standards. The European Community integration process, however, is lagging behind for it does not manage to encompass the full range of Southern European countries -- particularly Spain -- and to implement a significant financial and monetary union. What makes further progress of economic integration impossible is the **inability of Europe** to set up an integrated set of political institutions. Despite these difficulties, Western Europe and especially the European Community are already economically sufficiently integrated to allow a fruitful interregional co-operation. An important point is that the possibility of a growing integration in the Arab region may be an incentive to **proceed** with European integration. The two processes may be interrelated and sustain one another. This would be helpful for the processes of regional as well as interregional co-operation and integration. As we said above,

the initiation of an integration process in the most dynamic Arab region may offer Western Europe opportunities for co-operation which would translate present interdependence into a more articulated and flexible form of interregional integration. For this reason progress in the integration of the Arab region is the key to begin viable interregional co-operation across the Mediterranean.

The state and most of all the prospects of Arab economic integration are diversely assessed by those concerned. In the assessment the historical experience of European integration based on trade liberalization and increase weighs heavily. As the literature on economic integration among developing countries has shown, different conditions call for different instruments. In the Arab case it is the development of a large range of financial flows that is the engine of Arab economic integration: capital movements may pave the way for the movement of goods and of labour. The development of banking, both domestically and internationally, plays a key role in this evolution.

The present expansion of Arab banks may be considered the fourth wave in the growth of national banks on the international scene, after the American banks in the 50s and 60s, the European banks in the 70s, and the Japanese banks quite recently. The factor behind the first three waves has been the necessity for the national banks to assist the international ambitions of their clients or to realize them in co-operation or competition with the parallel tremendous growth of foreign currency markets. As for the Arab banks, their international development is predicated on the plain necessity to invest financial surpluses from oil. In other words, while the OECD's banks would have pegged their international financial integration to the real development of the national entities in which they were based, the Arab banks would be experiencing a purely financial international integration with no or few links with the national economies within which they operate.

In our view this evaluation does not take into account a number of important features which are emerging in the evolution of the Arab financial system. Although the size of such features may appear limited in relation to the size of the international integration of the Arab banks, the trends are expected to have a dynamic impact on the real aspects of Arab economies and their integration.

The first aspect to consider is the implementation of development plans, particularly in the less populated oil exporting countries. As a result of successful implementation, some countries have begun to recycle domestically a larger proportion of their financial surpluses than was thought to be possible. A crucial aspect of this domestic recycling is the large transfer to individuals and families, and to firms which were accounted as public expenditures in the form of housing allowances, low or free interest loans, and subsidies designed for diverse purposes. This development is leading to a new and significant balance between international and domestic uses of available financial resources. Industrial growth stimulated by the implementation of development plans has triggered a tremendous increase in inter-Arab migration flows. This in turn has been translated into significant flows of remittances. These particular financial flows, along with aid extended for political and military reasons - to Jordan for example - is creating an Arab use, as opposed to an international use, of the available financial resources and is working as a potent element of Arab integration. In fact, remittances are used today to build private houses in the countries of origin and will be invested tomorrow in the productive activities of returning migrants.

Another way in which resources are recycled within the Arab world is the creation of public and private joint ventures. For cultural as well as political reasons, these joint ventures — often linked to the intergovernmental network — have evolved, especially in populated Arab countries, such as Jordan, Egypt and Tunisia. This is helpful in maximizing the Arab region-wide recycling of financial resources. In this framework the role of the banks and other financial institutions is becoming increasingly important. As an Arab economist said: "The regional and national financial institutions which have been established have acted as a channel for the multilateral transfer of Arab funds among the Arab countries, in addition to direct bilateral transfers which have taken place for economic and non-economic reasons. This is an important form of co-operation because the flow of capital has been induced generally in accordance with certain criteria designed for this purpose. In the absence of such institutions these flows may not have occurred, at least their level and geographic investment pattern would have been different, being then governed by autonomous decisions based on a calculus of private costs and benefits".*

The second aspect which tends to be misinterpreted or overlooked in the process of Arab integration is the evolution of the institutional banking structure itself. To get a meaningful overview of this evolution one must refer to the ratio of total financial activities to GDP, and the ratio of domestic to international financial activities. According to the most recent available figures (end of 1970s), the Arab countries can be divided into three categories: a) countries with a high ratio of total financial activities to GDP, i.e. Lebanon (172%), Jordan (122%), Egypt (98%), Algeria (182%), Syria (67%), Tunisia (66%), Morocco (62%); b) countries with a low ratio, i.e. Iraq (34%), Sudan (43%), Arab Republic of Yemen (56%); and c) oil-exporting countries, i.e. Bahrain (119%), Kuwait (75%), Libya (49%), Saudi Arabia (122%). While the second category requires a case by case explanation, the first and third categories correspond to different absorbing capacities and to different roles of the financial institutions. This is more evident when considering the second ratio, namely that of domestic to international financial activities. For the countries of the third category, domestic financial activities are about one third of total GDP activities, whereas for the other countries they are about two thirds. The first category countries are clearly developing a financial market to serve their economic development by recycling resources from international to Arab uses. The second category countries are more integrated in the international market, in forms and with roles as different as those of Saudi Arabia (mainly investing abroad) and Bahrain (an off-shore centre). The overall picture is one of an incipient organic financial system with all its specialization of functions to cater for different requirements and demands. Historically, one may maintain that this ability to specialize while growing is the hallmark of the creation of a unitary system. On the same historical ground one has to say that, as international as their projections may be today, the national base of the Arab financial system will not remain unaffected in the future.

* *****

The above remarks argue for a strengthening of Arab integration for successful economic development. If our hypothesis is correct, it is up to the Western European countries to seize the opportunities for co-operation and growth that this process will offer. This would be the starting point of a sound interregional co-operation, promoting the industrialization of the Mediterranean countries beyond the problems experienced today.

*Samir A. Makdisi: "Arab Economic Co-operation: Implications for the Arab and World Economies", in Roberto Aliboni (ed), Arab Industrialization and Economic Integration, Croom Helm, London, 1979, pp. 94-95.

PRELIMINARY REPORT ON RC-5

ECONOMIC COOPERATION IN WESTERN ASIA

Pakistan Institute of Development Economics
Islamabad

Principle Investigator

Dr. K. Sarmad

Introduction

Cooperation Efforts in the
Field of Agriculture

Cooperation for Regional
Industrial Development

Cooperation in Trade
and Finance

In the implementation of the project RC-5 "Economic Cooperation in Western Asia" the functional scheme formulated by UNITAR is being followed. Work on the project to date has been concentrated on the first four sections of the structural breakup of the scheme. In this report preliminary results have been given of the analysis of regional cooperation efforts in the following fields: agriculture, industry, trade and finance.

Conscious efforts in the direction of promoting economic cooperation between the countries of Western Asia began almost thirty years ago. Initially politically inspired these efforts were implemented at the initiative of the League of Arab States. The progress of the actual implementation of economic cooperation efforts did not, however, follow a consistent upward trend. And a large difference existed between the desire to cooperate and actual cooperation. Thus the stage of the institutionalization of these efforts was attained only by the mid-sixties, which still left much to be desired. The scope of the emergent institutions was limited: their work was concentrated, primarily, on trade liberalization.

During the Seventies a significant change in the character of the cooperation has been noticed: In the

cooperation efforts the finance and production aspects have received attention. What is more significant is that some progress has been made in the institutional organization of this cooperation. Though these efforts were inspired by political considerations an important catalyst was the rapid increase in the financial wealth of some of the Western Asian countries after the dramatic rise in oil prices during the early years of the Seventies.

The impetus provided by these factors led to substantial progress in the field of economic cooperation especially in the identification of investment possibilities and formulation of specific projects. In the mediation of these efforts no small role was played by institutions like the Kuwait Fund for Arab Economic Development which provided the technical assistance for the realization of these projects. In the process specific areas were identified where regional cooperation could prove to be beneficial: industrial development, development of indigenous technology, development of food resources etc. The pace of the implementation of cooperation schemes, however, still does not match the 'intention to cooperate'. Though the lack of political will has been blamed for this an important contributing factor has been the absence of a realistic

long term strategic framework within which the various cooperation efforts can be coordinated and interlinked.

Cooperation in the Field of Agriculture

Steps to establish the institutional framework for cooperation efforts to increase agricultural production began to materialize in the early Seventies. By 1979 the Arab Organization for Agricultural Development had been founded. It was, primarily, a consultative body with the objective of devising an appropriate strategy for realizing the aim of self-sufficiency in food. The range of the activities of this Organization has been wide and includes research and the coordination of the implementation of its recommendations. The primary emphasis of its activities, however, has been on identifying potential agricultural projects and preparing feasibility studies for them. Plans were also formulated with the cooperation of the Committee for Agricultural Coordination for guaranteeing food supplies for the region and for the preparation of a base for regional food self-sufficiency. The success of the food supply guarantee scheme was to be achieved through increased inter-regional exports and the establishment of a 'food-fund'. The generation of higher production surpluses of essential commodities was to ensure regional food self-sufficiency.

The later years of the Seventies have seen the implementation of various schemes prepared in the earlier years. The main objective of these projects was not only to enhance agricultural production but also to encourage their industrial processing within the region. For example, the Arab Authority for Agricultural Investment and Development initiated a comprehensive programme for agricultural development in Sudan in the mid-Seventies. This programme involved the allocation of around half a billion US dollars for the implementation of a multitude of integrated projects for the production of important agricultural inputs, for social and physical infrastructural development, etc.

Cooperation for Regional Industrial Development

As mentioned earlier, the generation of large financial surpluses in the countries of Western Asian following the oil price hikes in the early Seventies provided a major impetus for the acceleration of economic cooperation efforts in the region. Prior to this the emphasis of such efforts had been on trade liberalization which was hoped to accelerate industrial development and lead to overall growth through 'linkage' effects. This emphasis was misplaced since the industrial base of the countries of the region was small. Therefore, the expansion of intra-regional trade required, as a necessary condition, the diversification of the industrial structure in these countries.

During the mid-Seventies various producers' associations had emerged and a number of joint industrial ventures were also undertaken. The producers' associations are most often private but operate under the sponsorship of one or the other regional organizations. The primary purpose of these associations has been the coordination of the production and supply of specific industrial products. Their activities also cover the provision of advisory services and technical and administrative training.

The essential regional framework for the coordination and expansion of industrial activities is provided by inter-governmental organizations. Notable examples are the Industrial Development Centre for Arab States the Arab Standardization and Metrology Organization and the Organization of Arab Petroleum Exporting Countries. The scope of such organizations has been wide. This is especially true about institutions like the Industrial Development Centre and Arab Standardization and Metrology Organization. They have sponsored meetings and held training courses; they have contributed significantly in the dissemination of information among member countries and for improving plant organization and productivity in industrial establishments. However, their main emphasis has been on the achievement of a regional balance in industrial policies.

For the coordination and harmonization of procurement and sale policies a consultative body-the Gulf Organization for

Industrial Consulting was set up in 1976. Besides this industrial cooperation during the mid-Seventies was facilitated by the emergence of joint industrial projects. Though the implementation of these ventures was secured largely from the rapid increase in the financial reserves of the concerned countries most of the preparatory work had been completed during the early Seventies. Most of the projects rely on heavy public funding though they are run on a commercial footing. For example, the Arab Company for Pharmaceuticals and Medical Supplies which began operations in 1976 and is sponsored by the Council of Arab Economic Unity, handles the bulk of the production and distribution of chemical and pharmaceuticals within the region. The Council also sponsors the Arab Mining Company - a joint venture established in 1974 to undertake all mining related projects other than those connected with petroleum. Its most important activities include copper and phosphate mining projects in Egypt, Sudan and Oman. Another joint venture is the Arab Potash company whose main objective is the manufacture of industrial chemicals from the Dead Sea. Though this company was established during the mid-Fifties, its activities remained suspended till 1975 when it was again reactivated.

The bigger Arab joint ventures have been concerned with petroleum and related activities. Mostly they are organized and financed by the Organization of Arab Petroleum Exporting Countries which was established in 1968 with the aim of promoting the interests of these countries in the production and export of petroleum. Various projects in the field of petroleum services, oil tankers, ship-building and repairs etc. have been implemented with the help of the Organization of Arab Petroleum Exporting countries. The Arab Maritime Petroleum Transport Company established in 1973 had by the end of the decade control over an impressive fleet of oil tankers. These ventures reflect a major joint effort on the part of the countries of the region to vertically integrate their oil operations. By 1974 with the financial help of the Organization of Arab Petroleum Exporting Countries an Arab Petroleum Investments Corporation had been set up to coordinate the development of the petroleum and pharmaceutical industries in member countries. Besides this many other joint ventures have been implemented with the financial and organizational help of this organization. An important feature of these projects has been the provision of facilities for vocational training which reflects an emphasis on human resource development and the desire to exercise greater control over national resources.

Cooperation in Trade and Finance

Trade:

Inter-regional trade was till the Seventies the only sphere of cooperation efforts. However, these attempts were confined to the liberalization of trade which were uncoordinated and mostly bilateral in character. Important exceptions were the Multilateral Trade and Payments Agreements among seven Arab countries commonly called the Arab Trade Convention and the Arab Payments Convention ratified during the early Fifties. Though these conventions were a commendable effort to promote multilaterally the interests of the region they failed to be implemented effectively. Political and administrative factors are both to be blamed for this though no small role was played by the tariffs and duties on imports that were imposed by the countries involved to raise revenue and protect domestic industries. Thus bilateral agreements replaced the conventions and proved to be more lasting as they covered a larger range of products and accorded greater preference for the traded goods.

The stage of more lasting multilateral agreements was reached some time later. The Council of Arab Economic

Unity was one such attempt in which the clauses of existing bilateral trade agreements were multilateralized. Initially, four countries were involved: Syria, Iraq, Egypt and Jordan. During the late Seventies Syria and Sudan also joined in which widened the scope of the Council. The ultimate objective of the Council was to achieve economic unity for its members. This was to be implemented in stages that involved the free movement of people and capital within the region, transit and transport, use of transport facilities, freedom of trade, employment and residence etc.

While some progress in regional cooperation was definitely made in specific areas the overall performance was not very encouraging. This was because member countries gave up trade restrictions only reluctantly. Still by the early Seventies many of the tariff barriers on agricultural commodities and manufactured products had been removed. For some commodities, however, non-tariff measures like quantitative import restrictions still applied. As a result the Arab Common Market failed to make a significant impact on the economic development of the region. Its influence was reduced significantly by the protectionist policies of the member countries which stemmed, primarily, from identical production and export structures and varying cost structures.

Thus despite the existence of a multitude of multilateral agreements, at the implementation stage it was the bilateral agreements that have made a greater impact. With the passage of time the scope of the bilateral agreements has been gradually widened to cover broader issues of economic cooperation and integration. Most often the bilateral agreements have been beneficial to the participating countries because of the promotion of the collective interests of the countries in external trade, and industrial and technical cooperation.

Finance:

The rise in oil prices and the generation of large financial reserves of some of the countries of Western Asia was the single most important factor that contributed significantly to the expansion of economic cooperation efforts in the field of finance. Part of the large financial surpluses were converted into development funds for extending loans to countries within and outside the region.

One of the oldest funds of the region is the Kuwait fund for Arab Economic Development. Though established in the early Sixties its sphere of activity was considerably expanded during the Seventies, as it began to extend development funds not only to the countries of the region but also to developing countries of Asia and Africa.

Various similar banks emerged in the late Seventies in the region that provide soft development loans for countries of the region and to other developing countries. Though these loans are not usually 'tied' in the sense of being used for any specific purpose within the region they have been most often utilized for infrastructural development.

Another development bank of greater significance for regional economic cooperation is the Arab Fund for Economic and Social Development Established in 1971. This fund provides its services only to member countries. Its loans are readily available especially when utilized for advancing the interests of regional cooperation. The terms and conditions of extending the loans, however, vary according to the financial state of the recipient country. Thus, the fund emphasises the extension of its loans for investment in joint ventures. An important example is its funding of the multi-million project for the Identification and Preparation of Inter-country Investment Projects and their related Feasibility Studies.

The mid-Seventies also saw the emergence of the Islamic Development Bank which extends loans, provides the services of commercial banks and, prepares feasibility studies for development projects etc. During the same period a special body was established within the Organization of Arab Petroleum Exporting countries to provide financial assistance to poorer Arab Countries

in the form of interest free loans with long periods of maturity. Investment companies, too, made their appearance during the mid-Seventies, e.g. the Arab Petroleum Investment corporation and Arab Investment Company which had the aim of creating a proper institutional framework for the promotion of financial cooperation in the region.

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s

OBSTACLES A L'INTEGRATION ECONOMIQUE
EN AFRIQUE DE L'OUEST

PAR

MAKHTAR DIOUF

DIRECTEUR DU CENTRE DE RECHERCHES ECONOMIQUES

APPLIQUEES

FACULTE SCIENCES ECONOMIQUES

UNIVERSITE DAKAR

Octobre-Novembre 1982

Quelles sont les raisons qui s'opposent à une intégration économique effective dans la sous-région ? A cet égard, il est nécessaire de distinguer les Organisations Inter-gouvernementales (OIG) à objectif limité, des communautés économiques.

Un certain nombre d'OIG à objectif limité ont été créés à la hâte du cours des années 70, dans le but d'attirer l'assistance financière extérieure : ADRAO, CILSS, LIPTAKO GOURMA.

Les OIG de création plus ancienne, qui n'obeissent pas à une telle motivation, ont été les plus performantes : OCLALAV, OICMA, ASECNA (1) ; parce que leur mandat a été pensé, défini de façon précise, à partir d'un besoin précis.

De toute façon les OIG à objectif limité doivent être considérées comme des wagons, par rapport aux locomotives constituées par les Communautés économiques ; le noeud gordien du problème de l'intégration se situe au niveau de ces Communautés économiques. C'est leur inefficacité qui freine le processus d'intégration réussie des économies de la sous-région.

A cela, il y a bien entendu des raisons d'ordre politique : l'engagement politique effectif ne suit pas toujours les déclarations faites au cours des rencontres officielles comme les sommets de chefs d'Etat. Mais de ce point de vue, on peut compter sur la sagesse des dirigeants politiques de la sous-région, pour faire passer le bien-être des populations dont ils ont la charge, avant toute autre considération. Et l'intégration économique effective est dans le contexte actuel un des moyens les plus sûrs pour atteindre cet objectif.

Nous avons surtout identifié des raisons d'ordre économique : l'accent démesuré mis sur l'intégration des marchés, et l'absence de stratégie d'intégration de la production.

(1) OCLALAV = Organisation commune de lutte anti acridienne et anti-aviaire.

OICMA = Organisation inter-Etat contre le criquet migrateur africain

ASECNA = Association pour la sécurité de la navigation aérienne.

A) Les obstacles à stratégie adoptée d'intégration des marchés.

La stratégie d'intégration des marchés de pays différents passe par un certain nombre de phases : zone de préférences douanières, zone de libre échange, union douanière, marché commun (1). Mais cette stratégie est sujette à des préalables : Il faut qu'aient été réglés le problème de la production des biens à échanger et le problème des moyens logistiques de circulation de ces biens.

Comme c'est le cas dans la communauté Economique Européenne (CEE) ; comme ce n'est pas le cas dans les Communautés économiques africaines, la CEE constitue leur modèle de référence. Alors que la CEE est entrée la phase du marché commun, nos communautés économiques n'ont pas encore atteint ou bien n'ont pas encore dépassé la première étape de la zone de préférences douanières. Il y a manifestement échec de la stratégie d'intégration des marchés dans la sous-région.

Cet échec tient à plusieurs raisons : la déficience des moyens de transport, le problème des moyens de paiement, la hantise du développement inégal, l'inadéquation des structures de production.

1) - La déficience des moyens de transport.

La déficience des moyens de transport dans la sous-région et dans le reste du Continent a été simplement évoquée et a fait l'objet de déclarations et de décisions importantes (Plan d'Action de LAGOS, décennie des transports pour l'Afrique).

2) - Le problème des moyens de paiement.

Le problème des moyens de paiement ne se pose guère dans la CEA0, du fait de l'appartenance de cinq membres sur les six, à une même zone monétaire. Aussi n'est-il pas étonnant que la CEA0 enregistre de meilleures performances du point de vue du commerce intra-communautaire.

.../...

Par contre dans l'Union MANO RIVER, on trouve autant de signes monétaires que de pays membres : Leone de la Sierra Léone, dollar du Libéria, sily de la Guinée.

Quant à la CEDEAO, elle est une mosaïque de monnaies : Naira du Nigéria, Cedi du Ghana, Leone de la Sierra Léone, dollar du Libéria, dalasi de la Gambie, Ouguiya de la Mauritanie, franc Malien, escudo de la Guinée-Bissau, sily de la Guinée, franc CFA des six pays de l'Union monétaire Ouest africaine. (1) En dehors du dollar du Libéria (qui n'est autre que celui des Etats-Unis) et du franc CFA qui est intimement rattaché au franc français, il s'agit pour l'essentiel de monnaies non utilisées pour les paiements internationaux et même inconvertibles entre elles.

Ce qui n'est pas de nature à faciliter les échanges commerciaux à l'intérieur de la sous région.

Pendant longtemps, les Etats ont eu recours à des accords bilatéraux de règlement (Nigéria-Niger, Sénégal-Gambie) ou bien ont été obligés de passer par les places financières de Paris et de Londres pour faire face à leurs paiements intra-régionaux. Dans les deux cas, le courant des flux commerciaux se trouve considérablement ralenti.

C'est pour cela qu'a été créée la Chambre de COMPENSATION de l'AFRIQUE DE L'OUEST (CCAO), en 1975. Celle-ci a mis au point l'Unité de compte de l'Afrique de l'Ouest (dont la valeur est égale à 1 DTS du FMI) qui réalise le pont de passage qui manquait entre les différentes monnaies. Ainsi, il est maintenant devenu possible pour un importateur d'un pays de la sous-région de payer dans sa monnaie nationale, dans le même temps que son fournisseur, l'exportateur, sera lui aussi payé dans sa monnaie nationale, les transactions passant par les banques commerciales, les banques centrales et la CCAO.

Cependant, le système se heurte à bien des difficultés :

- le support de fonctionnement de la CCAO est constitué par les moyens de télécommunication : telex, télégrammes..., dont la situation est particulièrement désastreuse dans la sous-région.

(1) Le Togo et le Bénin sont membres de l'UMOA sans être dans la CCAO, alors que deux membres de la CCAO, le Mali et la Mauritanie, ne sont pas dans l'UMOA.

- il n'est pas évident que l'existence de la CCAO et de ses mécanismes soit bien connue de ses utilisateurs potentiels.
- Les opérateurs économiques (importateurs et exportateurs) répugnent à utiliser la CCAO, même s'ils en connaissent l'existence, et cela pour une raison très simple : les monnaies africaines autonomes ne sont pas désirées par les populations.

Ce n'est pas souscrire à l'ensemble du diagnostic et des recommandations du rapport de la "Banque Mondiale" (1) que de reconnaître que les monnaies africaines autonomes sont sur-évaluées. Le marché noir fonctionne dans tous les pays de la sous-région ; d'ailleurs on peut se demander si les taux de change du marché noir ne reflètent pas la vraie valeur de ces monnaies, compte tenu de l'absence de marchés de changes officiels, dans des pays à structures d'économie de marché.

Aussi, le marché du Libéria pour le dollar, et ceux des pays de l'UMOA pour le franc CFA vont-ils se présenter comme cibles privilégiées pour les exportateurs de la sous-région.

Ce qui explique les mesures de sauvegarde commerciale prises par les autorités de ces Etats, et qui portent atteinte au fonctionnement des Communautés économiques mises en place (c'est particulièrement le cas dans l'Union Mano River). Dans le même temps, au niveau des autres pays, des besoins importants d'importation ne sont pas satisfaits. Ainsi le Ghana est un débouché potentiel important pour le bétail de la Haute-Volta, mais le marchand de bétail voltaïque n'a nullement envie d'être payé en cédi ghanaen. Le citoyen Ghanaen lui-même, s'il est planteur, au lieu de vendre sa récolte de cacao à l'Office de Commercialisation local contre des cédis, préférera l'écouler en Côte d'Ivoire contre des francs CFA.

Il faut dire que les gouvernements eux-mêmes ne respectent pas toujours les règles du jeu qu'ils ont établi, le Nigéria n'utilise pas la CCAO pour ses ventes de pétrole à ses partenaire de la CEDEAO.

(1) Banque Mondiale : Le développement accéléré en Afrique au sud du sahara 1981

3) - La hantise du développement inégal

Lorsque des pays sous-développés s'engagent dans une voie exclusive d'intégration des marchés, les capitaux extérieurs, sur lesquels on compte beaucoup, se dirigent de préférence vers les "pôles de développement" ; c'est à dire les pays qui disposent d'une certaine infrastructure matérielle (ports, routes, télécommunications,...) et humaine (main-d'oeuvre qualifiée) susceptible d'assurer une rentabilité plus élevée aux investissements. Il s'agit généralement de pays côtiers, dont certains ont été relativement privilégiés par l'Administration coloniale. Ils se présentent alors dans la sous-région, comme véritables "soleil industriels" autour desquels gravitent des "satellites agricoles" constitués par les autres partenaires, le plus souvent des pays enclavés qui se trouvent spécialisés dans deux fonctions bien précises : fournisseurs de produits du crû (céréales, produits d'élevage ...) et débouchés pour la production industrielle des premiers.

L'intégration libre des marchés accentue ainsi les situations initiales de développement inégal.

Ce phénomène a été maintes fois enregistré dans les expériences latino-Américaines d'intégration économique : dans le Marché Commun des Caraïbes, entre la Jamaïque ("riche") et la Guyane pauvre) dans le Marché commun Centre Américain entre le Costa Rica ("riche") et le Honduras (pauvre), dans l'Association latino Américaine de libre échange entre le groupe Brésil-Argentine-Mexique et tous les autres.

Plus près de nous, sur le Continent, c'est le phénomène de développement inégal qui en 1977 a conduit à l'éclatement de la Communauté économique de l'Afrique de l'Est (qui privilégiait le Kenya au détriment de l'Ouganda) et au retrait du Tchad de l'UDEAC en 1968. Et cela, en dépit des dispositifs de compensation douanière mis en place : taxe de transfert dans la Communauté économique de l'Afrique de l'est, taxe unique dans l'UDEAC.

.../...

C'est la hantise du développement inégal qui avait conduit les Etats membres de l'UDAO-UDEAO à ne pas respecter la règle du désarmement douanier prévu par le traité ; ce qui, on le sait, a fait que cette OIG, ancêtre de la CEAO, n'a jamais existé que sur le papier. Ce qui manquait à l'UDAO-UDEAO, c'était un dispositif de compensation financière. La CEAO a retenu la leçon et a introduit la taxe régionale de coopération et le Fonds communautaire de développement qui compensent financièrement les pays membres importateurs de produits manufacturés. Pour l'instant, les difficultés proviennent plutôt du côté des partenaires exportateurs de produits industriels, compte tenu du poids de leurs contributions financières au Fonds Communautaire de développement, dans une conjoncture économique et financière difficile, même pour des pays plus développés. Mais dans quelques années, si la CEAO devait continuer à fonctionner, selon les mêmes mécanismes, il est certain que les partenaires enclavés ne manqueront pas de poser légitimement le problème de leur développement industriel.

Les signes du développement industriel inégal sont déjà perceptibles, avec la répartition des entreprises agréées en régime de la Taxe de Coopération régionale : la Côte d'Ivoire détient 66,42% du marché de produits industriels agréés et le Sénégal 27,40% ; ce qui pour ces deux pays, fait un total de 93,82%.

Répartition des entreprises agréées

| Pays | 1975 | 1976-77 | 1978 | 1979 | 1980 |
|---------------|------|---------|------|------|------|
| Côte d'Ivoire | 46 | 81 | 94 | 113 | 119 |
| Sénégal | 30 | 52 | 58 | 61 | 66 |
| Haute Volta | 4 | 6 | 10 | 12 | 18 |
| Mali | 8 | 10 | 12 | 12 | 13 |
| Niger | 3 | 5 | 5 | 5 | 5 |
| Mauritanie | 0 | 0 | 0 | 1 | 1 |

Source : Intégration Economique n° Spécial septembre 1981 CEA0

Dans le dispositif de la CEDEAO, ce n'est pas la présence du Fonds de compensation et coopération qui peut contribuer à dissiper les inquiétudes de certains Etats, face à ce qu'ils appellent le "géant Nigérian". Ne craignons pas de l'écrire : C'est la hantise de voir leurs marchés submergés par la production industrielle du Nigéria qui freine chez beaucoup d'Etats l'engagement en faveur de la CEDEAO. On se sent par exemple plus rassuré dans le cadre d'une petite communauté économique comme l'Union Mano River, où les partenaires ont une dimension économique à peu près égale.

Pourtant, dans la CEDEAO, pour les produits d'industrie légère avec lesquels il est en concurrence avec d'autres partenaires, le Nigéria souffre d'un handicap non négligeable : des coûts salariaux plus élevés, qui ont nécessairement leur incidence sur le prix de revient des produits destinés à l'exportation. Seulement, il se trouve que le Nigéria est pratiquement le seul pays de la sous-région à avoir entrepris au cours de ces dernières années, une percée dans le secteur de l'industrie lourde (sidérurgie, pétrochimie...). Ce qui dans un proche avenir pourrait conduire à une situation de monopole.

A partir de données économiques sur les différents pays de la CEDEAO, nous avons élaboré ce tableau qui donne une vision assez globale du paysage industriel dans la sous-région.

- 8 -

Ce tableau montre bien la forte présence du Nigéria, dans les différentes filières industrielles.

La non-complémentarité industrielle.

Les économies africaines - lit-on souvent - ne sont pas complémentaires, et c'est là un obstacle au développement des échanges commerciaux. Dans la sous-région de l'Afrique de l'Ouest, toute concurrence est exclue pourtant dans le domaine de l'agriculture, entre les produits de la savane sahélienne (arachide, coton, bétail...) et les produits de la zone soudano-guinéenne (café-cacao-palmistes, bois...). Le non complémentarité se situe non pas au niveau de l'agriculture, mais au niveau de l'industrie.

Comme le montre le tableau précédent, le tissu industriel dans la sous-région est composé d'unités textiles, alimentaires, chimiques ; c'est-à-dire des industries légères qu'on retrouve un peu partout, pour la satisfaction des besoins du marché local. Il n'y a pas là assurément une base solide pour un développement intra-communautaire des échanges industriels.

Seulement, à la différence de l'agriculture, l'industrie n'existe nulle part au monde à l'état naturel. Les unités industrielles sont toujours créées, souvent même en beaucoup plus grand nombre, loin des sources de matières premières (cas du Japon sans ressources minières, comparé à un réservoir de ressources comme le Zaïre). Il faut donc dans le cadre de la sous-région, une stratégie d'implantations industrielles dans les différents pays, sur une base de complémentarité, pour le développement des échanges commerciaux.

Paradoxalement en dépit de tous ces obstacles au commerce intra-régional, les différents traités de communauté économiques de l'Afrique de l'Ouest ont toujours été des projets d'union douanière comme si le droit de douane était l'obstacle décisif, voire exclusif au commerce intra-régional. Le droit de douane peut certes freiner le commerce entre la France et le Luxembourg, mais aucun commerce ne suivra le désarmement douanier entre la Haute Volta et la Sierra Leone, tant que le problème du transport n'est résolu, sans parler des autres obstacles.

- 4 -

Les traités de nos communautés économiques n'ont cure de tout cela : l'intégration économique reste un problème de droit de douane. C'est au régime des échanges qu'on consacre toujours le plus grand nombre d'articles. La CEA0 a de tout temps été considérée comme une affaire de douaniers. Le traité de la CEA0 a d'ailleurs été rédigé par un ancien fonctionnaire français de l'Administration des Douanes, Jacques David, et ce traité a beaucoup inspiré celui de la CEDEAO.

Les dispositions des traités des communautés économiques passent ainsi en grande partie à côté des vrais problèmes, de la sous-région ; c'est parce que le modèle de réforme est la CEE. En 1973, l'auteur du traité de la CEA0, exerçait ses activités au siège de la CEE à Bruxelles. Quelques années auparavant, dans un ouvrage dont il est le co-auteur, il proposait explicitement la CEE comme modèle à l'Afrique.

Et pourtant de l'extérieur comme de la sous-région, ce ne sont pas les mise en garde qui ont manqué de la part de certains économistes, contre l'erreur qu'il y avait à réduire les données de l'intégration économiques en Afrique, à un problème de droit de douane 1/.

En tout cas, les limites du modèle d'intégration des marchés sont devenues tellement manifestes, que dans chacune des trois communautés économiques de la sous-région, des intentions claires ont été formulées pour s'engager dans une voie nouvelle : l'intégration de la production.

J. DAVID, ANGUILE : l'Afrique sans frontières - Ed. Bory-Monaco 1965 pp. 14-15.

1/ François PERROUX : L'économie des jeunes nations. P.U.F. Paris 1962 pp. 168.

T. JABER : The relevance of traditional Integration theory to LDCs. JOURNAL OF COMMON MARKET STUDIES. Vol 9, March 1971.

UKA EZENE : The Applicability of the Conventional Theory of Integration in West Africa : A closer look.
West African Economic Journal - Vol 1. Number 2 - Sept. 1980 - pp. 1-23

Dans le modèle asiatique d'intégration économique, l'ASEAN (Association des Nations du Sud Est Asiatique), on a procédé par une approche tout à fait pragmatique, en commençant d'emblée par une stratégie d'intégration de la production : répartition d'un certain nombre de filières industrielles entre les pays membres. Le traité de l'ASEAN ne comporte aucune disposition d'arrangement tarifaire. La CEDEAO aurait été tellement plus opérationnelle et plus crédible si elle avait démarré avec un projet concret, comme la mise en place d'une société communautaire de transport maritime, au lieu de s'enliser dans des discussions douanières. C'est l'absence d'une stratégie d'intégration de la production qui a été l'obstacle majeur à la réussite des expériences communautaires en Afrique.

B) L'ABSENCE DE STRATEGIE D'INTEGRATION DE LA PRODUCTION

L'intégration de la production peut être entreprise selon deux modalités : la spécialisation et la co-production. Dans la première, un pays se voit attribuer l'exclusivité de la production de tel ou tel produit pour approvisionner le marché communautaire, ceci, soit compte tenu de ses dotations naturelles en ressources, soit à la suite d'une décision communautaire.

Dans la seconde, deux des partenaires mettent en commun des éléments de facteurs de production, pour fabriquer un produit qui aura aussi comme débouché le marché communautaire.

Aucune de ces stratégies n'est véritablement mise en oeuvre dans les communautés africaines. Pourtant l'industrie lourde qui est la base du développement économique ne peut être implantée dans les pays africains que sur une base communautaire de spécialisation ou de coproduction à partir des dotations naturelles en ressources phosphates (Sénégal - Togo) pétrole (Nigéria - Côte d'Ivoire), fer, (Mauritanie - Libéria...) bauxite (Guinée), uranium (Niger) ; ceci pour la seule sous-région de l'Afrique de l'Ouest. Seulement, du fait des relations verticales qui sont privilégiées, ces produits de base sont exportés et transformés ailleurs que sur le continent.

Même si l'on se tourne vers des profils industriels plus modestes, on constate une absence totale de concertation au niveau des initiatives nationales ce qui se traduit par un énorme gaspillage de ressources. Les industries du ciment et du sucre en sont des illustrations édifiantes.

1) L'industrie du ciment :

Le ciment peut être fabriqué directement sur place à partir de gisements de calcaire, ou bien à partir du broyage d'un produit semi-fini, le clinkor, qui peut être acheté. En Afrique de l'Ouest francophone, trois pays, le Sénégal, le Togo et le Mali disposent de gisements importants de calcaire. Des cimenteries existent donc dans ces pays. Mais un pays comme la Côte d'Ivoire qui ne dispose d'aucun gisement a néanmoins mis en place trois usines de broyage de clinkers qui sont importés de France et d'Espagne.

N'aurait-il pas été plus rationnel que l'ensemble du marché de la CEA0 soit approvisionné à partir de cimenteries localisées auprès des gisements de calcaire, sur la base, d'un système de coproduction pour le financement des investissements ? Il existe d'ailleurs dans ce domaine un modèle : la société des ciments de l'Afrique de l'Ouest (CIMA0) implantée au Togo, et son l'essentiel du capital social est détenu par les gouvernements du Togo, de la Côte d'Ivoire et du Ghana (30,7% chacun). La CIMA0 produit pour les usines de broyage de la Côte d'Ivoire et du Ghana, du clinker plus commode à transporter, que le produit fini. On peut citer aussi la société des ciments d'ONIGBOLO entre les gouvernement du Bénin et du Nigéria.

Mais ces cas constituent presque l'exception dans le domaine de la coopération industrielle, compte tenu d'une certaine attitude de "chauvinisme industriel" de la part des Etats. Pratiquement, chaque pays de la sous-région dispose d'usine de ciment ou de projet. Mise à part celle du Sénégal créée en 1949, toutes les autres cimenteries localisées dans l'ancienne AOF ont été mises en place dans la période 1965-71, et à partir de 1978, c'est-à-dire à des période où ont existé l'UDEAO puis la CEA0. Et plus de la moitié sont des usines de broyage de clinker importé 1/.

1/ Bulletin de l'Afrique Noire - n° 1066, 29 octobre 1980, n° 1067, 5 nov. 1980.

2. L'industrie du sucre.

La même politique d'implantations irrationnelles existe dans l'industrie du sucre. En 1972, la Côte d'Ivoire a mis en place un projet de 6 complexes sucriers, (SODESUCRE) pour une production de démarrage de 180 000 tonnes en 1980-81, dont la moitié destinée à l'exportation. La matière première est constituée par la canne à sucre cultivée dans le Nord du pays avec un système d'irrigation à partir des cours d'eau, ce qui ne pose guère de problème dans un pays à forte pluviométrie et investissement total de 300 milliards de dollars, soit 10 millions de dollars (compte tenu surtout des surfacturations) doit permettre une production de croisière de 280 000 tonnes à partir de 1985, année où la consommation intérieure est prévue autour de 100 000 tonnes. Les possibilités sont grandes d'augmenter la capacité de production pour l'approvisionnement de tout le marché de la CEA0, par exemple par voie de participation des autres pays du capital de SODESUCRE.

Seulement, dans le même temps, tous les autres pays de la sous-région, se sont lancés dans des projets sucriers ; même les pays sahéliens régulièrement confrontés à la sécheresse, ceci pour la culture d'une plante comme la canne à sucre qui exige beaucoup d'eau.

Le Gouvernement Ivoirien détient même 16,29% des parts d'action de la Société Sucrière de Haute Volta, qui est un complexe agro-industriel.

Au Sénégal à partir de 1972, des terres jusque là utilisées à la riziculture pour l'autoconsommation villageoise (dans la région du Fleuve, au Nord du pays) ont été affectées à la culture de la canne pour l'approvisionnement de la raffinerie créée à cet effet. Mais comme la production de canne est très insuffisante par rapport aux besoins de l'usine, celle-ci est obligée d'importer d'Europe du sucre roux (produit semi-fini) l'usine étant implantée dans une région enclavée distante de 370 km du port de Dakar, le sucre roux effectue le trajet à partir de Dakar et le sucre raffiné revient par le même trajet à Dakar qui constitue le principal marché de consommation. Ce qui se traduit par des coûts de transport élevés, naturellement répercutés sur le prix de vente au consommateur.

.../...

Durant deux mois de l'année 1981, le marché intérieur n'était pas suffisamment approvisionné et les sénégalais avaient commencé à s'habituer à la pénurie de sucre. Dans le même temps, la Côte d'Ivoire était confrontée au problème inverse : des excédants de sucre qui lui posaient d'énormes problèmes, surtout que les Autorités de Bruxelles lui refusaient le bénéfice du protocole sucrier de la Convention de Lomé, qui garantit un prix d'écoulement supérieur au prix du marché mondial. Il faut ajouter que le projet Ivoirien remonte à un moment où le cours mondial du sucre venait de passer de 50 à 300 francs CFA le kilo.

Les exemples du sucre et du ciment montrent tout simplement que les Etats africains confectionnent leurs plans de développement sans se concerter, exactement comme si les Communautés Economiques n'existaient pas. C'est décidément à se demander à quoi servent celles-ci, qui n'arrivent même pas à remplir la fonction de conseillers techniques coordonnateurs auprès des gouvernements.

Ces stratégies nationales d'implantations industrielles irrationnelles et désordonnées s'expliquent tout simplement par le souci de chaque gouvernement de ne pas voir son pays tenu en marge du processus d'industrialisation considéré non sans raison, comme la base du développement économique. Les pays africains les plus industrialisés cherchent à consolider leur avance, et les autres ne tiennent pas à jouer éternellement le rôle d'appendices agraires.



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإنماء الاقتصادي والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

Report of the UNCTAD-CEESTEM-RCCDC Round-Table

on Economic Co-operation among Developing Countries

(Mexico City, 22-29 November 1982)

At the Round-Table, views were expressed by the participants in their personal capacity. They do not necessarily reflect those of the organizations to which they belong.

CONTENTS

Page

| | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Introduction | ----- |
| Chapter I - | Conclusions and recommendations ----- |
| Chapter II - | General issues of economic co-operation among developing countries----- |
| Chapter III - | Promotion of economic co-operation in the field of: A. Trade----- B. Money and finance----- C. Technology and energy----- D. Commodities, food and agriculture----- E. Industrialization----- F. Institutional matters----- |
| Chapter IV - | Organizational matters----- |
| Annex - | List of participants and observers----- |

INTRODUCTION

1. The Round-Table on Economic Co-operation among Developing Countries, jointly sponsored by the Mexican Centre for Economic and Social Studies of the Third World (CEESTEM), the United Nations Conference on Trade and Development (UNCTAD) and the Research Centre for Co-operation with Developing Countries, Ljubljana-Yugoslavia (RCCDC), with the financial support of the United Nations Development Programme (UNDP), was held at the headquarters of CEESTEM in Mexico City from 22 to 29 November 1982.

2. It was opened by Mrs. Alicia Puyana, Chief of the CEESTEM Project on International Economic and South-South Co-operation in the area of the New International Economic Order, who welcomed the participants on behalf of the host organization. She reviewed the main forms of economic co-operation among developing countries and outlined the changes that would be required in the form and content of such co-operation in the short, medium and long term, in light of the present world economic crisis.

3. Mr. Alister McIntyre, Deputy Secretary-General of UNCTAD, expressed his appreciation to CEESTEM for hosting the Round-Table. Pointing to the crucial role of South-South co-operation in the reactivation of the world economy, he emphasized the importance of the co-ordination of national policies with the decisions taken by the Group of 77 as a whole in the Caracas Programme of Action. He stated that, given the complexity of the tasks, it was essential to undertake a serious analysis

of the options and to establish a rigorous order of priorities. He emphasized the need for interregional support for co-operation at the regional and sub-regional levels and pointed, in particular, to the Lagos Plan of Action as an example of an initiative which merited the financial and technical support of the developing countries as a whole.

4. Mr. Jorge Eduardo Navarrete, Under-Secretary for Economic Affairs, welcomed the participants on behalf of the Government of Mexico. He described his country's commitment to economic and technical co-operation among developing countries, stating that, while such co-operation was not an alternative to, or substitute for, North-South co-operation, it was a valuable instrument in efforts to achieve a radical reorientation of economic relations with developed countries. He highlighted the importance of finding a means of financing South-South co-operation without having to use scarce foreign exchange; of negotiating the Global System of Trade Preferences (GSTP) within a universal forum such as UNCTAD; and of establishing a permanent institutional support mechanism for the Group of 77.

5. Lic. Luis Echeverría Alvarez, Director General of CEESTEM, recalling the achievements of three decades of South-South co-operation, emphasized that this co-operation should be oriented towards a restructuring of the present inequitable system of international relations within the framework of the Charter of Economic Rights and Duties of States, which had been adopted thanks to the solidarity of the Third World.

6. Dr. Boris Cizelj, Director of RCCDC, highlighted the important role that could be played by national research institutes in developing countries in the area of ECDC, and stressed the need for such institutes to co-operate closely among themselves and with appropriate international organizations such as UNCTAD, and to establish close links with the Office of the Chairman of the Group of 77 as well as with national agencies responsible for implementation of ECDC.

7. In the course of its work, the Round-Table engaged in a wide-ranging discussion of the substantive items on its agenda, which is briefly described in chapters II and III below. The participants also agreed on a number of conclusions and recommendations arising out of the discussion. These conclusions and recommendations are contained in chapter I below.

8. At the final meeting, on 29 November 1982, Ambassador Manuel Pérez Guerrero of Venezuela, Dr. Boris Cizelj, Director of RCCDC, Mr. Moses T. Adebajo, Director of the Division for Economic Co-operation among Developing Countries of UNCTAD, Mr. Gustavo Silva Aranda, Resident Representative of UNDP in México, Mr. Frank E. Bracho, member of the Core of Assistants to the Chairman of the Group of 77 in New York, took the floor to express their appreciation to the Mexico Centre for Economic and Social Studies of the Third World for the excellent organi-

zation of the Round-Table and the high quality of the facilities provided.

9. Dr. Cizelj emphasized the importance of giving as wide a distribution as possible to the report at the national, sub-regional and regional levels. Mr. Silva Aranda stated that in his view, the Round-Table had been a very rewarding experience and expressed UNDP's continuing support for ECDC activities despite growing financial constraints. Mr. Bracho said that he would ensure that the report received the widest possible distribution among the members of the Group of 77. Mrs. Alicia Puyana, Chief of the CEESTEM Project on International Economics and South-South Co-operation in the area of the New International Economic Order, expressed her thanks to all the participants for their contribution to the success of the Round-Table, which had proved a source of great stimulation for CEESTEM.

few critical non-tariff measures. However, quantitatively specified trade targets might also be considered.

(b) Negotiations in the area of raw materials could usefully encompass the possibilities of horizontal diversification and the necessary financial and institutional support mechanisms for this, especially for developing countries which depend largely on the export of raw materials.

(c) Exchanges of preferences in the area of trade in manufactured goods may usefully be complemented by appropriate arrangements that will enforce security of supply of products that will be covered within the framework of the GSTP.

(d) The negotiations may also wish to explore the possibility for establishing appropriate services in the area of transport and insurance, as such services will help to underpin and support intensified trade among developing countries, particularly in those areas where they do not exist or are grossly inadequate. The possibility of transport preferences should also be explored. In addition, trade facilitation measures should include the simplification of tariff procedures.

(e) The global approach under the GSTP should be seen as a way of extending and consolidating the progress made so far in sub-regional, regional and interregional co-operation. Because of the complexity of negotiating such arrangements, initial efforts should be based on a flexible and pragmatic approach.

The approach to the GSTP should also bear in mind the inter-related nature of measures in the trade sector with measures in other major ECDC fields such as finance and industrialization.

(f) Individual countries should be encouraged and assisted to identify actual and potential trade opportunities within the framework of interregional co-operation and to pursue programmes and policies that could expand such potential opportunities. Stress should be laid on an expanded role for trade information systems.

2. The present role of TNCs in regional and interregional trade should be studied and assessed on a product-by-product basis, with a view to proposing measures that will ensure that such trade makes a positive contribution to trade and development in the developing countries. Decision-makers should make the fullest possible use of existing studies on the subject.

3. Since the contribution of interregional trade to the growth and development of the participating developing countries would depend on the value added by these countries in the production of the traded products, studies should be made of the value added in the production of the major traded commodities, with a view to proposing measures for intensifying, by mutual and collective effort, the domestic value added to traded commodities.

4. Since purchases by public authorities constitute a sizable and increasing proportion of total purchases in a large number of developing countries, one important means of promoting intra-regional and interregional trade is by according preferential treatment to developing-country enterprises supplying goods and services. Such preferential treatment can be implemented through the exchange of information on the plans, projects and supply requirements of the public sector; promotion of the participation of developing-country enterprises in meeting the supply requirements of the public sector; the establishment of services to promote inter-firm contacts at the South-South level; and through long-term supply and purchase commitments among the developing countries, if need be on a preferential basis. In this connection, work should be stepped up on the recommendations made in both the Arusha and the Caracas Programmes of Action for studies, consultations, and consultancy and advisory services that would lead to the preparation of further programmes of co-operation among State-trading organizations (STOs) and other purchasing authorities of the developing countries.

5. (a) In order to overcome the disadvantages for South-South trade of established trade channels, brand names and distribution networks for a number of products traditionally imported by the South from the North, it is important to step

up the efforts that have already been initiated by UNCTAD for implementing the recommendations on the establishment of multinational marketing enterprises made in the Arusha and Caracas Programmes of Action and by the Working Party on Trade Expansion and Regional Economic Integration among Developing Countries. In this connection, consideration should be given to the possibility of promoting the establishment of trading houses of the Japanese type (sogo shosha) in developing countries.

(b) In this connection, developing countries should support the establishment of joint ventures of developing countries, in particular multinational marketing enterprises, and the strengthening of existing ones. In particular, efforts should be made to ensure that these enterprises are provided with the necessary financial and managerial resources, so that they can operate in a fully viable and effective way in competition with firms of developed countries in international markets.

6. It is recommended that special measures should be worked out to promote the special interests of the less developed countries, not only to enable them to derive clear benefits from the preferential arrangements but also to emphasize the all-important principle of solidarity between the more developed and the less developed group of developing countries.

In this connection, it is suggested that particular attention should be paid to the following measures:

(a) The least developed countries should be exempted from making reciprocal concessions within the framework of the GSTP. Any concessions agreed within that framework between the more advanced countries should be extended to the least developed countries.

(b) A special programme of economic and technical assistance within the framework of ECDC should be provided by the more advanced to the less advanced developing countries, with a view to helping the former to overcome some of the structural and infrastructural problems that would prevent them from taking full advantage of preferential arrangements within ECDC.

(c) Studies should be made of special financial measures that could be provided by the more advanced to the less developed members of the group in support of trade measures. One such example is the payment or part-payment in local currency for imports by the less developed countries. The local currency proceeds from such transactions could then be utilized for programmes of technical and financial assistance and investment by the more advanced countries for the benefit of the less developed partners.

(d) The more advanced partners could demonstrate their solidarity with the least developed countries by actively participating in the special programmes of assistance to the latter countries which were recommended by the United Nations Conference on the Least Developed among the Developing Countries and which are now being implemented through a series of donors' meetings organized within the United Nations system.

(e) As a very special way of demonstrating solidarity between the more developed and less developed partners in the group of developing countries, the more advanced countries could develop a special programme of support for the Lagos Plan of Action including the Industrial Development Decade for Africa and the United Nations Transport and Communications Decade for Africa, particularly in the fields of food and agricultural production, technology transfer, energy and industrial development. Such special programmes of support could be worked out by arrangements involving ECLA, ESCAP, ECWA, ECA and the OAU.

7. (a) The negotiating machinery should be assisted by intensive studies of production and market trends in the major commodities that could be important in interregional trade. These should include studies of existing capacities and proposed expansion, comparative prices and the various options for mutually advantageous concessions on bilateral or multi-

lateral preferential arrangements. The possibility of expanding trade through bilateral barter arrangements should also be examined.

(b) Such studies should be undertaken in co-operation with national and regional institutions and should focus attention on trends and possibilities at the national, sub-regional, regional and interregional levels. The studies should include some assessment of trends in production costs and prices and the internal and external factors that are most important in determining the trends of costs and prices.

(c) Other studies should relate to (i) various national policies, such as those on incomes, prices and exchange rates, that have important consequences for the movement of domestic costs and prices; (ii) identification of exportable products that will react more positively to tariff preferences and contribute more tangibly to economic growth; and (iii) the costs of trade diversion and export promotion within the framework of the GSTP.

B. MONETARY AND FINANCIAL CO-OPERATION

1. It is essential that the Group of 77 should accord a higher priority to measures of monetary and financial co-operation when formulating ECDC policy proposals, for at least two

reasons. Firstly, present policies and priorities pay insufficient attention to the catalytic importance of monetary and financial co-operation in the implementation of their ECDC measures and processes, such as the expansion of trade and services, investment, structural adjustments and the transfer of technology, and the support of technical co-operation. Secondly, there are acute payments and trade imbalances which threaten the stability not only of many developing countries but also of the Group of 77 itself, and for which remedial measures are urgently required.

2. Steps should be taken to increase the awareness of Governments, the Group of 77 and its Group of 24 of the need for strengthening monetary and financial co-operation. To this end Governments should be requested to assign to the Group of 24 representatives who are not only financial and monetary experts but are also experienced in problems of economic co-operation and integration. In addition, co-ordination arrangements between the Group of 77 and its Group of 24 should be strengthened.

3. It is desirable to create a platform of global negotiations on debt repayments in the context of the prospective world trade and financial situation. Institutional arrangements and an agenda for the platform should be proposed for the forthcoming

sixth session of the United Nations Conference on Trade and Development.

4. Policies and measures should be realistic and pragmatic. To this end the reasons for past successes and failures should be studied closely, and more attention should be paid to the constraints, including attitudinal barriers, which inhibit investment and development assistance.

5. Special attention should be paid to the needs of the least developed countries. Consideration should be given to the investment and payments needs of the African region and to the preparation of special programmes of support by developing countries to the Lagos Plan of Action, which should be designed particularly to expand investment resources, to reduce trade imbalances and to facilitate technical co-operation.

6. Policies and measures should reflect the need for a bilateral, sub-regional and regional approach between developing countries, as well as the need to strengthen and develop global and interregional co-ordination arrangements, including institutional arrangements.

7. In line with the general recommendations outlined above, the following specific measures should be included in the programme of monetary and financial co-operation.

(a) The preparation of specific guidelines to encourage the development of bilateral agreements both interregionally and regionally between developing countries which would facilitate, inter alia, the use of local currencies in trade expansion, technical co-operation and joint investment.

(b) The continuation of technical studies on the feasibility of establishing a Bank of Developing Countries. Such studies should be designed to clarify further the desirable scope of the Bank's operation, and constraints and problems which would affect its operation.

(c) The preparation of guidelines for special measures of assistance by developing countries to the Lagos Plan of Action, the Industrial Development Decade for Africa and the United Nations Transport and Communications Decade for Africa, including the desirability of opening financial support "windows" through the African Development Bank and the African Development Fund, and assistance in the preparation of portfolios of project proposals.

(d) The improvement and strengthening of sub-regional, regional and interregional financial institutions, including regional clearing arrangements, and the development of inter-regional clearing links. In connection with sub-regional,

regional and interregional clearing arrangements, special consideration should be given to devising an investment facility including investment guarantees in such arrangements. This would be expected to encourage the deployment of accumulated balances of creditor countries for profitable investment in debtor member countries, thereby permitting greater use of clearing arrangements. The Co-ordinating Committee on Multilateral Payments Arrangements should be requested to intensify its activities to strengthen and develop linkages between these institutions.

(e) Support for existing regional and sub-regional development banks as a high priority. In this connection, pre-investment and investment resources should be increased for the identification, preparation and financing of multinational investment projects.

(f) Studies and promotional action to encourage the participation of developing countries members of regional development finance institutions in the ordinary capital of development banks of other regions and also in projects financed by these banks.

(g) The development of limited convertibility arrangements to assist the expansion of intra-developing countries' trade and services, and the development of other mutual payments support arrangements.

(h) Further technical study of the scope for developing an interregional system of investment guarantees.

(i) Steps should be taken to sensitize policy makers and planners to the role of TNCs in the international movement of financial resources from the South to the North and its consequences, and to measures which can be taken to mitigate such movements and their consequences. In this connection, special attention should be given to the effect of co-operation in strengthening the services sector in the South in order to reduce the South-North flow of financial resources.

(j) The above-indicated measures should be carried out in parallel with further considerations in the reshaping of the global monetary system, with the aim of creating conditions for greater harmony in world development processes and of facilitating ECDC.

C. TECHNOLOGY AND ENERGY

1. It is recommended that the developing countries initiate or further strengthen measures for co-operation among themselves within the framework of a strategy for the technological transformation of their countries, in order to reduce external dependence and strengthen national capacity to take the decisions necessary for autonomous technological development.

2. Specific measures of co-operation in this regard should include:

(a) Action at the overall level:

- (i) Systematic identification of specific TCDC capacities and needs through workshops where government participants would be empowered to enter into specific agreements;
- (ii) Strengthening of information systems at the national, sub-regional, regional and interregional levels, with appropriate linkages;
- (iii) Arrangements for joint technological research and development, design and engineering;
- (iv) Harmonization of developing countries' policies, rules, regulations, laws and practices governing technology in all its aspects;
- (v) Training and exchange of personnel, including the co-operative exchange of skills;
- (vi) Establishment of preferential arrangements for the transfer and development of technology, in particular for the least developed countries.
- (vii) Technological co-operation in specific areas and sectors of crucial importance;
- (viii) Strengthening of existing regional and sub-regional organizations and, where necessary, the

creation of new institutions to service new areas or sectors to be opened up for co-operation, and the establishment of interlinkages between them.

(ix) Institution of mutually advantageous and expanding arrangements to include sharing of technology developed by developing countries with their limited resources and for their own commercial advantage;

(x) Appropriate use of the modality of "national research and training centres of multinational scope", by strengthening and adapting existing centres and, where necessary, establishing new ones.

(b) Action at the sectoral level in such sectors as food production and processing; pharmaceuticals, capital goods, industrial design and engineering; and information and communications. Such action should be designed to promote the establishment of research and development projects at the national level suitable for ECDC/TCDC, which should be linked with the production process, particularly in the public sector; of national and regional capacity for the assessment of the suitability of new technologies; of institutes for quality control and testing of equipment from alternative sources; and of networks for the dissemination of information on experiences and on existing domestic technological capability. Efforts should also be made to introduce schemes for the exchange of skills, with a view to overcoming the constraint of scarcity of skilled

labour existing in almost all developing countries.

(c) Action to encourage joint efforts by the developing countries to develop indigenous information-communications hardware and software technology, given the fact that such technology is an essential part of the other technologies.

(d) Action in the field of energy directed towards:

(i) Strengthening of communication and information on energy technologies, including the drawing up of inventories of available technologies at the regional and interregional levels;

(ii) Exchange of technology in those sub-sectors where a technological capability has been built up in the developing countries, such as in the development of alternative conventional sources of energy;

(iii) Co-ordination of research and development activities in the transfer, application and development of technology in the energy sector;

(iv) Arrangements for promoting the development of new and renewable energy technology in order to ensure an orderly transition to an energy system increasingly based on more diversified energy sources;

(v) Arrangements between consultancy and engineering organizations of the developing countries, to provide, inter-alia, for joint participation in tenders in international bidding and for joint production of equipment in this sector;

(vi) Establishment of an agency and/or the reinforcement of existing regional institutions responsible for the preparation and planning of energy technology projects, which, inter-alia, would assist in drawing up a list of projects requiring multinational action, in the search for alternative sources of financing and technology, and which would reinforce the basis for intergovernmental negotiations;

(vii) Creation of a forum of public utilities for improving power equipment procurement and exchange of experience in power plant management; and

(viii) Identification and promotion of multinational energy enterprises.

D. INDUSTRIALIZATION

1. The developing countries should evaluate and explore ways and means of developing internal and regional markets for

their industrial goods;

2. Co-operation should be pursued at the sub-regional, regional and interregional levels in the area of high-technology, notably micro-electronics, advanced communication equipment and genetic engineering, so as to permit developing countries to learn the implications of, and take measures to meet the challenge posed by, developments in these new areas in accordance with their own needs. In this regard, it is important to reinforce the on-going activities of UNIDO, ITU, UNCTAD and other organizations in this area.

3. Multinational projects, such as the coal mining venture between some Latin American countries, should be developed in order to exploit natural resources on a supranational basis.

4. National industrial development banks should be encouraged to foster the implementation of multinational industrial projects.

5. International financial institutions should be encouraged to finance multinational industrial projects of developing countries.

6. Organizations within the United Nations system should reinforce their co-operation at all crucial interfaces between production and trade; industry and agriculture; industry and energy; and production, trade and finance.

7. Regional integration groupings should be encouraged to learn from the industrial co-operation and integration efforts of the past and notably to focus efforts on specific industrial projects of common interest to all member countries. In the preparation and execution of such projects, efforts should be made to ensure the participation of entrepreneurs in both the public and private sectors, unions, research institutions and all other relevant local entities.

E. INSTITUTIONAL ISSUES

1. The institutional mechanism for co-ordination, monitoring, follow-up action and evaluation established by the Caracas Programme on ECDC should be given the strongest support by all countries members of the Group of 77 as a first step towards the consolidation of a comprehensive institutional system of developing countries for ECDC, including a compact full-fledged secretariat.

2. This support could entail:

(a) Increasing contributions to the "Group of 77 Account for ECDC" to allow it to fund a wider scope of activities than at present;

(b) Strengthening the implementation mechanism through the secondment of highly qualified government experts as well as through the recruitment of independent experts and consultants;

(c) Increasing the number and scope of activities at the national level as well as exchange of information and working contacts between the national focal points on ECDC. These focal points should also be entrusted with the responsibility of furthering ECDC objectives at the national level in government departments, with the private sector and with the national mass media, in order to help change attitudinal misconceptions at the national level on co-operation with other developing countries.

(d) Encouraging the participation of entrepreneurial institutions and labour organizations in the formulation and implementation of ECDC projects and programmes. In this connection an evaluation should be made of ECDC projects which have already been established on a commercial basis.

3. Sub-regional, regional and interregional economic co-operation and integration groupings of developing countries constitute some of the most valuable tools for the promotion of interregional ECDC objectives. The recently established Informal Contact Group of the secretariats of these organizations, which has adopted a comprehensive programme of co-operation among these organizations in support of the Caracas Programme of Action, should be fully used in the implementation of the various sectoral aspects of the Programme.

4. In the field of monetary and financial co-operation, full

use should likewise be made of the facilities provided by the Co-ordination Committee on Multilateral Payments Arrangements and the World Federation of Development Finance Institutions. Developing countries members of clearing arrangements and development finance institutions should likewise consider becoming members of similar institutions of developing countries in other regions, since such possibilities have recently been opened up by some of these institutions.

5. The Chairman of the Group of 77 should make an inventory of, and establish contacts with, existing research institutions of the developing countries with ECDC interests, in order to identify possibilities for co-operation with these institutions, particularly in connection with the preparation of studies and the servicing of the technical meetings planned within the calendar of sectoral meetings under the Caracas Programme.

6. The Group of 77 should make greater use of existing producers-exporters associations of developing countries in the preparation of technical studies, proposals and negotiations relating to the sectoral objectives of the Caracas Programme, particularly in connection with the sections on trade, raw materials, food and agriculture, energy and technical co-operation. Likewise, a greater involvement of these associations in the Programme could help to accelerate the entry into force of the Statute of the Council of Producers' Associations. Furthermore,

in line with the recommendation contained in the Caracas Programme of Action that existing producers-exporters associations should be strengthened and new associations should be established, it would be important to ensure that adequate information on these associations be provided through the compilation, up-dating and centralization of information on the associations and their activities as well as the carrying out of evaluation studies on their performance.

7. Given the importance of information to sustain any economic co-operation process of negotiation, it is felt that this aspect of the Programme should be given the highest priority. Besides continuing to support the actions undertaken by the non-aligned and other developing countries in the area of Information-Communications, it is recommended Information-Communications should be given more concerted attention as a newly evolving multisectoral area, including both the technical aspects and the economic, political and socio-cultural impact of modern communications facilities, in particular transborder data flows (TDF) and the use of communications satellites; at the same time, the stage of development of information systems should not be overlooked. The Development Information Network (DEVNET) should be actively pursued, starting with a well-conceived interregional pilot project, with appropriately supported inputs at the regional level.

8. The Action Committees are recognized as a most flexible

and useful institutional mechanism, which could be set up by any number of countries on a voluntary basis to deal with any issue of common interest, with a servicing secretariat of limited duration and financed by the interested countries themselves. As such, the Group of 77 should attempt to undertake a few pilot case studies to test the most appropriate operational framework for these committees. The possibility may be explored, for example, of establishing an Action Committee of interested developing countries of Asia and Latin America to study ways and means of giving support to the Lagos Plan of Action. Another such committee could be established to undertake promotional action with the public and private enterprises of one region to explore possibilities on investment in another region.

9. Although the developing countries have repeatedly reaffirmed that the implementation of their ECDC programme should be based on their own efforts, such as those suggested above, it is also recognized that the support of the United Nations, its regional economic commissions and the specialized agencies will remain essential during the formative stages of this process. It is therefore felt that the Group of 77 should continue to press the international community to provide its assistance and support to its ECDC objectives. In this connexion, the following measures could be envisaged:

(a) The United Nations Secretary General should be requested, through resolutions of the General Assembly, to earmark additional resources for the promotion of ECDC.

(b) Through common action in the governing bodies of all organizations within the United Nations system, and particularly UNCTAD, UNIDO, FAO, ITU, UNESCO and UNDP, the Group of 77 should request technical support for the attainment of the sectoral objectives of the Caracas Programme of Action.

(c) Since a number of developed countries have in the past been sympathetic to the idea of ECDC as an essential component of the New International Economic Order, the Group of 77 should consider, in appropriate cases, offers of technical and financial support from bilateral aid sources of those countries in pursuance of its ECDC objectives.

CHAPTER II

GENERAL ISSUES OF ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES

1. The discussion under this item centred upon a number of general considerations concerning the basis for, and strategy of, economic co-operation among developing countries, many of which were raised again in the discussion of more specific items of the agenda.
2. A large number of participants stressed the need to ensure that the political will reflected in the wide set of principles of ECDC adopted by Governments were translated into concrete actions. One participant indicated that such was the purpose of the Caracas Programme of Action and described the components of this Programme. Others referred to the necessary links that needed to be established between the intergovernmental fora dealing with ECDC issues and officials and business circles in developing countries responsible for implementing ECDC resolutions and decisions. In particular, there was a need to reinforce political attitudes and increase awareness in developing countries by demonstrating the importance of ECDC as an engine of growth for the development of developing countries as well as for the world economy.
3. Several participants also referred to the overall ECDC strategy that should be adopted. It was pointed out that, in order to devise a suitable strategy, an effort should be made

to arrive at a proper understanding of the nature of the problems addressed, including that of the current world economic crisis, as different diagnoses of the problems led to different actions. In this connection, one very important issue was that of the relationship which should exist between global and inter-regional ECDC programmes and ECDC efforts at the regional and sub-regional levels, and the related question of whether ECDC would be better promoted from the top (global and interregional programmes) or built up from the bottom (regional and sub-regional efforts). The general view was that everything should be done to ensure that both processes reinforced each other.

4. One participant stated that, in his opinion, the concept of individual and collective self-reliance should become a crucial element of the economic policy of each developing country. At a time when there was increasing protectionism on the part of the developed countries, economic co-operation among developing countries assumed paramount importance for the achievement of collective self-reliance.

5. With regard to priorities for ECDC action, one participant warned against laying too much emphasis on trade as against, for example, industrialization. However, the meeting was reminded that the Caracas Programme of Action sought to achieve a balance of progress on several fronts without unduly favouring any of them at the expense of others.

6. Other issues raised included the choice of appropriate tech-

nology for developing countries; income distribution and its links with the structure of production and scope for co-operation among developing countries; the desirability of developing countries co-operating with like-minded developed countries; the necessity of designing ECDC projects as commercially viable propositions; the important role of technical co-operation among developing countries; and the distribution of costs and benefits of ECDC. In this latter connection, some participants expressed concern about the unfavourable situation of the least developed among the developing countries (LDCs), which might prevent them from reaping the full benefits of ECDC. The suggestion was made that special provisions should be incorporated in global ECDC programmes and projects, giving favourable treatment to the LDCs, as was already the case for the less developed members of regional and sub-regional arrangements. Concern for the situation of the LDCs was manifest throughout the discussion of the remaining items of the agenda.

7. There was general agreement that there was a need for adequate institutional machinery in support of ECDC. Some suggestions were made in this connection, in particular concerning the need to strengthen the Group of 77, to rationalize and increase the effectiveness of the existing institutional machinery, and to make more use of flexible, partial schemes such as the action committees envisaged in the Caracas Programme of Action.

CHAPTER III

PROMOTION OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES IN THE FIELD OF:

A. TRADE

1. Under this item, the participants engaged in a wide-ranging discussion on the basis of six papers presented to the meeting. There was general recognition that the decision taken by the Ministerial Meeting of the Group of 77 in October 1982 to proceed with the negotiation of the Global System of Trade Preferences (GSTP) reflected the importance which developing countries attached to the GSTP as a means of increasing the volume of South-South trade. In this regard, a number of participants laid particular emphasis on the need for political will. Several participants warned that an exclusively top-down approach could prove counterproductive if the vital role of the private sectors was not fully recognized. There was a need for a parallel "bottom-up" approach, and it was essential to arrive at a better understanding of the most appropriate mix.

2. It was pointed out that in the implementation of the GSTP it would be difficult to ensure ipso facto a truly equitable distribution of benefits as between the parties to the negotiation. The important thing was that the benefits to be derived by all participating countries should outweigh the additional costs that would inevitably have to be assumed in terms

of reduced revenue and trade diversion.

3. Stress was laid on the need to ensure that the effects of the GSTP were compatible with existing preferential arrangements at the regional and subregional levels. In that connection, it was stated that there would be a need for deeper tariff cuts withing the integration groupings concerned in order to safeguard existing preferential arrangements, though one participant pointed out that such cuts might offset or negate the preferences given under the GSTP.

4. There was some difference of view among the participants concerning the efficacy of tariff reductions per se. One participant argued that an empirical analysis of experience in regional and sub-regional integration groupings demonstrated ^{at} the tariff cuts of at least 10 percent were required to generate some increase in trade flows, and that cuts of the order of 20 percent would have a considerable effect on the volume of trade, particularly of manufactures. A number of participants, however, expressed the view that tariff liberalization alone might not necessarily ^e lead to an expansion of trade, unless supplemented by other measures, including action in respect of non-tariff barriers (NTBs) and harmonization of the policies at the country level. Others felt that the GSTP negotiations should proceed in phases and that it would not be advisable to attempt to tackle the difficult problem of NTBs in the initial phase.

5. Several participants emphasized the point that, in view of the very different levels of economic development within the group of developing countries as a whole, and the concentration of South-South trade among the newly industrialized countries (NICs), these countries would inevitably be the major beneficiaries of the GSTP. One participant, pointing to the fact that the GSTP was the first test case of a major negotiation within the Group of 77 itself, as a negotiating forum of ECDC, warned of the danger of very limited participation in the negotiation unless new techniques were introduced and measures taken in the immediate future. He said that the GSTP should be viewed as a long-term process, in which a network of preferences could be gradually built up from the regional and sub-regional levels and in which the NICs could play a "locomotive" role in promoting interregional exchanges of preferences.

6. All participants stressed, however, the need to take account of the interests of the LDCs and to associate them to the greatest possible extent with the benefits to be derived from the GSTP. It was recognized that there could be no question of reciprocity from the LDCs, and the specific suggestion was made that any preferential arrangements negotiated under the GSTP should automatically be extended to the LDCs irrespective of whether these countries participated in the negotiations.

7. A number of structural constraints to the development of South-South trade were identified by the participants. These included the higher cost of transport in the South and, in general, the lack of adequate infrastructure; the smallness of the markets; insufficient production capacity; the complexity of tariff procedures in developing countries; problems related to the adoption of rules of origin; lack of standardization; the predominant role played by TNCs in determining the scope and nature of trade, including intra-firm trade; the lack of export incentives; foreign exchange policies; and monetary constraints.

8. Among the possible measures that should be considered, it was suggested that particular attention should be given to the development of transport systems; the simplification of tariff procedures; government procurement policies in favor of other developing countries, in particular through State-trading organizations; export promotion policies; quality control; the possibility of barter arrangements and the development of domestic markets.

B. MONEY AND FINANCE

9. Under this item three papers were presented to the meeting and an oral report was given on the status of the feasi-

bility study for a proposed Bank of Developing Countries (South-South Bank), which was being assisted by the UNDP-financed UNCTAD-executed project, Advisory Services on ECDC/TCDC. In addition, it was stated that UNDP, through its interregional programme, had also provided a separate modest allocation covering consultancy services relating to the preparation of background documents for the recent Jamaica meeting at which the proposed South-South Bank had been discussed.

10. There was some difference of view among the participants with regard to the proposal for a South-South Bank. Several participants pointed to the difficulties that were likely to be encountered in establishing a new global financial institution, especially in light of the current economic crisis. Reference was made in this regard to the difficulties encountered in previous initiatives undertaken at the regional level, particularly in Asia, and the need to review that experience in the context of the emerging development imperatives. It was felt, moreover, that the external debt situation prevailing in a number of developing countries might well act as a disincentive to their participation in the proposed South-South Bank. Some participants raised the issue of the potential scope of such an institution. In this regard it was felt that, in the course of the feasibility study, further attention might be given to the range of functions which such a bank should have. In other words, could such an institution realistically perform a balance-of-payments support function as well as, among

other things, a development financing function? In this regard, a view was advanced that for balance-of-payments adjustment assistance reliance should be placed more on improving current compensatory financing arrangements. The need to revive studies and proposals for indexation was underlined by one participant.

11. Other participants were of the view that the concept of a South-South Bank was essentially sound and that priority should be given to completing the feasibility study, particularly in light of the urgent requirements of developing countries for various types of monetary and financial support. In this regard, a diagnosis should be made of the reasons for the failure of the proposed Solidarity Fund to become operational.

12. It was suggested that, with a view to enhancing monetary and financial co-operation among developing countries, there should be closer co-ordination between the Group of 24 and the Chairmanship of the Group of 77, and that the delegations of developing countries in the Group of 24 should be composed of experts not only on monetary and financial questions bearing upon North South-relations, but also on the ECDC aspects of these questions. In this connection, attention was drawn to the urgent need for the developing countries to arrive at

a common position on the problem of external debt, before negotiating with the creditor countries a new set of principles to restructure the present debtor-creditor relationships. This would not necessarily imply joint debt renegotiations on the part of developing countries.

13. One participant drew the attention of the meeting to data contained in one of the papers presented on trade, which clearly demonstrated the existence of two major imbalances threatening the stability not only of many developing countries but also of the Group of 77 itself. The first imbalance related to the enormous payments deficit of all developing regions with West Asia, a deficit which could not be offset solely through trade liberalization measures, such as those envisaged under the GSTP. The second was the trade imbalance resulting from the dominant share of the higher-income countries in intra-developing countries' trade.

14. In addition to the discussion on the proposed South-South Bank, which represented a global approach to monetary and financial co-operation among developing countries, there was also an exchange of views on complementary actions which could be taken at the interregional, regional, sub-regional and bilateral levels. So far as the interregional level was concerned, there was considerable discussion of the possibility of other regions providing both financial and technical support for the Lagos Plan of Action, in light of the fact that the ma-

majority of the LDCs were to be found in the African region. It was felt that such an approach might also be followed in other cases, and particular emphasis was laid on the strengthening of linkages between regional development banks. In the case of the Lagos Plan of Action, for example, the African Development Bank and the African Development Fund might wish to establish special accounts, to which other regional development banks could earmark contributions.

15. One participant drew the attention of the meeting to the experience in respect of co-operation between the oil-exporting Arab States and Africa South of the Sahara. He noted in this regard the emphasis which the former placed on project as distinct from programme lending, and on capital-intensive as distinct from labour-intensive projects. Another participant pointed out that much of what was expected in terms of monetary and financial co-operation among developing countries naturally depended on the full participation of the oil-exporting developing countries. He warned that, in light of recent economic trends, there might well be some constraints on such participation in the future.

16. In view of the numerous obstacles to intra-developing countries' trade, it was emphasized that appropriate linkages should be established between the GSTP and financing mechanisms

for this trade, particularly in view of the growing economic differentiation among developing countries. One participant indicated that a portfolio of bankable viable project proposals, in which all interested international and regional organizations had a role to play, could facilitate the flow of funds from and among developing countries and could provide an important component of ECDC efforts in addition to preferential arrangements. It was also suggested that that there should be further study of the scope for developing an interregional system of investment guarantees and of the proposal for a commodity currency reserve scheme.

17. A number of participants, referring to actions at the regional, sub-regional and bilateral levels, pointed to the need to improve communication between various national and regional financial institutions, to strengthen existing clearing unions and the linkages between them, to develop limited convertibility arrangements and other mutual support measures, and to explore the possibility of barter arrangements.

C. TECHNOLOGY AND ENERGY

18. The introduction to these items and the ensuing debate was based on four papers presented to the meeting for consideration. Stress was laid on the need for the developing countries to strengthen measures for technology and energy co-operation among themselves within the framework of a strategy for the technological transformation of their countries. It was felt that such co-operation would benefit from the results obtained in the extensive building up of the technology base in the developing countries since the 1950s, and the similarities and complementarities existing among them. An important point raised in the debate related to the importance of supporting co-operative measures through action at the individual national level, through the adoption of integrated technology policies and planning and their effective connection to the respective development plan.

19. It was also felt that co-operation for the technological transformation of the developing countries was possible in a number of areas and sectors. A number of suggestions were made during the debate, some of which have been reflected in the conclusions and recommendations contained in Chapter I above, and, in particular, regarding very specific measures and modalities for further action in the areas of food processing and production, capital goods, industrial machinery, design and

engineering, information and communication, skilled human resources, pharmaceuticals and energy. With regard to energy, one participant suggested that OPEC States might envisage a special scheme for oil importing developing countries with a per capita GNP below a given level to purchase petroleum products with 50 per cent foreign exchange and 50 per cent local currency. Reference was made to on-going activities under the Development Information Network (DEVNET) and UNDP/INRES; the various information systems being established and expanded by organizations within the United National development system and by regional and sub-regional integration arrangements; technical assistance activities of UNCTAD in the transfer and development of technology; and the results of UNCTAD governmental groups of experts on food, capital goods and industrial machinery, reverse transfer of technology ("brain drain"), and energy.

20. Detailed references were made to the unequal participation of developing countries in the explosion of information technology. At the same time, it was stressed that development of information systems should take into account the stage of development of national information systems and the need to strengthen them.

21. Emphasis was placed on the enormous possibilities of

opening up a market for technologies from and for the developing countries in the field of culture, and the important and increasing role which consumers and consumer associations should increasingly play with regard to technology and its products.

22. Specific attention was drawn to cases where developing countries had developed technologies with their own limited resources and in areas where they might have commercial advantages. There were also patent and copyright systems in developing countries. It was stressed that deliberations on technical co-operation among developing countries could usefully devote attention to such issues with a view to devising mutually balancing modalities.

D. COMMODITIES, FOOD AND AGRICULTURE

23. Under this item, two discussion papers were presented to the meeting, dealing mainly with opportunities for ECDC in the areas of commodity trade, and food and agriculture.

24. The Round-Table reiterated that the UNCTAD Integrated Programme for Commodities was the sole global commitment for negotiations on commodities and that all possible support needed to be extended to that Programme.

25. It was recognized by the participants at the meeting that the current depressed level of commodity prices constituted a very serious problem for commodity-exporting developing countries. Much of the participants' attention focused on the need to conclude and implement effective international commodity agreements as the main way of solving, through negotiations, the problems affecting commodities. In this connection, it was pointed out that co-operation among producers could help to achieve progress in the negotiation of commodity agreements. One participant also indicated that the chances for this were greater when some work had already been done at the regional and sub-regional levels. Some participants also noted that the fact that there were some producing countries which did not participate in commodity agreements and were therefore not bound by their provisions constituted an obstacle to the successful operation of these agreements, and that, accordingly, their effectiveness would be enhanced through the participation of as many countries as possible. There was some discussion of unilateral actions taken by commodity producers, and one participant pointed to the lack of success in some of these initiatives.

26. Another issue raised in the meeting was that of the associations or communities of commodity producing-exporting countries. One participant described experience in the Asian

and Pacific region, where work was in progress towards the constitution of communities of countries producing and exporting specific commodities. The possible influence of TNCs within these communities was also mentioned. In general, producers associations of developing countries were considered to be a valuable instrument of co-operation for developing countries producing commodities, which merited particular attention on a continuing basis. Specific mention was made in this regard to the need for greater information on these associations and their activities. Support was also given to the establishment of the proposed Council of Associations of Developing Countries Producers-Exporters of Raw Materials, as recommended by the 1975 Dakar Conference of Developing Countries on Raw Materials and reaffirmed by the Caracas Programme of Action. One participant also suggested that a meeting of the secretariats of existing producers associations could be held in order to facilitate the entry into operation of the Council.

27. Opportunities for co-operation among developing producing countries were also mentioned in the areas of trade, processing and marketing of commodities. One participant drew attention to the potential for increasing trade in commodities among developing countries, as these countries would provide signi-

ficant markets for commodities in the future. In his view, there was need to begin consideration of the steps to be taken to fully realize this potential. Another participant described the experience of a multinational enterprise set up by some developing countries for the marketing of one commodity. This demonstrated how important it was for enterprises of this type to be provided with the necessary financial and managerial resources, including skilled personnel, if there were to compete successfully with similar enterprises of developed countries, including TNCs.

28. With regard to ECDC in the area of food and agriculture, mention was made of the need to bring about structural changes in the agricultural sectors of developing countries as a precondition of effective co-operation among developing countries in this area. Such changes should include steps to ensure the full participation of the real agents of co-operation in developing countries, namely, those engaged in food and agricultural production in rural areas. Food security schemes among developing countries with supportive components were considered feasible by another participant, but in his view institutional machinery was needed for their implementation. It was also stressed that the agricultural sector should be given more importance in ECDC programmes and that regional and sub-regional co-operation should be encouraged for the satisfaction of domestic food needs in developing countries.

E. INDUSTRIALIZATION

29. The discussion under this item was based on three papers presented to the meeting, which analysed and evaluated the development, present situation and future options of industrial co-operation.

30. The potential pitfalls and obstacles to successful co-operation in industrial development identified by several participants included differences in country size, the degree of openness of national economies, the existing levels of industrialization, and changes in the external and domestic political atmosphere and economic policies. These obstacles were found to a greater or lesser degree in all forms of industrial co-operation. Several participants stressed that, in dealing with these problems, the emphasis should be placed on "feasibility" criteria rather than on "desirability" criteria.

31. It was felt that industrial co-operation among developing countries could become more dynamic if the following principles were observed:

- (a) Wide consultation and involvement of the parties concerned;
- (b) The identification and granting of adequate incentives; and
- (c) Flexibility.

32. It was suggested that one instrument that would satisfy many of the above considerations or criteria was the creation of multinational enterprises which would facilitate the movement of factors of production (capital, skilled labour and technology) among developing countries. In this connection, it might be advisable to adopt a "bottom-up" approach and provide incentives for the establishment of such enterprises at the business level, which would ensure that the benefits to be derived would not seep away to developed countries, as was the case with TNCs.

33. It was pointed out that in the 1980s developing countries were faced with a new international situation. On the one hand, the current economic crisis had increased the importance of promoting industrial co-operation among developing countries. On the other, revolutionary changes in technology were providing new opportunities and constraints whose effects on the industrialization process needed to be explored.

34. The change in the international situation served to accentuate the difficulties encountered by most developing countries, including a number of those counted among the 'NICs', with respect to the pattern of industrialization. Despite increased levels of industrial output and in some instances manufactured exports, the pattern of industrialization rarely

conformed to the basic structure of domestic resources or to the primary consumption needs of the population, and the benefits of industrialization in terms of income generation were highly skewed. The current frustration with the existing pattern of industrialization, however, in no way implied a return to raw materials production and export. Rather, a broad consensus had now emerged on the need to rethink the role and content of industrialization policy and its articulation with policies and measures in other sectors and sub-sectors, and with pricing, employment, wage and tax policies.

35. In this rethinking process, the linkage between policy-makers and planners on the one hand and, on the other, entrepreneurs (private and public), unions, research institutions, engineering consultancy firms and all those responsible for executing the new industrialization strategy at the national, regional and interregional levels would be of crucial importance.

36. With regard to the issue of the sectors to be selected for industrial co-operation and the criteria for the identification of such sectors, a number of views were expressed by the participants. Some participants laid emphasis on those industrial sectors producing goods to meet the basic needs of the populations of developing countries. Others stressed the need to take into account also those industrial sectors with greater potential for the future, such as electronics and genetic engi-

neering. Some participants were of the view that it would be more appropriate to concentrate on existing industries rather than create new ones, while others referred to the importance of employment-generating sectors in any industrial strategy. Other criteria mentioned for the choice of industrial sectors were the existence of a captive market as a result of State involvement in production and trade; the generation of a high proportion of local value added; and economic feasibility based on comparative advantage, thus ruling out protection. There was wide agreement that any industrial strategy of this kind should be flexible enough to adjust to changing economic conditions in the international environment and domestic policies.

F. INSTITUTIONAL MATTERS

37. Under this item two documents were presented to the Round-Table, which described the evolution of the inter-governmental process of the Group of 77 from a consultation machinery, created in UNCTAD to coordinate the negotiating position of the developing countries in their negotiations with other groups of countries, to the emergence of a comprehensive system operating also at United Nations Headquarters in New York and at the headquarters of most other organizations within the United Nations system, namely, in Geneva, Vienna, Rome, Washington D.C. and Paris, as well as at international conferences, regardless of their location.

38. Another major aspect of this evolution was traced to the mid-1970s, when the Group of 77 enlarged its area of concern to the promotion of ECDC, with the adoption of a resolution on that subject at the Third Ministerial Meeting of the Group, held at Manila in February 1976; followed by the Mexico City Conference on ECDC in September of the same year, when the first ECDC Programme of the Group of 77 was adopted.

39. Since then, the Group of 77 had been confronted with the need to adapt its institutional arrangements to better respond to the special requirements of its ECDC responsibilities. It was recognized that, while in North-South negotiations the traditional form of co-ordination of negotiating positions met the requirements of the Group, action on ECDC, where developing countries should negotiate with one another, imposed a totally different set of requirements, and in particular necessitated the provision of information, technical support and conference and related facilities for negotiations on the various priority sectors of the Programme. Recognition of this had prompted the Group of 77 to study the feasibility of establishing a technical support mechanism, an issue which had been a subject of debate for many years until, in May 1981, the Caracas high-level conference on ECDC decided on the establishment of a "Mechanism for Co-ordination, Monitoring Follow-up Action, and Evaluation", which provided for a limited

technical support machinery consisting of a Core of Assistants to the Chairman of the Group of 77 in New York, supported by a special "Group of 77 Account for ECDC" to finance operational expenses and funded through voluntary contributions.

40. The Round-Table was also informed of the status of the implementation of the Caracas Programme calendar of meetings on ECDC, which covered action on trade, finance, technology, industry, energy, food and agriculture, as well as of the results of the first meeting of the Inter-Governmental Follow-up and Co-ordination Committee, which was held in Manila in August 1982, and whose recommendations were endorsed by the Ministerial Meeting of the Group of 77 held in New York in October 1982. The Ministerial Meeting adopted a number of very important decisions, including the launching of the negotiations on the GSTP, as well as the recommendation that the Chairmen of the Group of 77 and of the Non-Aligned should study ways and means of facilitating effective co-ordination and harmonization of the implementation of the two ECDC programmes.

41. It was generally felt that success in implementing the ECDC objectives of the Group of 77 would make a major contribution to the attainment of the objectives of the New International Economic Order and would be of benefit to the international community as a whole.

42. Although most participants felt that it would be highly desirable for the Group of 77 to equip itself with a strong secretariat, given the complexity of rendering such a facility operational in the immediate future, it welcomed the establishment of the limited institutional arrangements of the Group of 77 for ECDC, which would receive the strongest political and technical support of its members and of the international community as a whole.

43. The participants also felt that this institutional arrangement should be supported by organizations within the United Nations system; national, regional and interregional organizations; and public and private organizations of developing countries; which should be mobilized through a substantial promotional campaign. Issues requiring the highest attention included: securing an adequate flow of information among countries on ECDC matters; incorporating an ECDC dimension into the national policy-making process; exploring possibilities of opening up existing sub-regional and regional institutions to the participation of countries from other regions; devising imaginative ECDC projects under the system of Action Committees adopted by the Group of 77 as an institutional scheme of a temporary nature for the attainment of specific ECDC objectives of interest to less than the whole membership of the Group of 77; widening activities of economic co-operation groupings; monetary co-

operation and clearing arrangements; regional development finance institutions; research organizations; sectoral producers' and exporters' associations; and chambers of commerce and industry of developing countries.

CHAPTER IV

ORGANIZATIONAL MATTERS

1. The Round-Table was attended by experts invited in their personal capacity and by a number of observers from international and regional organizations. The list of participants is contained in the annex to this report.
2. Lic. Luis Echeverría Alvarez, Director-General of CEESTEM, was Chairman of the Round-Table, and Mr. Alister McIntyre, Deputy Secretary-General of UNCTAD, and Dr. Boris Cizelj, Director of RCCDC, were Vice-Chairmen. Mr. Raúl Uranga, Senior Economic Affairs Officer of UNCTAD, acted as Rapporteur, and Dr. Alicia Puyana, Senior Researcher on World Economy and South-South Co-operation in CEESTEM's NIEO area, acted as Secretary.
3. In addition to the opening and closing meetings, the Round-Table held eight working sessions which were chaired by the Vice-Chairmen. A drafting group, which was established to draft conclusions and recommendations on trade and money and finance and was chaired by Mr. M. T. Adebajo, Director of the UNCTAD Division for Economic Co-operation among Developing Countries, held three meetings.

4. At its opening meeting, the Round Table approved the following agenda:

1. Opening of the Round-Table
2. Adoption of the agenda and programme of work
3. General issues of economic co-operation among developing countries
4. Promotion of economic co-operation among developing countries in the field of:
 - (a) Trade
 - (b) Money and finance
 - (c) Technology and energy
 - (d) Commodities, food and agriculture
 - (e) Industrialization
 - (f) Institutional matters
5. Other business
6. Adoption of the report.

5. At its closing meeting, the Round-Table approved the draft report, as amended, and authorized its Rapporteur to complete the final version.

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s
(Central Co-ordination Office)

The Role of Developed Market Economics (DME) in RCDC: Principles
and Strategies (IRC-7)

and

The Role of Canada and Other DMEs in RCDC: Case Studies (IRC-9)

INTRODUCTION

Rather than presenting an interim report -- one step beyond the preliminary report submitted in September 1982 -- we have decided that we could make the best use of the experience and wisdom of the Panel and of other researchers by putting to this meeting a series of questions.

The questions indicate the areas upon which IRC-7 and IRC-9 are focussing, but not necessarily the directions we are taking. The responses will help us to direct our study and also may identify other areas which we ought to pursue.

Because IRC-9 flows naturally from IRC-7 we are presenting one series of questions for two studies. We would hope that, besides the feedback we will get during the meeting, perhaps further thoughts might be forwarded to us later, both by those in attendance in Kuwait and by other members of the Panel and research network.

- Q. 1. a) Should DMEs support S.S. cooperation in ways that will promote distribution and participation as well as growth?

OR

- b) Should DMEs remain neutral and simply offer assistance to regional groups as requested by them?

If YES to Q. 1 a)

- Q. 1.1 Should strategies for assistance from DMEs be designed to promote equity among the members of a region?
- 1.2 Should DMEs give preference to regions that pursue policies that maximize distribution and participation among their members and within their members?
- 1.3 Would an affirmative response to Q. 1.1 and/or Q. 1.2 lead to actual or perceived interference with the development of the region?
- 1.4 What criteria should guide DME assistance to regional groups?
- needs of the region, as seen by the region
 - needs of the region, as seen by the donor
 - special characteristics of the DME (e.g. expertise in specific areas)
 - self-reliance/independence of the region
 - equity within the region
 - others.

- Q. 2. Would the active participation of DMEs in S.S. regional cooperation be acceptable?

OR

Would it be seen to be infringing on sovereignty, increasing dependency and/or interfering with indigenous processes?

- Q. 3. Do bilateral aid and the related bilateral ties act as an impediment to regional integration?
- Q. 4. Should DMEs shift a portion of bilateral ODA to regional development funds?

If YES to Q. 4:

- Q. 4.1 Should such ODA be untied programme funds for the region rather than tied aid for projects?

4.2 Should a DME donor to a regional fund:

- a) participate in the planning and implementation activities of the regional fund;
- b) sit as a non-voting-observer on the fund;
- c) have no involvement apart from contributing to the fund?

4.3 Should a DME donor to a regional fund:

- a) contribute directly to the fund;
- b) contribute to the poorer members, according to a formula based on the wealth of the members, to assist them in meeting their quotas to the fund and thus promote equity?

4.4 Would DMEs accept a reduction in the proportion of ODA which is tied for regional programme funding?

4.5 In giving ODA to regional groups should DMEs:

- a) decide individually who the recipients should be;
- b) coordinate ODA with other DMEs to ensure more equitable distribution of ODA among regions;
- c) provide ODA for distribution through a centralized agency (e.g. World Bank or new RCDC agency).

Q. 5. Should regions be based on:

- geographic contiguity;
- ideological similarity;
- mutual economic interests;
- complementarity of resources;
- production/consumption patterns;
- trade/markets;
- traditional ties...?

Q. 5.1 Would regional groups with members from N. and S. be viable?

5.2 In what sense is it relevant at all to identify the Pacific community as an economic or political region with a distinctive role?

5.3 How does hemispheric cooperation relate to regional cooperation, e.g. Pacific rim to ASEAN?

Q. 6. What are the major obstacles to the efficient operation of existing S.S. regional groups?

Q. 6.1 What has been the major cause of the failure to achieve effective regional cooperation in East Africa?

6.2 What strategies would help to overcome the existing impasse?

6.3 What role, if any, can countries like Canada play in this situation?

- 9
- Q. 7. Would it be feasible to have regional codes on TNCs and technology transfer?
- Q. 8. Would it be feasible to take a regional approach to non-tariff barriers?

:jd

Preliminary Draft
Not for Citation or
Quotation

The Role of the United States in
Regional Cooperation Among Developing Countries

Richard E. Feinberg
Overseas Development Council

and

Guy Gran
School of Government and Public Administration
American University

Paper presented to the UNITAR meeting of Eminent Persons,
"Program on Regional and Interregional Cooperation in the
1980s," Kuwait City, Kuwait, January 8-9, 1983. The views
presented here do not necessarily represent those of the
institutions with which the authors are associated.

Table of Contents

| | Page |
|-----------------------------------------------------------------------|------|
| Introduction | 1 |
| I. From Regionalism in the Abstract to US Policy-Making in Context | 2 |
| II. U.S. Regional Policy Making: The Historical Record | |
| A. Relating Processes, Actions, and Interests - the Overview | 10 |
| B. U.S. Participation in the Sahel Development | 23 |
| C. The Southern Africa Development Coordination Conference (SADCC) | 30 |
| D. Caribbean Basin Development | 36 |
| III. Conclusions and Recommendations | 45 |
| Bibliography | 50 |

Introduction:

During the 1980s and 1990s the United States should be willing and capable of greater and more truly developmental involvement with the Third World through regional organizations. This remains as logical a hypothesis in the fall of 1982 as it has over the last few years. Regional bodies could in theory be more effective mechanisms in many spheres. In particular they could be the fora for the defusing of political conflict and the acceleration of development initiatives. Yet little progress is occurring.

Abstract policy proposals alone will not change this situation. An operational solution must meet the requirements of any form of systems change. There must be definable policy goals and a consensus that they are desirable. The necessary actors have to have the time, the means, and, most crucially, the incentives to take the needed actions to reach the goals. Two very common systems contradictions must be avoided. One cannot pursue at the same time two or more mutually conflicting goals. One must also be sure that the means employed and the goals sought are compatible. As will be evident many times in the following pages, the roots of most visible forms of stagnation can be traced to consistent violations of these basic systems principles. Very often it is simply that organizations or their inhabitants do not have the incentives to pursue the policies that to mandators appear so superficially logical.

What follows then is an effort to address both policy and incentive structure, the politics and metapolitics of the U.S. role in regional cooperation among developing countries. The first problem is to understand the links and the contradictions between regionalism in the abstract and US policymaking in the concrete. We will

start with the general logic of the utility for the US of participating in regional arrangements. Logic in the abstract then gives to conflict in an exploration of the different normative approaches that are applied to regionalism. These contradictions enter international discussions generally, as a few brief examples will show. To put these contradictions into operational context the political and organizational contexts of US policymaking must also be introduced.

The major portion of the paper explores the recent history of US policy toward regional organizations in the Third World. The first section provides an overview of linkages, financial flows and policy initiatives toward these regions. The second section treats a series of three case studies from different time periods and geographical areas: participation in Sahel Development activities in the 1970s; involvement in Southern African regional efforts since the late 1970s; and the 1977-1982 Caribbean Basin initiatives. The paper ends with a series of conclusions drawn from the case studies, and presents some policy recommendations.

I. From Regionalism in the Abstract to US Policymaking in Context.

The use of regional organizations for many kinds of education and communication has a compelling logic which ought to appeal to US policymakers. Several related advantages can be mentioned. A regional entity with regular meetings of senior or mid-level officials could provide a setting more conducive to comfortable low key education and to non-threatening cross-cultural communication. There is not the theater-like atmosphere of the United Nations where the Great Power conflicts tend to intrude at least indirectly into almost every substance area. Formal and informal contacts on non-controversial

issues would be the best way to begin communication between ideological or political adversaries. A situation permitting continuity of low-key interactions could build up mutual trust over time. This would raise the ability of nations to work out more conflictual bilateral situations a little down the road. The regional organization might well be the forum to do this.

A regional entity could also provide a good setting for multi-country seminars to explore development issues in comparative and historical frameworks. Most US policymakers have not studied in depth the nature of and reasons for unequal development on the periphery of the world-system. At the same time Third World elites have long resisted discussion of many internal structural reforms essential to development properly defined. Reducing urban bias or permitting more freedom and encouragement for local development initiatives can on the surface appear threatening. But regional organizations can provide an arena to thresh out such issues, to retire some imprisoning mythologies, and consider some new approaches around the model of participatory development. Such sessions can avoid the bilateral lecturing and hectoring of the World Bank, the IMF, and core powers. Instead regional standards and goals can be developed on a wide range of development concerns--the technical, organizational, political and cultural matters as well as the material ones. Participants find out that their problems are not unique and can listen to how others are trying to solve them.

Issues of political security can also be efficiently handled within the framework of regional organizations. Groups of militarily weak nations working together are in a far better position to rebuff intrusive Great Powers seeking bases and allies and maintain local independence. Communication among small states can more effect-

ively discourage local arms races than can lecturing by core states, states which are usually the arms sellers. Excessive military spending promotes uneven institutional modernization, the militarization of society, a drain on social resources and nondemocratic politics and economics; a discussion controlled by regional concerns can more easily focus on the linkages of peace and development (see, esp. Galtung, 1980). On one level the US will see disadvantages in this trend since it has historically equated control or influence with military bases and links. Times have changed, however; both the US and the small countries can obtain their minimum security objectives far less expensively by evenhanded exclusion of all Major Power military ties in a region. The new island states in the South Pacific, for example, remember how the presence of bases during WWII acted as a magnet for trouble. They now resist US ideas of conventional security links, while continuing to guard their independence against encroachments by the Soviet Union.

On paper there is a certain degree of plausibility in these economic and political arguments for regional initiatives. But in the process of moving from paper to the mind of the policy actor these ideas must be filtered through a normative framework, then a political culture, and finally an organizational context. Consensus on the meaning and utility of regionalism for US government policymakers diminishes. A brief exploration of this process is helpful both to understand the recent history of US policymaking at the regional level and to lay the groundwork for constructive alternatives.

US policymakers and analysts do not all see the issues of regionalism in the same way because they do not have a uniform world model. The study of social sciences and of history continues to

evolve, and people of different ages received quite different intellectual frameworks. For example, history graduates in the 1950's absorbed elitist, Western foundations, many students in the late 1960s focused on the Third World and on the bottom social classes, and students of the 1970s have become acquainted with the workings of the world-system. Some people continue to grow after formal education, and others do not. All manner of life experiences also contribute to variations of world model. The foreign policy community in the US remains deeply divided by personal and professional experiences with the Vietnam War.

These variations in normative models work their way out in a concrete academic and political expression. One group of foreign area scholars become and remain highly specialized in the compartmentalized disciplines of international relations, international law, or policy studies. Another group tends to pursue interdisciplinary work through area studies associations; political economy and dependency theory are common themes. When these two world models move from academe to US policy analysis and action, quite naturally they make different assumptions about what is important, what vocabulary to use, and which US interests or values to support. The result is poor communication, incoherent policy and ineffective implementation efforts.

US policymaking toward regional organizations does not escape these dilemmas. Shaw (1980) has explored these questions in relation to African regionalism. He sums up the conflicting approaches in two stereotypes he terms the orthodox and the radical and tabulates their opposing perspectives in this manner.

TABLE 1

Alternative Approaches to the Analysis of African Regionalism

| <u>Phenomenon</u> | <u>Orthodox</u> | <u>Radical</u> |
|-------------------------------------|----------------------------------|-----------------------------------------------|
| level of analysis | continental/national | global/transnational |
| primary focus | OAU/states | world systems/classes |
| major issue areas | diplomatic/strategic | economic/conflict |
| central assumptions | decolonization/interdependence | dependence |
| current processes | development | underdevelopment |
| regional characteristics identified | cohesion/integration/equalities | fragmentation/contradictions/ inequalities |
| ideological preferences | Pan-Africanism/nationalism | self-reliance/disengagement |
| mode of analysis | structural functionalism/systems | dependence/Marxist |
| future projections | neofunctionalism/federalism | confrontation/restructuring |

Source: Shaw in Feld, W.F. et al., eds., 1980:359.

The great majority of people who write about issues of regionalism both on Africa and on other Third World areas argue from what is here termed orthodox perspectives. As Shaw notes, this literature reflects classical positivist social science, "largely ahistoric, uncritical, and permissive of continued dependence." (Shaw in Feld et al., 1980:360.) These biases are in turn reflected in the mass media, the congressional process, and in Executive Branch policy documents and public statements. Concern for bilateral relations, political topics, and macroeconomic issues like trade and debt, however important they may be, all preempt space and time from cooperative politics and the problems of development at the local level.

Such biases are, however, not shared uniformly around the world. Many analysts and spokesmen from Third World countries adhere to at least some elements of the normative approach that in Table 1 was termed radical. US policymakers, attending regional organizations and UN meetings, have and will continue to meet people with political positions worked out from more historically grounded analysis.

Through discussions in UNITAR, in other UN forums, and in regional organizations themselves, the Third World has begun to sketch out the policy implications of enhancing regional cooperation among developing countries. A brief synthesis of their views will show that, even if US policymakers enforce a particular consensus within their own ranks, they must be prepared to grant cognitive respect to positions quite different from their own if they are going to work effectively with and within Third World regional organizations.

Laszlo (et al., 1981) has provided a useful summary of much discussion among Third World analysts. Their argument in brief is that the current forms of N-S integration are simply perpetuating inequality and dependency through three "self-enforcing syndromes": export-orientation; debt-accumulation; and austerity policies created by the IMF's monetary philosophy. These are not solutions for the South. The need is "to replace traditional, dependency inducing aid and assistance programs with policies and programs designed explicitly to further and accelerate the implementation of regional cooperation among developing countries." (Laszlo, 1981:10). In this analysis, regional development banks are not part of this solution but part of the North's strategy. Some other obstacles to moving forward with regional cooperation are cited as: narrow forms of nationalism; self-centered economic thinking; disparate levels of development and resources; cultural chauvinism; and dependency ties. (Laszlo, 1981:17-8.) There are thus both problems within the South and between the North and South. Without yet addressing specific policy initiatives, it is abundantly clear that the conventional normative approach of US policymakers is not conducive to communication with, never mind cooperation with such Third World actors.

Questions of values and world models do not, however, define the whole US policymaking context. There are also the matters of politics and organizational culture. It is usually argued that it is not possible to generalize on certain levels about past or future US policies toward Third World issues because new Administrations with new personalities tend to arrive every four years, thus provoking much inconsistency. Yet a more persuasive case can be made for basic underlying continuities in US politics as they affect nearly all N-S issues in the last generation.

Political continuities begin with personnel selection for all basic posts involving Third World issues. Very few persons appointed to policy-level posts in a Third World area have had really substantive training in modern interdisciplinary area studies from a major American university. Few such area specialists work in the government at all; job rotations assure minimal use of any such competency. The result is that the general normative biases associated with legal and social science education are translated into political perspectives and policies in the Third World. Such individuals arrive on the job without a substantive grounding in Third World history or the political economy of underdevelopment. They are thus open to the strongest outside interests, to the preferences of political elites, and to organizational imperatives.

Two conditions, however, suggest some hope that the above combination of ideology, politics and organizational imperatives can be overcome in some cases. The first is that the policymaking system does not work as efficiently as it pretends. All societies are composites of conflicting value systems. Human organizations include members of countercultures, and among people in the US policy system

are those capable of seeing and acting on the understanding that the long-run interests of most people in the North and in the South are not antagonistic but complementary. Such policy actors can not only act in the crevasses of the system and seize opportunities. They can use to the advantage of regional initiatives the natural dynamic of the political system at work. The current US system can focus on a large issue for some period of time; it has more difficulty maintaining its focus on middle-size and small issues over an extended time. In the context of daily crisis management, most regional development concerns are quite small issues. Middle-level people can and do make most of the policy choices and carry out virtually all decisions. Providing such people with constructive alternatives that help them do their jobs more efficiently and effectively is likely to produce some positive results. In particular, regionalism does have a dimension of efficiency that is hard to argue against.

The second more hopeful indication for regional solutions for the 1980s and 1990s is that the logic of the world-system dictates such solutions for this era. The world has moved from a phase when one core power dominated to a phase when core powers compete as relative equals and the poor countries at the periphery have relatively greater freedom. Since the US cannot, for complex reasons of systems logic, work its way out of this latter phase in any speedy fashion, it must now seek to pursue its interest in this era of restraints. It does not have the resources to control many different far-away situations at the same time. It must therefore seek to influence events or even try just to assure access. Regional organizations, consistent dialogues, and the politics of compromise are the most effective methods to attain these goals. I turn now to the recent historical

record of US regional policymaking to see if these two hypotheses are reflected in general trends or representative case studies.

II. U.S. Regional Policy Making: The Historical Record

A. Relating Processes, Actions, and Interests - the Overview

U.S. policy toward regional organizations, even the few toward which the US devotes much money and attention, has not been the focus of detailed analysis either within the government (within publicly available material) or outside in academe. Certain annuals provide quantitative and structural data. The Europa yearbooks, for example, give a good introduction to the institutional universe but not to US policy issues. The number of organizations is enormous. As a matter of practicality only a small number can be examined here. The logical choices are those which have received comparatively substantial amounts of the total US aid flows.

Even with such a limited selection, one does not find a neat tabulation of financial flows. Regional organizations are mixed with UN and multilateral institutions in almost all discussions and tables. Probably the most complete statistical portrait is contained in an annual US State Department report. One of its overall tables is included on the following pages (11 and 12) to show how the US has spent money on international organizations between FY46 and FY80. The United States has generally funded UN and multilateral agencies (not included in this table) far more than it has most regional bodies. Besides those affiliated with the United Nations, relatively few international organizations have received really significant contributions over the last quarter century. NATO, the OAS, and the Pan American Health Organization are the only ones with a distinctly regional focus.

UNITED STATES CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS,
FISCAL YEARS 1946-80
(In Thousands of Dollars)

| | Cumulative Total 1946-70 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | (TQ) | 1977 | 1978 | 1979 | Estimate 1980 | Cumulative Total 1946-80 |
|------------------------------------------------------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|--------------------------------|
| U.N. Specialized Agencies and IAEA (forward budgets): | | | | | | | | | | | | | |
| United Nations | 854,575 | 80,579 | 86,312 | 85,999 | 87,856 | 85,478 | 77,344 | 88,960 | 99,197 | 131,845 | 141,097 | 149,544 | 1,314,772 |
| Food and Agriculture Organization | 82,128 | 9,813 | 10,460 | 12,151 | 15,151 | 19,551 | 15,571 | 20,796 | 18,548 | 26,705 | 22,450 | 22,450 | 271,656 |
| International Maritime Organization | 881 | 112 | 115 | 142 | 120 | 132 | 143 | 227 | 242 | 252 | 264 | 402 | 5,532 |
| International Atomic Energy Agency | 28,018 | 3,374 | 4,119 | 4,885 | 5,422 | 7,779 | 7,429 | 9,634 | 10,315 | 12,714 | 18,277 | 21,565 | 153,741 |
| International Civil Aviation Organization | 26,071 | 3,374 | 2,167 | 2,495 | 2,206 | 22,445 | 23,722 | 3,519 | 3,791 | 5,957 | 4,427 | 4,427 | 40,054 |
| Joint Shipping Program | 21,495 | 1,775 | 2,164 | 2,110 | 2,251 | 2,327 | 2,455 | — | — | — | — | — | 45,187 |
| International Labor Organization | 62,757 | 45,759 | 87,695 | 612,617 | 77,522 | 11,244 | 9,759 | 25,902 | 17,655 | — | — | — | 155,845 |
| United Nations Educational, Scientific and Cultural Organization | 8,643 | 705 | 829 | 966 | 1,311 | 1,181 | 1,322 | — | 1,950 | 2,308 | 3,348 | 2,160 | 25,421 |
| Universal Postal Union | 108,015 | 10,368 | 12,285 | 12,018 | 13,896 | 215,871 | — | — | 104,183 | 119,291 | 36,500 | 139,445 | 345,727 |
| World Health Organization | 648 | 71 | 80 | 97 | 110 | 199 | 272 | 557 | 456 | 293 | 476 | 370 | 3,479 |
| World Intellectual Property Organization | 157,846 | 21,098 | 24,572 | 26,342 | 28,834 | 276,902 | 279,318 | 234,915 | 36,955 | 122,474 | 49,197 | 130,555 | 540,145 |
| World Meteorological Organization | 132 | 15 | 22 | 30 | 41 | 51 | 65 | 224 | 294 | 141,745 | 14,555 | 459 | 2,467 |
| World Telecommunication Organization | 4,142 | 775 | 774 | 911 | 1,254 | 1,571 | 1,665 | 2,670 | 2,755 | 2,550 | 4,175 | 4,514 | 27,734 |
| U.N. Specialized Agencies and IAEA: | 1,033,425 | 191,044 | 161,212 | 158,781 | 166,234 | 146,615 | 147,992 | 186,502 | 247,465 | 281,374 | 237,899 | 272,470 | 3,129,364 |
| Peacekeeping Forces: | | | | | | | | | | | | | |
| United Nations Emergency Force | | | | | | | | | | | | | |
| Assessed | 60,425 | — | — | — | — | — | — | — | — | — | — | — | 60,425 |
| Voluntary | 26,027 | — | — | — | — | — | — | — | — | — | — | — | 26,027 |
| United Nations Truce Supervision Organization | | | | | | | | | | | | | |
| Assessed | — | — | — | — | 17,356 | 28,836 | 31,850 | — | 27,164 | 174,400 | 67,000 | 50,811 | 270,401 |
| Voluntary | — | — | — | — | — | — | 10,000 | — | — | — | — | — | 10,000 |
| United Nations Operation in the Congo | | | | | | | | | | | | | |
| Assessed | 132,299 | — | — | — | — | — | — | — | — | — | — | — | 132,299 |
| Voluntary | 93,354 | 4,800 | 2,400 | 2,400 | 1,671 | 9,600 | 9,460 | 4,800 | 9,600 | 9,100 | 8,700 | 9,700 | 124,274 |
| United Nations Force in Cyprus | | | | | | | | | | | | | |
| Assessed | 272,105 | 4,800 | 2,400 | 2,400 | 18,057 | 38,456 | 31,470 | 4,700 | 30,768 | 56,500 | 75,700 | 54,411 | 274,127 |
| Inter American Organizations (forward budgets): | | | | | | | | | | | | | |
| Organization of American States | 129,167 | 16,050 | 18,780 | 20,768 | 22,290 | 22,711 | 24,100 | — | 28,874 | 194,051 | 34,751 | 155,842 | 431,444 |
| Inter American Indian Institute | 824 | 62 | 62 | 62 | 62 | 62 | 62 | — | 86 | 86 | 86 | 86 | 1,211 |
| Inter American Institute for Cooperation in Agriculture | 16,248 | 2,695 | 3,360 | 3,196 | 3,475 | 3,939 | 4,405 | — | 5,106 | 5,867 | 9,447 | 27,472 | 65,472 |
| Inter American Tropical Tuna Commission | 5,829 | 452 | 452 | 482 | 582 | 709 | 826 | — | 1,072 | 1,603 | 1,603 | 1,603 | 7,567 |
| Pan American Union | 64,782 | 9,264 | 10,497 | 11,315 | 12,650 | 13,998 | 15,342 | 17,418 | 18,727 | 20,214 | 21,704 | 23,152 | 246,815 |
| Pan American Institute of Geography and History | 991 | 151 | 151 | 151 | 21,281 | 195 | 195 | — | 195 | 195 | 200 | 200 | 3,125 |
| Pan American Railway Congress Association | 104 | 5 | 15 | 15 | 15 | 15 | 15 | — | 15 | 15 | 15 | 15 | 215 |
| Postal Union of the Americas and Spain | 97 | 22 | 24 | 42 | 44 | 51 | 53 | — | 65 | 75 | 80 | 76 | 674 |
| Inter American Organizations: | 1,504 | — | — | — | — | — | — | — | — | — | — | — | 1,504 |
| Inter American Organizations: | 219,050 | 28,681 | 32,881 | 36,029 | 39,659 | 41,360 | 43,518 | 17,627 | 54,140 | 76,416 | 60,352 | 11,595 | 772,251 |
| Regional Organizations (forward budgets): | | | | | | | | | | | | | |
| NATO | 36,905 | 4,181 | 4,995 | 6,155 | 6,726 | 8,053 | 7,709 | — | 9,600 | 11,462 | 12,515 | 14,754 | 127,707 |
| North Atlantic Treaty Organization | 302 | 60 | 79 | 81 | 111 | 126 | 171 | 180 | 220 | 269 | 303 | 310 | 2,574 |
| Central Treaty Organization | 1,155 | 104 | 116 | 117 | 136 | 157 | 200 | — | 199 | 251 | 496 | — | 3,042 |
| Central Treaty Organization | 66 | 8 | 9 | 9 | 8 | 8 | 10 | — | 8 | 4 | 8 | — | 146 |
| International Commission of Control and Supervision of | — | — | — | 2,001 | 51,199 | 3,658 | — | — | — | — | — | — | 57,858 |
| Verkhovna | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Regional Organizations (forward budgets): | | | | | | | | | | | | | |
| Organization for Economic Cooperation and Development | 28,881 | 4,491 | 4,740 | 5,952 | 1,197 | 8,444 | 10,827 | 12,156 | 14,265 | 16,390 | 12,940 | 20,214 | 147,114 |
| South East Asia Treaty Organization | 2,462 | 220 | 235 | 274 | 272 | 289 | 337 | — | — | — | — | — | 4,533 |
| South Pacific Community | 1,367 | 199 | 215 | 245 | 330 | 398 | 390 | — | 494 | 637 | 712 | 722 | 6,149 |
| Inter American Organizations | 11,295 | — | — | — | — | — | — | — | — | — | — | — | 11,295 |
| Regional Organizations: | 43,449 | 5,265 | 5,290 | 6,471 | 2,803 | 9,131 | 11,544 | 12,712 | 14,759 | 17,017 | 13,652 | 21,146 | 174,712 |
| Other International Organizations (forward budgets): | | | | | | | | | | | | | |
| Bureau of International Labor Relations | 18 | 12 | 7 | 8 | 9 | 8 | 11 | 34 | 13 | 14 | 18 | 20 | 152 |
| Caribbean Community | — | 239 | 356 | 474 | 644 | 802 | 806 | — | 991 | 1,217 | 1,614 | 1,614 | 4,444 |
| Central American Treaty of Friendship and Cooperation | 4,225 | 674 | 707 | 878 | 1,216 | 1,511 | 1,970 | — | 2,152 | 3,274 | 3,253 | 3,219 | 23,151 |
| Magnum Conference on Private International Law | 48 | 11 | 12 | 15 | 16 | 20 | 19 | — | 21 | 34 | 36 | 41 | 573 |
| International Agency for Research on Cancer | 675 | 150 | 312 | 337 | 335 | 397 | 650 | 571 | 626 | 618 | 666 | 838 | 5,375 |
| International Agency for the Study of Cancer | 12 | 4 | 4 | 4 | 5 | 8 | 12 | — | 12 | 18 | 14 | 34 | 104 |
| International Bureau of the Permanent Court of Arbitration | 34 | 1 | 2 | 2 | 2 | 2 | 2 | 6 | 4 | 7 | 7 | 6 | 76 |
| International Bureau for the Protection of Geographical Names | 212 | 17 | 19 | 24 | 26 | 25 | 29 | — | 50 | 36 | 45 | 55 | 514 |
| International Bureau of Weights and Measures | 652 | 76 | 86 | 108 | 134 | 149 | 172 | 169 | 149 | 214 | 225 | 235 | 2,071 |
| International Centre for the Study of the History of Property | — | — | 70 | 70 | 91 | 70 | 115 | 115 | 166 | 167 | 175 | 211 | 1,212 |
| International Coffee Organization | 1,164 | 350 | 254 | 294 | 291 | 279 | 342 | — | 360 | 364 | 375 | 437 | 4,055 |
| International Commission for the Conservation of Atlantic Tunas | 9 | 13 | 19 | 25 | 26 | 29 | 30 | — | 39 | 45 | 71 | 70 | 240 |
| International Commission for the Northwest Atlantic Fisheries | 97 | 6 | 6 | 7 | 8 | 10 | 15 | — | — | — | — | — | 147 |
| International Council of Economic Cooperation | 403 | 21 | 22 | 23 | 20 | 25 | 31 | 34 | 27,68 | 15 | 58 | 64 | 602 |
| International Council for the Exploration of the Sea | — | — | — | 15 | 16 | 20 | 24 | — | 29 | 34 | 38 | 43 | 217 |
| International Council of Scientific Unions | 814 | 207 | 154 | 144 | 157 | 174 | 185 | — | 201 | 256 | 284 | 243 | 2,215 |
| International Criminal Police Commission | 251 | 29 | 29 | 29 | 107 | 94 | 143 | 140 | 159 | 170 | 187 | 201 | 1,415 |
| International Hydrographic Organization | 249 | 16 | 18 | 19 | 19 | 19 | 25 | 25 | 25 | 27 | 30 | 34 | 326 |
| International Institute for Education | 9,626 | 1,518 | 1,074 | 1,179 | 1,540 | 1,611 | 1,916 | — | 1,500 | 1,545 | 2,074 | 1,627 | 25,214 |
| International Institute for the Unification of Private Law | 20 | 8 | 8 | 14 | 18 | 18 | 23 | 24 | 25 | 36 | 56 | 40 | 270 |
| International Law and Order Study Group | 51 | 3 | 3 | 3 | 6 | 6 | 6 | 7 | 17 | 19 | 22 | 21 | 184 |
| International and North Pacific Fisheries Commission | 294 | 25 | 28 | 28 | 38 | 44 | 56 | 2431 | 50 | 61 | 67 | 81 | 775 |
| International Office of Epiphyse | — | — | — | — | — | 25 | 35 | — | — | 26 | 28 | 44 | 191 |
| International Organization for Legal Medicine | — | — | — | — | — | 17 | 19 | 18 | 31 | 43 | 48 | 50 | 272 |
| International Rubber Study Group | 118 | 6 | 8 | 8 | 9 | 11 | 12 | 17 | 17 | 18 | 21 | 21 | 272 |
| International Seed Testing Association | 10 | 1 | 1 | 1 | 2 | 3 | 3 | — | 3 | 5 | 4 | 4 | 37 |
| International Sugar Organization | 289 | — | — | — | — | — | — | — | — | — | 246 | 261 | 818 |
| International Tin Council | — | — | — | — | — | — | — | — | 115 | 111 | 132 | 143 | 307 |
| International Whaling Commission | — | — | — | — | — | — | — | — | — | — | 107 | 90 | 307 |
| International Wheat Council | 490 | 59 | 60 | 95 | 47 | 60 | 87 | — | 102 | 124 | 167 | 167 | 1,179 |
| Interparliamentary Union | 466 | 27 | 35 | 30 | 60 | 79 | 103 | 372 | 137 | 112 | 210 | 158 | 1,744 |
| North Atlantic Treaty Organization | 1,374 | 60 | 91 | 185 | 94 | 117 | 125 | — | 138 | 147 | 141 | 87 | 2,140 |
| North Pacific Fur Seal Commission | 28 | 4 | 4 | 6 | 4 | 6 | 4 | — | 8 | 8 | 9 | 2 | 73 |
| Permanent International Commission of Navigation | — | — | — | — | — | — | — | — | — | — | — | — | — |
| World Tourism Organization | 60 | 15 | 17 | 30 | 22 | 32 | — | 149 | 115 | 120 | 172 | 151 | 792 |
| Other International Organizations | 2,340 | — | — | — | — | — | — | — | — | — | — | — | 2,340 |
| Other International Organizations: | 24,719 | 3,183 | 3,375 | 4,175 | 5,054 | 5,875 | 6,071 | 1,417 | 7,561 | 8,780 | 10,594 | 11,914 | 92,148 |

| | 1961 | 1972 | 1973 | 1974 | 1976 | 1976 | 1976 | 1977 | 1978 | 1979 | Fiscal Year 1979 | Calendar Year 1979 |
|--------------------------------------------------------------------------------|-----------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------------------|--------------------------|
| Special Voluntary Programs: | | | | | | | | | | | | |
| United Nations Voluntary Program | 300 | - | 300 | - | - | - | 300 | 300 | 300 | 300 | 404 | 1,504 |
| Special Contributions for Vietnam | 3,788 | 310 | - | - | 174 | 837 | 1,170 | 942 | 910 | 1,290 | 1,000 | 3,788 |
| World African Development Fund, African Welfare Fund, Programs 32 | 194 | 1,127 | 1,833 | 1,531 | 4,597 | 2,340 | 4,597 | 4,521 | 3,954 | 6,026 | 8,724 | 36,417 |
| WFO Voluntary Program | - | 94 | 100 | 100 | 100 | 100 | 100 | 100 | 84 | 80 | 80 | 727 |
| World Voluntary Cooperation Program 35 | 1,000 | 1,500 | 1,500 | 1,500 | 1,500 | 1,467 | - | 2,000 | 2,000 | 2,000 | 2,000 | 15,513 |
| Special Voluntary Programs | 422,313 | - | - | - | - | - | - | - | - | - | - | 45,253 |
| Special Voluntary Programs: | | | | | | | | | | | | |
| Special Voluntary Programs | 3,053,634 | 729,804 | 468,729 | 260,918 | 219,420 | 373,091 | 944,001 | 26,774 | 417,715 | 434,634 | 444,700 | 3,710,000 |
| TOTAL U.S. CONTRIBUTIONS: | 4,583,444 | 910,724 | 538,276 | 431,137 | 314,207 | 878,700 | 811,356 | 22,632 | 789,010 | 903,511 | 1,039,712 | 1,577,722 |

Source: St. Dept., 1981: 106-110

Beyond the programs in this State Department table are a few additional institutions that are funded directly by AID. For example, the international network of research centers coordinated by the Consultative Group for International Agricultural Research (CIGAR) has grown from 5 to 13 centers since 1971. The most well known are CIMMYT in Mexico and IRRI in the Philippines. The US provides up to 25% of the total contributions, which were \$138 million in 1981 from 33 countries. AID is a significant contributor to international health research efforts; these include the WHO program on tropical diseases (TDR) and Bangladesh center on Diarrheal Disease Research (ICDDR/B). Specific AID projects would also appear to provide direct or indirect support to a variety of other multilateral and regional efforts (from AID FY83 CP documents).

It is misleading, however, to focus entirely on money flows to develop a perception of US foreign policy toward a region and the roles regional organizations play in that policy. For example, in the Southwest Pacific the US has for a generation worked indirectly through Australia and New Zealand and regional organizations to achieve its goals with very little financial outlay; recently, as will be noted, new regional entities have begun to alter the balance of power. Consider also relative disparities between funding of bilateral and multilateral development bank (mdb) programs, which get the vast majority of total outlays, and the other multilateral (predominantly UN) and regional organizations which get far less. Size and distribution suggest that the United States, both historically and in the present has used aid flows to pursue its own political, economic, and security interests. Few states behave differently. This is not illuminating. Deducing that regional organizations have a marginal role in most US

policy actions because they are minimally funded is not much of an analysis.

Deeper grasp of funding levels and policy as a whole begins by understanding the organizational context of policymaking. New political leadership can set a tone and initiate new policy directions, but the actual implementation process sets much more severe limits than are conventionally believed. Neither the President nor the Congress can drastically change current spending levels on aid programs without a major and long-term political struggle. Aid is a middle-sized issue and neither side generally has the political energy and capital to sustain such an effort. Thus most bold proposals die quietly, and what appears on the surface to be consciously designed policy is simply a continuation of what may or may not have made sense at some point in the past. In this light, even if there were a consciously announced policy to make more use of regional organizations per se, and no evidence of one turned up in this research effort, it would require considerable effort to put into practice.

Program levels for all international organizations are set in a series of negotiations and tradeoffs within overall frameworks. Some are supposed to receive fixed quotas. As the mdb's have frequently discovered, quotas mean what Congress decides that they mean. The funding process for a fiscal year begins with debates and option papers inside the State Department (and Treasury for the mdb's). Levels agreed upon must bear some logical relation to those of last year. State Department proposals then go to the Office of Management and Budget (OMB). In theory OMB regards them in light of overall budget considerations; in fact one or two mid-level staff people look at each small international organizational account and follow their own inclinations. It does not appear that outside lobbyists try to

or could have much impact at this stage. Most regional organizations are too poor and far away to maintain sophisticated, year-around lobbyists in Washington, and too few US citizens are conscious enough of such issues to build the necessary critical mass of such action.

A budget message containing requested funding then goes to the Congress in January for the following fiscal year. Each program must make it through budget, authorization, and appropriation committees on each side and twelve separate floor actions (counting adoptions of conference reports). Much of this is routine action with only a few staff cognizant of the names of the organizations. Few involved have much detailed knowledge of what a specific organization does. Occasionally, however, a member of Congress will adopt one entity as a target for a critique of waste or of aid. Alternatively, members will choose to sponsor an organization and try to shepherd its budget through the process. From such intermittent and uninformed decisionmaking emerge appropriations and occasional policy mandates. With rare exception--1973 legislation mandating a "basic human needs" orientation, and the 1979 Senate effort to create an Asian-Pacific Regional Economic Organization come to mind--Congress has not chosen to seek new paths. Congress has been and remains largely a reactive political system.

All this suggests that one must look back to the US State Department and to factors beyond funding levels to try to develop a picture of a policy where no overt policy exists. For no report uncovered here suggests that any recent Administration has really thought about in any systematic or programmatic way the pros and cons of enhancing the use of regional organizations in development.

Thus instead of direct indications of a conscious policy, one

should consider aspects of the larger political and organizational environment and try to define conditions which would affect what is essentially an ad hoc decisionmaking process not grounded in historical awareness of cycles, conflicts, modes of production and systems analysis. Several factors seem relevant in addition to the aforementioned politics of self-interest. The historical baggage of regional organizations is unfortunate for development purposes. In the 1950s the United States viewed regionalism as security pacts. In the 1960s policy perspectives broadened. The US continued to pursue hemispheric influence and containment but also began to consider questions of economic growth (termed development in the rhetoric of the day) and conflict prevention and management. Nye (1969) reviewed the costs and benefits as perceived by the end of the decade. As he suggests, the way was now open to use regional organizations toward a fifth goal in the 1970s: "encouragement of change in the structure of the international system in accord with a new vision of world order" (Nye, 1969-734).

The four general motives of the 1960s have endured. So have aspects of State Department culture that discourage regionalism. International relations as inter-state relations has a history since Bodin. It is reinforced by country desks in State and their perceptions of turf. Regional bureaus in State control inter-state relations and major policy decisions in international organizations. The International Organization bureau has found it very difficult even to find out what a specific regional organization is doing, never mind influence it on any consistent basis. Even when ability and motivation are present, there are not enough people involved to do the work.

Available examples of specific policy decisions over the last

decade tend to reflect what could be expected from this overt policy vacuum and general philosophical, political, and organizational environment. Regional organizations were viewed as one tool among several in the pursuit of political and economic interests. In any particular forum the US has and can be expected to continue to pursue various, not necessarily compatible issues. Consider the US "no" votes and abstentions on mdb loans, 1945-September, 1980 as chronicled on page 18. US votes on 36 projects had to do with developmental reasons, but votes on 19 other projects were guided by a variety of more self-interested economic motives. Part of the time policymakers were working from a framework of political economy as the term is conventionally applied. Five votes, four against socialist states, fall in the political--punish the enemy--category; but many votes on developmental grounds affected US allies. Since the US has supported other loans with drastic cost overruns (to Ghana for example) and failed to protect its exporters a number of times, one is forced to conclude that, whatever the rhetoric, policy implementation is not consistent. Relative emphasis on political and economic factors evolves as Administrations and philosophies shift.

The US has shown willingness to join new regional organizations and participate where strong developmental or political interests dictate. The Sahel Development Program is a case of the former. US response to the 1980-82 activities of SADCC in Southern Africa is a case of the latter. Both are explored in some detail later in Part II. The US has not recently led in the creation of most regional organizations; there is no reason to urge it to try. If the countries of the region do not see its value, an outside power should not try to bring it into existence. One exception is the generation by

Table 2: U.S. "no" votes and abstentions on AIDB loans, 1945-1980

-18-

| Date | Country | Bank | Project | Amount (millions) |
|---------------------------------------------------|-------------|------|-------------------------|----------------------|
| I. COST EFFECTIVENESS | | | | |
| A. Cost Overruns or Too Expensive | | | | |
| 1. 10/74 | Costa Rica | IDB | power | \$50.5 |
| 2. 11/74 | Sri Lanka | ADB | earth satellite station | 1.5 |
| 3. 11/74 | Sri Lanka | ADB | mineral development | 1.0 |
| 4. 4/75 | Thailand | ADB | power | 22.7 |
| 5. 7/75 | Honduras | IBRD | port facilities | 3.0 |
| 6. 9/75 | Nepal | ADB | jute development | .5 |
| 7. 11/75 | Burma | ADB | power transmission | 6.1 |
| 8. 12/75 | Nepal | ADB | power transmission | 2.5 |
| 9. 12/75 | Algeria | IBRD | cement factory | 46.0 |
| 10. 3/76 | Afghanistan | IDA | agriculture | 10.0 |
| 11. 3/76 | Benin | IDA | roads | 9.0 |
| 12. 3/76 | Cameroon | IDA | roads | 15.0 |
| 13. 6/76 | Afghanistan | ADB | agriculture | 10.8 |
| 14. 9/76 | Nepal | ADB | roads | 4.8 |
| 15. 10/77 | Nepal | ADB | agriculture | 5.0 |
| 16. 3/78 | Rwanda | AfDF | agriculture | 2.5 |
| 17. 6/79 | Ecuador | IFC | private industry | 50.5 |
| B. No Need for Capital Transfer | | | | |
| 1. 12/74 | Nigeria | IBRD | agriculture | 21.0 |
| 2. 12/74 | Nigeria | IBRD | agriculture | 19.0 |
| 3. 12/74 | Nigeria | IBRD | agriculture | 21.0 |
| 4. 12/74 | Nigeria | IBRD | agriculture | 29.0 |
| 5. 12/74 | Nigeria | IBRD | agriculture | 17.5 |
| C. Inappropriate Use of Concessional Funds | | | | |
| 1. 8/71 | Sri Lanka | ADB | earth satellite station | 3.6 |
| 2. 3/72 | India | IDA | oil tankers | 83.0 |
| 3. 11/74 | Indonesia | ADB | water supply | 11.5 |
| 4. 11/74 | Indonesia | ADB | agriculture | 2.7 |
| D. Project of Dubious Economic Value | | | | |
| 1. 2/72 | Argentina | IDB | electric power | 50.0 |
| 2. 6/72 | Argentina | IDB | mining | 32.0 |
| 3. 1/78 | Benin | AfDF | agriculture | 5.0 |
| 4. 1/78 | Upper Volta | AfDF | transportation | 7.2 |
| 5. 12/78 | Nepal | ADB | agriculture | 14.0 |
| 6. 12/78 | Kenya | AfDF | water supply | 5.5 |
| 7. 12/78 | Lesotho | AfDF | agriculture | 5.2 |
| 8. 12/79 | Colombia | IDB | hydroelectric power | 44.0 |
| E. Inappropriate Development Strategy | | | | |
| 1. 6/72 | Brazil | IDB | agriculture | 26.0 |
| 2. 12/78 | Pakistan | ADB | industry | 32.1 |
| II. PROTECT U.S. PRIVATE SECTOR | | | | |
| A. Protect Exporters | | | | |
| 1. 4/72 | Tunisia | IBRD | electric power | 12.0 |
| 2. 6/73 | Zambia | IBRD | tobacco | 11.5 |
| 3. 9/76 | Tanzania | IDA | tobacco | 8.0 |
| 4. 11/77 | Swaziland | IFC | sugar | 8.4 |
| 5. 2/78 | Malaysia | IBRD | palm oil | 26.0 |
| B. Expropriation | | | | |
| 1. 11/69 | Peru | IDB | power | 9.5 |
| 2. 9/70 | Bolivia | IDB | transportation | .5 |
| 3. 6/71 | Guyana | IBRD | sea dikes | 5.4 |
| 4. 6/72 | Iraq | IBRD | education | 12.9 |
| 5. 1/73 | Iraq | IBRD | irrigation | 40.0 |
| 6. 4/73 | Peru | IDB | mining | 6.0 |
| 7. 5/73 | Syria | IDA | water supply | 15.0 |
| 8. 11/73 | Peru | IBRD | education | 24.0 |
| 9. 12/76 | Congo | IBRD | education | 8.0 |
| 10. 10/77 | Ethiopia | AfDF | transportation | 5.5 |
| 11. 4/78 | Ethiopia | AfDF | agriculture | 24.0 |
| 12. 3/79 | Ethiopia | AfDF | water supply and sewage | 7.9 |
| 13. 3/80 | Ethiopia | AfDF | rural roads | 9.7 |
| 14. 8/80 | Ethiopia | AfDF | tea industry expansion | 9.0 |
| III. CONGRESSIONAL-EXECUTIVE COMPROMISE | | | | |
| A. Nuclear Non-Proliferation | | | | |
| 1-26 1974-1977 | India | IDA | various | — |
| B. Forestall Congressional Earmarking | | | | |
| 1. 12/77 | Laos | IDA | agriculture | 8.2 |
| 2. 2/78 | Mozambique | AfDF | irrigation | .5 |
| 3. 8/78 | Vietnam | ADB | power | 6.3 |
| 4. 8/78 | Vietnam | IDA | irrigation | 60.0 |

(S:hou 117, 1982: 545-5)

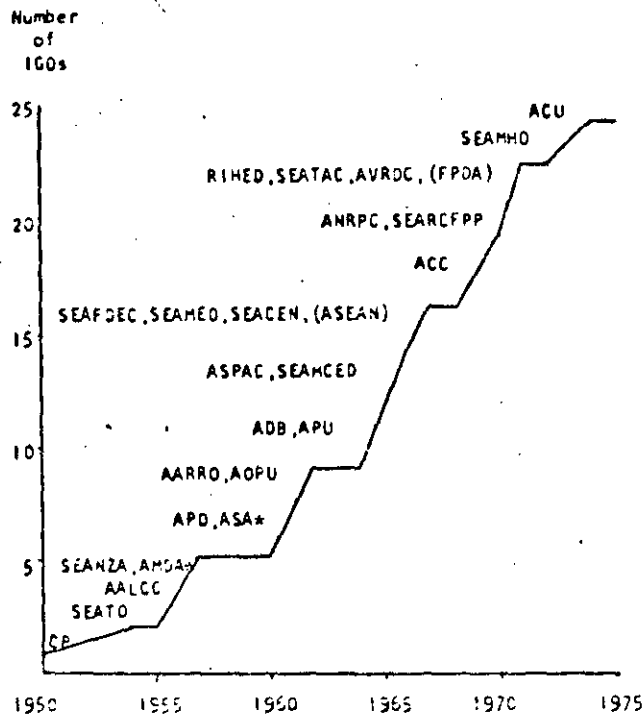
American firms of transnational business councils like the ASEAN-US Business Council begun in 1979. More typically a regional organization has a discrete purpose and membership, too marginal to American interests to merit monitoring, joining, or funding. Consider the list of Asian organizations over the 1950-75 period on page 20. The US has remained consistently and actively involved only in the ADB.

Inability to characterize use of regional organizations by the United States in the last generation in more than these few general comments, in sum the apparent absence of any specific policy directive, is a function of more than the existential self-interest and bureaucratic forces at work in the policymaking process. Comparative and cumulative analytic sophistication breaks down over the central problem of defining US interests. It is, unsurprisingly, a problem in systems logic. The US posits multiple but mutually conflicting goals and then tries to pursue them all at the same time. Diversity of goals is not surprising given the diversity of competing forces in the United States. But to assign one organization, for example a regional organization, the implementation tasks implied by such policy confusion is to create implementation confusion and at best only partial success. The case studies later in Part II illustrate this in some detail.

Consider as well the incompatibilities typical among different states in the same regional organization, and the same systems logic shows why developmental goals or any other remain elusive. The United States relationship with ASEAN is one example. In the late 1960s the US wanted ASEAN states to accept far more of a military role than area states desired. They refused. The US offered little more than

TABLE 3

Growth In Asian IGOs.



GLOSSARY OF ASIAN IGOs

| | |
|----------|------------------------------------------------------------------------|
| AALCC | Asian-African Legal Consultative Committee |
| AARRO | Afro-Asian Rural Reconstruction Organization |
| ACC | Asian Coconut Community |
| ACU | Asian Clearings Union |
| ADB | Asian Development Bank |
| AMDA | Anglo-Malaysian Defense Agreement |
| ANRPC | Association of Natural Rubber Producing Countries |
| APCU | Asian-Oceanic Postal Union |
| APD | Asian Productivity Organization |
| APU | Asian Parliamentarians' Union |
| ASA | Association of Southeast Asia |
| ASEAN | Association of Southeast Asian Nations |
| ASPAC | Asian and Pacific Council |
| AVRDC | Asian Vegetable Research and Development Center |
| CP | Colombo Plan |
| FPDA | Five Power Defense Agreement |
| RIHED | Regional Institute for Higher Education |
| SEACEN | Southeast Asia Central Bank Group |
| SEAFDEC | Southeast Asian Fisheries Development Center |
| SEAMCED | Ministerial Conference for the Economic Development of Southeast Asia |
| SEAMED | Southeast Asian Ministers of Education Organization |
| SEAMHO | Southeast Asian Ministers of Health Organization |
| SEANZA | Central Banks of Southeast Asia, Australia, and New Zealand |
| SEARCFPP | Southeast Asian Regional Cooperation in Family and Population Planning |
| SEATAC | Southeast Asian Senior Officials on Transport and Communications |
| SEATO | Southeast Asian Treaty Organization |

* Superseded by another IGO: AMDA by FPDA, and ASA by ASEAN.

** SEATO is no longer active.

Schubert, 1978: 427

moral and verbal support for the idea of regional cooperation without a corresponding willingness to treat the five countries as a group in any other than a symbolic way. Policies continue to be formulated with a view to the individual states. As far as the United States is concerned it is arguable and indeed quite likely that her strong political and military presence in the region served inter alia to maintain the fragmented nature of much of Southeast Asian interstate relations.

(Jorgensen-Dahl, 1977:424.)

This is partially borne by the acceleration of political consultations by ASEAN after 1975 to deal with Indochina issues in the absence of the US. ASEAN did survive in those early years without conforming to the US perceptions. A sense developed that it was better to try to solve regional problems regionally, a positive outcome of the second Vietnam War. One cannot term as substantial ASEAN's tangible accomplishments in the 1967-74 period; ASEAN managed a few economic and cultural projects. There is, however, nothing surprising that regionalism and consciousness of its utility grew slowly in the political and cultural context.

ASEAN's awareness of its economic as well as political interests advanced markedly in the 1970s. ASEAN discovered that the US would notice the regional entity when it was convenient and ignore it otherwise; the US dumped part of its rubber stockpile on the world market in 1973. ASEAN also found that Japan's synthetic rubber production threatened; meetings between 1973-75 diminished the immediate conflict. Such events and the US departure from Indochina led ASEAN to begin to formalize its structure and deepen its agenda. In the 1976 summit at Bali political issues were raised, a permanent central secretariat was created, a Preferential Trading Arrangement was agreed to, and certain large-scale projects were designated as ASEAN industrial projects (Drummond, 1982:308). ASEAN sees the EEC as a

model and consulted with it for eight years before setting up a Joint Co-operative Committee in 1980 and a business council in 1981. The US held dialogues with ASEAN in 1977, 1978 and 1980. The only concrete steps taken by the US were in trade: the US yielded to ASEAN arguments and changed the OPEC exclusion clause in its generalized Scheme of Preferences so Indonesian and joint ASEAN projects could benefit; and the US encouraged the 1979 creation of an ASEAN-US Business Council. The vast majority of US contacts with ASEAN states in recent years have thus been through other non-regional channels, particularly bilateral and mdb aid programs. ASEAN was found useful and used in relatively limited areas of interests--trade and the Vietnam related questions. Both ASEAN states and the US had many other agendas that did precisely match.

In an adjoining region, the South Pacific, the new island states have been far more energetic than ASEAN states in producing and using regional organizations for political and economic goals. These include the South Pacific Commission in 1947, the Pacific Island Producers' Association (PIPA) in 1965, the South Pacific Forum in 1971, and the South Pacific Bureau for Economic Cooperation (SPEC) in 1972. The old SPC involves outside powers including the US; interisland political and developmental issues are more likely to be handled in the newer entities. As the member states have developed political sophistication in a struggle for greater de facto decolonization, they have concluded that metropolitan powers including the US retain some interests that are incompatible with island welfare. These include atomic waste dumping, territorial fishing rights, and military basing. The US continues to work primarily indirectly through the ANZUS states. Metropolitan powers are secure in the knowledge that local

rhetoric about self-reliance and local advances in political self-rule are ultimately constrained by financial realities. Each effort at economic and technical development, monitoring the movement of tuna to understand infringements by Japanese or Russian boats for example, means seeking out more capital and technology from ANZUS states and others. Thus, despite some advances, frustrations are growing.

In sum, some forms of regionalism work to undermine and counter-act others because US policy pursues multiple conflicting goals and fails to match means and goals compatibly. In other cases, US and regional goals conform more exactly, as will now be illustrated in a series of three case studies which comprise the remainder of Part II of this investigation.

B. U.S. Participation in the Sahel Development Program

The drought of 1968-1974 had a severe impact on an already fragile region and left the Sahel economically and socially devastated. The spread of desert aridity resulted in great losses to cattle and serious crop failures. The drought did, however, have one positive outcome: the creation of a coordinated regional approach to Sahelian development. The institutional framework was realized in 1973, in the CILSS (the French acronym for the Permanent Interstate Committee for Drought Control in the Sahel), which consisted initially of the six contiguous Francophone states of Senegal, Mauritania, Mali, Upper Volta, Niger, and Chad, and later joined by Gambia and Cape Verde. It is important to note that the CILSS was a regional initiative whose objective was the coordination of Sahelian requests for assistance from the donor community. Independent of wider international institutions and firmly dedicated to regional cooperation,

the CILSS first attempted to address issues of long-term development which went beyond the negative effects of the drought. Emphasis was on sustained growth and development rather than the more static confrontation of the drought's devastation.

In March, 1976, the donor community, led by the then chairman of the Development Assistance Committee (DAC) and a few members of the OECD Secretariat, and with the full support of France and the United States, joined with the Sahelians under the initiative of President Senghor of Senegal. The resulting alliance was called the Club du Sahel. Aside from a statement of purposes and principles, the Club created the operational means for integrated planning. Ongoing working groups of Africans and Westerners were established for each of four production sectors and five program areas. The work of the nine teams was to be coordinated by a tenth, synthesis team. Symposia and workshops generated specific strategies which were adopted in meetings of the Club in 1977. Thus was created the overall coordinating mechanisms of the Sahel Development Program. The Club was not to be a financial entity per se; rather, it combined donors with recipients, giving the latter responsibilities for coordination and programming. It has acted to identify problem areas within which donors are encouraged to act (from GAO, 1978; AID, 1976; and Franke and Chasin, 1980:130ff.). As USAID has stated,

"Over the last five years the CILSS-Club mechanism for collaboration has adopted common strategies for attacking the Sahel's immense economic and social problems, obtained the necessary initial funds to begin implementing these strategies, and assisted in the execution of national and regional development projects under CILSS-Club sponsorship." (AID 1982)

The initial goal of the Sahel development project was the achievement of food self-sufficiency by the year 2000 and sustained long-term growth. According to the DAC 1981 Review, the focus has been now broadened to include maintaining the ecological balance and reforestation, since wood remains the most important source of domestic fuel. The means of achieving these goals is an emphasis on use of the private sector as a tool for development. The CILSS-Club has also encouraged the Sahelians to reexamine their cereals policy to include incentive producer prices, at least temporary subsidies for modern production factors to foster their use, and encouraging and improving farmer storage on the national and regional levels. The strategy also encouraged the abolition of the government monopoly of the cereals market and the provision of small loans and management advice to small, rural-based entrepreneurs. Increased external assistance was sought as well.

The U.S. Interest

Drought-stricken West Africa was not an area of great strategic or economic interest to the United States, although the Sahel is important as a geopolitical bridge between the Arab north and the black-African south, and there is some interest in its small amounts of mineral deposits.

Official US interest in a long-term Sahel development program, as opposed to a short-term emergency relief program, began with a Congressional directive in December, 1973. AID officials had already attended a September, 1973, meeting with CILSS. The United States later, of course, joined the Club du Sahel as a donor state.

The real US participation in the Sahel Development Program is through its AID contributions within the CILSS-Club framework. Of

course commitments do not equal outlays but the tables on page 27 give a general indication of the magnitudes and major contributors involved. The United States started slowly and accelerated rapidly. During 1975-1976 the State Department reassessed Sahel development in light of changes in the political conditions of Niger, Ethiopia, Guinea Bissau, and Mozambique. Secretary of State Kissinger began to discover Africa and on a 1976 tour "proposed a \$7.5 billion rescue operation to 'roll back the desert'". The 1977 Club du Sahel meeting in Ottawa proposed a \$10 billion, 25-year program (Franke and Chasen, 1980: 136-7). Pledges grew nearly ten-fold between 1973 and 1977; actual commitments nearly doubled between 1974 and 1979. In this period the US contribution grew and by 1980 the United States was the third-ranking donor with a commitment of \$130 million, or 8.7% of total contributions.

US motives for participating in the Sahel program grew more complex over time. Regionalism was seen as an effective way to address the needs of these least-developed countries, pooling knowledge and working in a catalytic way to generate more resources. AID (1981: 13-14) also began to see the program as an egalitarian dialogue, helping strengthen overall North-South cooperation. US perceptions of its commercial interests may have grown but, one could reasonably argue, viewing the area as a market more for technical and scientific services than for commodity trade. In light of the region's traditional trading patterns, increased commerce with the United States would enable the Sahelian countries to diversify their export markets.

It is still early to judge the results of the Club's efforts. Recent statistical analyses, however, indicate that some albeit slow

Table 7: Commitments of Development Assistance to Sahelian Countries (in \$millions).

| Country | 1974 | 1975 | 1976 (estimated) | 1977 (estimated) | 1978 (projected) | 1979 (projected) | Percent Increase |
|--------------------------------------|-------|-------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Belgium | 6.5 | 6.1 | 6.0 | 6.5 | 7.0 | 8.0 | 38 |
| Canada | 29.0 | 65.3 | 50.0 | 60.0 | 75.0 | 75.0 | 158 |
| France | 185.0 | 222.5 | 236.8 | 238.0 | 240.0 | 240.0 | 30 |
| West Germany | 76.0 | 76.7 | 72.0 | 90.0 | 110.0 | 118.0 | 55 |
| Holland | 2.5 | 8.4 | 35.0 | 36.0 | 38.0 | 40.0 | 1500 |
| Switzerland | 2.4 | 3.2 | 3.1 | 6.0 | 8.0 | 10.0 | 317 |
| United Kingdom | 7.3 | 5.1 | 12.7 | 13.0 | 14.0 | 15.0 | 105 |
| E.E.C. | 157.4 | 148.4 | 176.9 | 140.0 | 145.0 | 150.0 | -5 |
| I.B.R.O. | 42.3 | 107.9 | 110.3 | 150.0 | 180.0 | 200.0 | 373 |
| U.N. | 40.0 | 52.8 | 22.6 | 40.0 | 50.0 | 50.0 | 25 |
| African Development Program | 16.5 | 46.7 | 44.6 | 45.0 | 50.0 | 55.5 | 233 |
| OPEC | 83.7 | 91.2 | 75.9 | 90.0 | 100.0 | 120.0 | 43 |
| Other DAC ^a | 12.3 | 10.3 | 3.3 | 18.0 | 16.0 | 20.0 | 62 |
| United States | 2.9 | 5.7 | 11.5 | 35.0 | 67.4 | 97.1 | 3,248 |
| Totals | 663.8 | 850.3 | 860.5 | 968.5 | 1100.4 | 1198.1 | 80 |
| United States as percentage total | 0.4 | 0.6 | 1.3 | 3.7 | 6.1 | 8.1 | |

^aIncluding Australia, Austria, Denmark, Finland, Italy, Japan, Norway, and Sweden.

Source: USAID, 1978. Sahel Development Program: Annual Report to the Congress, February 1978, p. 6.

Notes:

Statistics do not include drought or emergency aid, at least for the United States, 1974-76 statistics gathered by DAC (Development Assistance Committee) of the OECD.

1979 projections by Secretariat of the Club du Sahel.

Source: Franke + Chasin, 1980: 138

TABLE 8: TABLE 7 UPDATE

| 1978 | | | 1979 | | | 1980 | | |
|---------------|--------|------|---------------|--------|------|---------------|--------|------|
| Rank | \$ (M) | % | Rank | \$ (M) | % | Rank | \$ (M) | % |
| France | 243 | 17.6 | France | 278 | 17.1 | France | 319 | 21.2 |
| EEC | 185 | 13.4 | EEC | 240 | 14.8 | EEC | 180 | 12.1 |
| United States | 144 | 10.4 | Germany | 136 | 8.4 | United States | 130 | 8.7 |
| Canada | 129 | 9.5 | United States | 123 | 7.6 | World Bank | 122 | 8.1 |
| Germany | 112 | 8.1 | Saudi Arabia | 117 | 7.2 | UN Agencies | 101 | 6.7 |
| World Bank | 103 | 7.5 | World Bank | 110 | 6.8 | Germany | 94 | 6.2 |
| African D.B. | 70 | 5.1 | Kuwait | 85 | 5.3 | Netherlands | 87 | 5.8 |
| Netherlands | 65 | 4.7 | U.N. Agencies | 78 | 4.8 | Saudi Arabia | 68 | 4.5 |
| U.N. Agencies | 53 | 3.9 | Netherlands | 58 | 3.6 | Iraq | 47 | 3.1 |
| Saudi Arabia | 52 | 3.7 | Japan | 47 | 2.9 | Kuwait | 40 | 2.7 |
| | 1,157 | 83.9 | | 1,273 | 78.5 | | 1,188 | 79.1 |
| | 220 | 16.1 | | 351 | 21.5 | | 314 | 20.9 |
| | 1,377 | 100 | | 1,624 | 100 | | 1,502 | 100 |

Source: AIG 1982 Report to Congress 26

progress is being made in attacking the Sahel's development problems. Cereal production has increased at an average rate of 2.9% since the drought abated in 1974. Livestock numbers are almost back to pre-drought levels and the average GNP in the Sahel has risen from \$136 to \$214 in 1981 (AID 1982: 3). Certainly, as we have noted, the amount of donor participation and contributions has risen significantly. The United States, in particular, responded quickly and favorably to regional initiatives. The Club contributed to the recognition of the Sahel's fundamental problems, and developed the regional, institutional and financial means of meeting the challenge. In this regard, the CILSS-Club operation has been an unquestioned success due, one could argue, to the confidence infused by the effective model of North-South cooperation. It seems that the regional setting of the Club du Sahel has been quite conducive to comfortable low-key education and to non-threatening cross-cultural communication. The CILSS-Club apparatus has provided a forum which, by its very definition, aims toward a cooperative and coordinated management of concrete, commonly recognized problems. Its working groups have provided a productive setting for multi-country seminars to explore development issues. The Club has successfully served as a mechanism for dialogue and coordination among Sahelian states on the one hand, and between Sahelian states and donors on the other.

It would be too soon to expect the Sahelian countries to have dramatically progressed toward food self-sufficiency. Indeed, certain states are in an alarming situation as they face increasing budget and foreign exchange problems to keep their economy alive. One can blame climatic hazards, population growth and the adverse international economic situation for contributing to the region's difficult

situation. Sahelian nations have faced a generation of very disadvantageous terms of trade.

At the same time, there is a certain tension between the needs of the Sahelian states to increase their food exports in order to earn badly needed foreign exchange, and the desire for greater food self-sufficiency. Stated more abstractly, the contradiction is between the increasing commercialization and integration of the region into the global economy and the interest in greater regional autonomy or economic self-reliance. Moreover, the danger exists that the fruits of the region's export earnings might be distributed unequally, as between states, sub-regions or social groupings. Countries and farmers that are encouraged to take land away from livestock raising, which is the main source of income for 21 percent of the Sahel population, and from diverse food crop production, in order to produce a more select group of export crops, will become less food sufficient. These countries and farmers may or may not benefit, depending upon government policies and terms of trade. Similarly, the fortunes of other sectors of the population may or may not be improved. The danger exists, for example, that, if Niger is encouraged to expand indefinitely the land it devotes to the cultivation of peanuts for export, pastoralists will be deprived of their lands and be less able to withstand future droughts. The supply of foodstuffs for the local market could suffer.

Growth projects in one region of a country, even if statistically successful, do not automatically create greater self-sufficiency either within that region or among regions. This case study of the Sahel should illustrate a basic problem for advancing regionalism as a process for development. Goals and means cannot be incompatible.

Although by all assessments the goal of regional participation and coordination toward arriving at a development program has been successfully met, the means of implementing the project's recommendations may have met up with more methodological problems. With the regional institutional framework in place and functionally operative, the actual strategy for development may need reappraisal. Western donors may be partially to blame for paying insufficient attention to the goals of equity and food self-sufficiency, and how they can best be addressed within the overall development model. But it must be recognized that some countries of the region have also not fully addressed some of these difficult issues.

C. The Southern Africa Development Coordination Conference (SADCC)

United States policy on political and economic development in southern Africa reflects the confusions of multiple conflicting policy goals, but it also reveals a tangible degree of sensitivity to regional objectives and the principal regional institution, SADCC. What is most striking about this case is how quickly between 1979 and 1982 nine politically disparate countries came together as the Southern African Development Coordination Conference (SADCC), adopted operational joint development initiatives, and enlisted the substantive support of the United States and other Western donors. Whatever its other agendas, the United States did respond rapidly and cooperatively to this regional effort at development when the nations themselves acted coherently. Given the tensions in US bilateral relations with some of these countries and also its program of "constructive engagement" with South Africa, the United States exercised considerable flexibility. Study of recent AID documentation

does reveal contradictions, but it also shows how far and how fast US policy thinking on regional development in southern Africa has moved since the first related planning exercise in 1976-77.

When Mozambique and Angola gained their independence in the mid-1970s, a generation of complacency of US policymakers on Africa was threatened by the tangible examples of revolutionary accomplishment. This stirred Henry Kissinger and the State Department first to covert anti-revolutionary efforts in Angola. They failed. In an April 1976 speech Kissinger outlined an adjusted policy: the US would work for majority rule in Zimbabwe and Namibia and seek to accelerate economic development in southern Africa as the way to end institutionalized inequality peacefully. The US would use development aid to manage future change. AID was to find out how to do it. Thus came about the 1976-77 research project known after its director as the Adams project.

The Adams project began amidst controversies and thereafter went downhill. It was clear from the first project scope of work that AID was seeking levers of power for social control over change in Zimbabwe and Namibia. Consultants who tried to raise basic questions of structural change in economics and politics were generally ignored or dismissed. The resulting study avoided the NIEO agenda, the issues of participatory development and consideration of alternative patterns of regional cooperation. It was a technocratic vision of peaceful change, "a manual on how to implement the policy of trying to impose the solution"...because "the interests of the peoples of Zimbabwe and Namibia would be well served by the maintenance of existing links with South Africa and the Western countries and by the acceleration of economic growth within that framework of relationships" (Turner

and Gervasi, 1978: 95-6).

The Adams project generated so much criticism in Congress and in academe that Congress mandated a new study. This was presented to the Congress in March 1979 as SADAP--Southern Africa Development Analysis Project. US interests were defined in line with Carter Administration tenets: human needs; US trade and investment; resolving political turmoil; and socio-economic development to counter the Soviets. Although the bulk of the main report treats country and sectoral problems, a 20-page section develops a rationale for pursuing a regional approach.

AID analysts recognized that independent countries in southern Africa "will place increasing importance on the objectives of self-sufficiency and self reliance" and seek to avoid new dependencies. A regional perspective can suggest specific approaches. These were spelled out. Coordinated regional transport is appropriate and cost-efficient. Specific initiatives of infrastructure development, usually involving 2-3 countries, were explored: river basin development in the Okavanga Delta, on the Zambezi, and on 5 other river systems; logical new rail links, port improvements, roads, bridges, and telecommunication networks. Cooperation in research and specialized education could proceed. Livestock disease control programs are clearly needed. Inter-regional trade could be facilitated by joint assessments of total regional imports and selective investment even without formal trade links. Uneven benefits from trade among unequals would have to be guarded against. One way to speed up and balance regional development could be tailored lending policies of a new Southern African Development Bank (AID, 1979: 87-105). In two years AID had thus moved substantially toward new and creative

applications of regionalism in development.

Events in Africa moved rapidly after this SADAP planning exercise. Zimbabwe became independent. In meetings during July 1979 and April 1980 agreement was reached by Angola, Botswana, Mozambique, Tanzania, Zambia, Zimbabwe, Lesotho, Swaziland, and Malawi bringing into creation the Southern Africa Development Coordination Conference (SADCC). SADCC developed a series of sectoral strategies around the basic theme of liberation from dependence on South Africa. It chose as an initial priority the transportation sector. Substantial progress was made in attracting Western donor support. By November 1981 \$338 million was committed. By August 1982 that figure was \$870 million and almost half of the intended 106 projects were underway. An end-1982 conference focused on industry and agriculture. Each state has been given specific sectoral responsibilities for regional planning (Thompson, 1982: 12-13). No large central authority has been created; this cuts down costs but delays decisionmaking to biannual ministers meetings. Improvements are said to be in process.

SADCC faces serious problems despite these gains. South Africa correctly perceives SADCC as seeking an end to its imperium and is doing many things to slow it down. It reportedly funds the anti-MPLA guerrillas to maintain a corrosive war in Angola and repeatedly invades southern Angola in punitive raids. It has allegedly directed assassinations and coup attempts in several states; Ruth First was the most recent victim. It reportedly funds the MNR to harass Mozambique development efforts and cut regional transport links. Various kinds of economic warfare could also be recounted.

SADCC's second problem is that it involves nations that have chosen a wide variety of forms of socio-economic organization and

are pursuing differing development priorities. Once these nations move beyond transport links to a discussion of industrial strategy and agricultural development, it will be far more difficult to construct a consensus. It is easy to agree to oppose South Africa but much harder to develop joint policies for foreign investment or transform severe regional inequalities within SADCC itself.

In its bilateral aid program to southern Africa AID has been responsive to the basic sectoral priorities SADCC countries have identified, with particular emphasis on agriculture. For FY81 AID sought \$39 million and received about \$20 million for regional activities to supplement (not replace) its bilateral efforts. For FY82 AID sought more explicitly to match SADCC priorities, asking much more (\$15 million to \$2.5 million) for transport development than for agriculture. Plans for FY83-FY87 show a shifting emphasis, back to agriculture, and a slow rise to a \$40 million a year program. AID is hampered however by funding limits, by legislation tying aid to US procurement and by the capabilities of its personnel. AID is also quite conscious of the way in which Congressional restrictions on aid to Mozambique hampers regional development activities.

AID has apparently little influence on State Department reaction to the series of South African aggressions against SADCC states. State has chosen to see no pattern. It explains Angola events as part of the struggle over Namibia which can and should be settled peacefully. Since SWAPO is viewed as undesirable (Marxist and pro-Soviet), South Africa should not be penalized for trying to prevent its success. Other parts of the pattern have been ignored. The US media helps by underreporting and misreporting the individual incidents and failing to provide overall context. The United States has

maintained a policy of "constructive engagement" with South Africa, but the appearance at least is that issues are being discussed but not resolved. Push issues into the future is the standard bureaucratic response to maintain a status quo. When SADCC condemned South African aggression at its November 1981 conference, the US (and other Western powers) even tried to get the statement withdrawn (Thompson, 1982: 15). AID has had to adhere to broader US foreign policy guidelines, arguing in its current (June 1982) Regional Development Strategy Statement that "the RSA has nothing to fear from the success of SADCC" (AID, 1982: 39).

This AID document is also the optimal way to explore current US attitudes and intentions toward SADCC and its efforts at regional development. The authors are candid. "US goals in the region should be pursued first and foremost at the country level....; "A regional program should ...in no case be a substitute for bilateral assistance where such programs exist or where national approaches to problem solving make more sense" (AID, 1982: 64-5). A regional program can complement and supplement.

AID is generally pleased with SADCC performance through 1982 and intends to seek new ways to marshall economic resources for the regional effort. It imagines (1982: 43-9) a Regional Economic Consultative Group with an international advisory committee on business, trade, and development to work with SADCC. AID declares current economic analysis of the region by the IBRD and IMF to be limited by their country focus. A foundation or other neutral body should support small independent working groups of economists to produce critical analysis and alternatives for regional development. If SADCC states have equal say in the choice of the economists, this

could become a valuable way to further regional development planning. AID will work to promote inter-regional trade and business development.

While there is logic to working toward reducing dependence on South Africa, AID concludes that there is "little likelihood (or merit) in trying to deliberately alter the relative positions of the SADCC economies vis-a-vis the RSA" (AID, 1982: 61). AID's current planning on SADCC thus reflects some of the bias of the US policy of "constructive engagement" toward South Africa. It would, however, be both difficult and presumptuous for the United States to proceed on the reverse premise and try to paint precise parameters of the degree and nature of South Africa/SADCC trade that might provide optimal development results for SADCC over a specific time period. It is an explosive political issue. If SADCC states themselves cannot yet develop an operational framework for changing these trade patterns, AID should simply wait. When countries of a region are not ready to proceed with a specific practical step, countries outside cannot impel such cooperation. It is after all impressive, on a comparative global scale, how quickly SADCC took on so many other substantive tasks and how favorably the US responded.

D. Caribbean Basin Development

The United States has sponsored two major and distinct initiatives to promote economic development in the Caribbean Basin in the last five years. In 1977, the Carter administration helped create the Caribbean Group for Economic Cooperation and Development (CG). The World Bank quickly assumed the leading role in organizing the CG, whose recipient nations were limited to the insular Caribbean nations plus Guyana, Belize and Surinam. The Reagan administration launched a very

different program in 1982--the Caribbean Basin Initiative (CBI). The CBI was essentially a unilateral, US initiative that embraced not only the insular Caribbean but also Central America and included increased economic assistance flows but also proposals for regional trade preferences and tax incentives for US firms investing in the region.

The 1977 US proposal came in response to the serious economic and financial problems that emerged in the 1970s in the Caribbean. The small island states were generally hard-hit by the sharp increase in energy prices, and faced serious deteriorations in their terms of trade. The Carter administration was also interested in demonstrating its sympathy with the democratic governments in the area. It was hoped that improved development prospects would both fortify democratic institutions and reduce the "push" factors that were driving many of the islands' best technical and managerial talents to emigrate. Reduced emigration would also relieve pressures on segments of the job market in the recipient nation, the United States.

Under the aegis of the World Bank, the Caribbean Group quickly engaged a broad range of donor countries and institutions. Involved donors, ultimately totalling more than fifteen, included the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, the International Monetary Fund, the UNDP, the European Community (EC), and a host of bilateral donors including some developing countries (Venezuela, Mexico, Brazil, Columbia). On the recipient end, the Caribbean countries worked to coordinate their approaches to the CG, while existing regional institutions looked to the CG for increased funding and technical assistance. The CG, therefore, was soon characterized by a "multilateralism at both ends." The CG included a large

number of both donors and recipients, with the CG acting as an intermediary for the negotiation of programs and the transfer of resources.

The CG has performed a number of functions. It has met in plenary session in Washington, D.C. in June of each year to discuss overall assistance levels and the general direction of programs. In addition, working groups specializing in individual countries have convened as necessary. The World Bank has taken the lead in preparing background papers analyzing the economic situation of the region as a whole and of individual countries, as well as proposing projects and programs for the donors to fund. The CG has served as a catalyst for increasing resource transfers, for improving donor coordination, and for advising governments on the design of individual projects and on their macroeconomic adjustment programs.

The CG resulted in a rapid increase in resource flows into the region. In its first year, the CG generated \$115 million in new, concessional flows, which have risen steadily thereafter. US development assistance doubled from fiscal year 1976, to total \$125 million in fiscal year 1979. US aid focused on improved food self-sufficiency, nutrition, employment and productivity, education, health and family planning. It also helped to strengthen regional institutions. At the same time, the World Bank and the IDB more than doubled their own aid to the Caribbean.

Decisions on the use of these increased resources flows were significantly influenced by the actions of the recipient nations. Most notably, the recipient countries were the primary stimulus behind the creation of the Caribbean Development Facility (CDF). The CDF was created at the first plenary session of the Caribbean Group in

June, 1978, in order to provide a flexible framework within which donors could provide local currency and balance of payments financing assistance to Caribbean countries encountering severe short-term financing problems. The recipient countries had argued that their existing industries were operating at well below capacity for lack of imported inputs, while ongoing investment projects were being hampered for lack of local currency. The CDF was a creative response to this recipient-country analysis.

The Caribbean Group has also sought to strengthen existing regional institutions. Various donors have provided technical assistance to the Caribbean Development Bank, with a view toward facilitating the processing of project applications. Donors also provided the CDB with increased resources for on-lending. In addition, a series of specialized regional institutions, ranging from agriculture to monetary affairs, received assistance from one or more donors.

The CG was successful, then, in engaging the creative energies of a wide range of donors and recipients, increasing resource flows, and in improving the quality of the technical analyses of the region's problems. Nevertheless, the region's economic situation continued to show signs of weakness and, in some cases, of continuing deterioration. The deepening global economic crisis basically overwhelmed the positive accomplishments of the Caribbean Group.

The CG's efforts at fostering increased integration among the Caribbean states also faced a series of obstacles, many of them common to other attempts at regional integration, others more specific to the problems of ministates. Integration efforts were hampered by: the essential competitiveness of the countries major export products, reflecting common resource endowments; national rivalries with deep

routes in history, ideology, or personalities; cultural differences (as between Haiti, the Dominican Republic and the English-speaking states); differing levels of development and size; the smallness of the domestic markets even when the populations of all the states are summed together; and transportation problems resulting from distance, natural barriers (the Caribbean Sea itself) and underdeveloped transportation facilities. These problems were compounded when governments, confronted by deepening economic and sometimes political crises, resorted to short-term measures to protect their own interests at the expense of regional integration (e.g., by raising tariffs). It also proved difficult to design specific projects that had a strong integration component, were economically efficient, could absorb significant financial resources, and that had a high priority among the recipient nations.

The Caribbean Basin Initiative of the Reagan administration is attempting a significantly different approach from the CG, although some similarities are also present. The CBI also emphasizes increased concessional resource flows, a portion of which are quickly-disbursing balance of payments support funds. Regional institutions, such as the Caribbean Development Bank, continue to receive some support. In many other respects, however, the CBI is a sharp departure from its predecessor, the Caribbean Group.

The CBI begins from a US-oriented security focus; the grouping together of the Central American and Caribbean nations responds partly to the common economic problems they face, but, more importantly, to the fact that they are situated, when seen from the US perspective, in a single security zone. The CBI is explicitly political; countries are to be excluded that fail to meet the administration's ideological

litmus test. Most importantly, the CBI is essentially unilateral; it is between the United States, on the one hand, and each of the region's developing countries on the other. The objective is not to increase the integration among the developing countries, but to strengthen the economic and political ties between the United States and each country in the area. It is a regional integration scheme only in so far as the United States is considered part of the Caribbean Basin. The CBI is also more comprehensive, in that it includes trade and investment components. With some important exclusions (including textiles and sugar), the CBI would allow Caribbean products to enter duty-free into the United States. The administration also proposed that US firms investing in the area receive a tax credit equal to 10 percent of new investments in plant and equipment.

Although President Reagan officially unveiled the CBI in an address before the Organization of American States, it is not a truly multilateral program. The United States has consulted with Canada, Mexico, Venezuela and Columbia, as well as with the IMF, World Bank and the regional development banks, but it has not been willing to make the political compromises necessary to permit the elaboration of a cooperative and integrated approach to the region's economic problems. Each donor nation is pursuing its own development programs, largely as if the CBI had never been announced. As a result of its diplomatic objectives, the United States is actually working at cross purposes from some other donors. Mexico, for example, has been concentrating substantial resources in Nicaragua. The United States has suspending some bilateral assistance programs and has been seeking to reduce Nicaragua's access to the multilateral development banks. The formation of a genuinely multilateral vehicle for

aid to the entire Caribbean Basin, or even just for Central America, has also been impeded by the widening political differences among the developing countries in the area.

The CBI emphasizes bilateral aid, trade and investment. The emphasis is on increasing the already substantial integration of the LDCs with the US economy. Relatively little attention is placed on increasing trade or other cooperative flows among the LDCs themselves. The driving philosophy is rather the opposite: that only the US market is large and dynamic enough to provide a sufficient stimulus to the Caribbean and Central American economies. It is possible, however, that once the material base of the LDCs has improved, they would be in a stronger position to give renewed emphasis to regional integration.

Despite the relative lack of multilateralism on either the donor or the recipient end, the CBI does reflect some of the region's own aspirations. It contains a strong component of quick-disbursing balance of payments support. The one-way free trade zone responds to the historic aspirations of easier and even preferential access to the large US market. Beyond these ideas, the LDCs have not presented the United States or other donors with a detailed, comprehensive series of concrete proposals, nor have they been able to create a permanent forum where they could formulate and present their views. Had they succeeded in doing so, the United States and other donors might have felt obliged to accept a more multilateral process that gave greater attention to regional integration. As it is, the strongly bilateral nature of the CBI places each LDC in a highly asymmetric power relationship to the principal donor, the United States.

The one-way free trade area has been heralded as the "centerpiece" of the CBI. Indeed, coming at a time of rising demands for

protectionism, the free trade area would be a significant step in the opposite direction of easier access to the US market for developing countries. The free trade area is, of course, a violation of the principle of nondiscrimination in global trade long held by the US and embodied in the General Agreement on Trade and Tariffs (GATT). The United States has generally opposed either the carving up of the world into exclusive trading blocs, or the further politicization of trade. However, some US officials have asserted that the CBI is a unique departure, resulting from the depth of the region's economic and political crises, and from geographic proximity, and is not intended to serve as a model for other regions.

The free trade area has not yet been approved by the US Congress. Should it be approved, it is not clear how great its impact will be. About 87 percent of the region's exports into the US already enter duty free. Moreover, some categories of goods that are now "dutiable" will not be granted free entry, including textiles, sugar and products with low value-added in the CBI country of origin. The investment incentive is unlikely to gain Congressional approval. Studies suggested that its impact on investment decisions was likely to be very marginal. The cost in lost revenues to the US Treasury was excessive in relation to the likely increase in investment flows.

Given the current international economic crisis, the CBI will be insufficient to reignite growth in the region. The \$350 million economic aid package, which was approved by the US Congress in 1982, will not even offset the drop in export prices in 1981, which reduced the region's export earnings by over \$485 million. In addition, high market interest rates have increased the burden of a swollen foreign debt. Most countries in the region experienced stagnant or negative

growth in 1982, and 1983 looks even less promising.

The trade and investment incentives are, even if approved by Congress, unlikely to take hold in countries where investors fear an uncertain political environment. The economic future of Central America is especially grim and will remain so if political solutions are not found to halt the fratricidal strife. Indeed, capital flight has, in some periods, probably exceeded external assistance flows. The administration's diplomatic strategies, it could be argued, are unlikely to reduce and may even augment regional tensions, at least in the short-to-medium run. To that extent, the political and economic strategies of the United States are contradictory. By proposing multiple, mutually incompatible goals, the CBI violates basic tenets of systems logic.

In reviewing the Caribbean Group and the CBI, several conclusions can be drawn about US policies toward regionalism. First, US approaches can vary importantly from one administration to another, and as conditions in prospective recipient regions change. Second, regional initiatives may not always be consistent with increased self-reliance, and may emphasize north-south relations to the potential detriment of south-south ties. Third, adverse economic or political environments can more than offset genuine efforts, on the part of both industrialized and developing countries, to strengthen regionalism. Fourth, developing countries that take initiatives, offer concrete proposals and help create or strengthen permanent forum, can affect the direction of regional programs and of donor activities. Fifth, the United States and other industrial states can significantly and rapidly increase their financial contributions, despite general budgetary stringency, when security, economic or humanitarian interests are considered to be sufficiently pressing.

III. Conclusions and Recommendations

The United States has clearly demonstrated a willingness to work closely with regional organizations in the Third World. The US is a member of a large number of regional organizations, provides various forms of support for others, and looks with general sympathy on still others. In the three case studies here, from the Sahel, to southern Africa to the Caribbean Basin, the United States has proved willing to respond rapidly to the formation of new regional groupings, and to lend financial and diplomatic support to them.

The United States has multiple motives for supporting regional organizations. The overriding interest may be security (the Caribbean Basin), economics (ASEAN) or humanitarian (the Sahel), although as in these cases, several US interests are generally involved. The US motive may be immediate and political (as in Central America) or it may be more long term. Regional organizations are sometimes seen as mechanisms that can provide a framework for economic development as well as for greater political cohesion among the participating states. The creation of regional centers of power can help prevent the intrusion of outside powers that might be hostile to US interests. Regional organizations can also help settle or manage disputes between its members, and generally reduce the level of diplomatic tensions.

US support for regional institutions can assume a wide range of postures. The United States can play an active role, even being instrumental in the formation of the regional organization. Alternatively, the US may be responding to an initiative that comes from within the region, or from an existing regional organization. Or, the United States may prefer to provide passive support, by being respectful of the regional institution's policies but not contributing directly to its programs. In cases where the basic objective of

the regional institution is to augment the cohesion among its members, a passive US role may be more appropriate; indeed, too active a US hand could undercut participant initiatives and therefore be counterproductive. In the extreme case, a hostile US posture could actually contribute to cementing ties among Third World states who feel confronted by a common danger. While one would hardly want to recommend that US policy be based on such premises, it nevertheless is useful to recognize that the dynamics of international relations can sometimes produce perverse results.

The form that US support takes also varies. The US may provide direct, bilateral economic and technical assistance to participant countries, or it can funnel the aid through intermediary organizations. The United States remains, of course, a major contributor to the regional development banks (mdbs), and can also make funds available to other regional entities. The United States may, in addition, lend its diplomatic support. This can consist of lobbying other potential donors, or of displaying a passive but essentially positive attitude toward the regional organization's activities.

There are, however, limits to US support. Regionalism is generally not a major issue on the US foreign policy agenda. This has the advantage of giving the State Department some greater flexibility, but it also limits the amount of attention--and the availability of funds--for regional organizations. Nor has the United States had a clear, coherent policy toward regionalism. The United States has generally expressed its rhetorical support for regionalism and for specific regional organizations, but it has not defined regionalism as a major interest or objective of US foreign policy. Regionalism is neither a major end to be pursued, nor even a major means toward

some other important policy objective. Regionalism can be useful in certain circumstances in the pursuit of other objectives, but regionalism is not understood as a fundamental good per se.

Indeed, the United States may sometimes be lukewarm or even be opposed to the activities of particular regional organizations. The United States may object to policies which might or actually do impinge upon the commercial interests of US firms, or which seem to promote inefficient outcomes. The United States has often tolerated and even supported regional common markets that promise to be "trade creating." If tariff and other policies, however, appear to give prominence to "trade diversion," the United States may object. The United States may look favorably on initiatives meant to increase regional self-reliance, provided that it is accomplished without inviting inefficiencies that result from trade-distorting interventions and which reduce trade with the global system as a whole. That is, to the degree that regionalism is consistent with efficiency, and is complementary to globalism, the United States will generally be supportive.

The United States is not likely to favor regionalism when it is conceived as a withdrawal from global commerce. Sometimes, however, the United States may accept the argument that some degree of regional protectionism is necessary in the short run, if the developing countries are to eventually participate successfully in the global economy (the "infant industry" argument). In this case, regionalism would be consistent, over the long run, with global integration.

The United States may also oppose regional organizations if they are an obstacle to US diplomatic objectives. Recently, for example, the United States has been giving little support to the Central American Common Market; the United States prefers to try to isolate

Nicaragua from its neighbors. The United States has been working to mount alternative regional organizations in Central America that exclude governments seen as antagonistic to US interests.

More often, however, the US would like to work more closely with regional organizations, but is frustrated by the relative weaknesses of the regional organizations themselves. The Reagan administration did have its own ideas regarding the design for the Caribbean Basin Initiative, but it is also true that CARICOM and the Central American Common Market were unable to quickly communicate feasible, detailed alternatives of their own.

It is generally not the role of the United States to initiate regional development schemes. Such proposals should best come from within the region, rather from external powers. But the United States should be prepared to respond positively to creative proposals for regional economic development.

For the United States to respond to regionally-generated initiatives, it must first be aware of them. There is a depressing dearth of information in the United States, and Washington in particular, on the concrete activities of most regional organizations. Wider dissemination of information, to the executive branch, the Congress, academia and the press, is badly needed. It might be useful to publish an annual book, reasonably priced, that would contain essential information regarding regional organizations. Of course, personal visits to Washington by representatives or beneficiaries would also help to increase the visibility of regional arrangements.

Ultimately, the United States is more likely to support organizations that meet or at least complement, one or more US foreign policy objectives. As we have seen, regional institutions can appeal

Bibliography

- AID (1982) Southern Africa - Regional Development Strategy Statement. Washington: AID, Africa Bureau.
- _____. (1981) Sahel Development Program--Annual Report to the Congress. Washington: AID.
- _____. (1979) Development Needs and Opportunities for Cooperation in Southern Africa. Washington: AID, Report to the Congress, March.
- _____. (1976) Proposal for a Long-Term Comprehensive Development Program for the Sahel, 2 volumes. Washington: AID, Africa Bureau, Report to the Congress.
- Axline, W. Andrew (1978) "Integration and development in the Commonwealth Caribbean: the politics of regional negotiations." International Organization, 32, 4, Autumn: 953-973.
- _____. (1977) "Underdevelopment, Dependence, and Integration: The Politics of Regionalism in the Third World." International Organization, 31, 1, Winter: 83-105.
- Carter, Gwendolen M. and O'Meara, Patrick O., eds. (1982) International Politics in Southern Africa. Bloomington: Indiana University Press.
- Drummond, Stuart (1982) "Fifteen Years of ASEAN," Journal of Common Market Studies, XX, 4: 299-319.
- Evans, Peter (1979) Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil. Princeton: Princeton UP.
- Feld, Werner J. and Boyd, Gavin, eds. (1980) Comparative Regional Systems: West and East Europe, North America, the Middle East, and Developing Countries. New York: Pergamon.
- Franke, Richard and Chasin, Barbara (1980) Seeds of Famine: Ecological Destruction and the Development Dilemma in the West African Sahel. Montclair: Allanheld, Osmun.
- Fry, Gregory E. (1981) "Regionalism and International Politics of the South Pacific," Pacific Affairs, 54, 3: 455-484.
- Galtung, Johan (1980) The True Worlds. New York: Free Press.
- Gannon, Francis X. (1981) "A Marshall Plan for the Caribbean Basin." Washington: unpublished draft.
- GAO (1978) The Sahel Development Program--Progress and Constraints. Washington: General Accounting Office, 10-78-18.
- Gran, Guy (1983) Development by People. New York: Praeger.

- Hawken, Paul et al. (1982) Seven Tomorrows: Toward a Voluntary History. New York: Bantam.
- Heyer, Judith et al., eds. (1982) Rural Development in Tropical Africa. New York: St. Martin's.
- House Foreign Affairs Committee (1982) The Caribbean Basin Initiative. Washington: GPO.
- Jorgensen-Dahl, Arnfinn (1977) "Extra-Regional Influences on Regional Cooperation in S.E. Asia," Pacifac Community, 8, 3: 412-429.
- Krasner, Stephen D. (1981) "Power structures and regional development banks," International Organization, 35, 2, Spring: 303-328.
- Laszlo, Ervin (1981) RCDC (Regional Cooperation among Developing Countries). New York: Pergamon.
- Ministere de la Cooperation et du Developpement (1981) Les Organismes Regionaux en Afrique. Paris: Ministere des Relations Exterieurs, Etudes et Documents, No. 45, 2V.
- Newfarmer, Richard, ed. (1982) From Gunboats to Diplomacy: New Policies for Latin America. Washington: Senate Democratic Policy Committee.
- Nye, Joseph S. (1969) "United States Policy Toward Regional Organization," International Organization, 23, 3: 719-740.
- Schoultz, Lars (1982) "Politics, economics, and U.S. participation in multilateral development banks," International Organization, 36, 3(summer): 537-574.
- Schubert, James N. (1978) "Toward a 'working peace system' in Asia: organizational growth and state participation in Asian regionalism," International Organization, 32, 2, spring: 425-462.
- Stavrianos, L.S. (1981) Global Rift: The Third World Comes of Age. New York: William Morrow.
- Thompson, Carol B. (1982) "Development Without Dominance? The Southern African Development Coordination Conference," ACAS Newsletter (East Lansing, Michigan), 8, September: 11-15.
- Turner, James and Gervasi, Sean (1978) "The American Economic Future in Southern Africa: An Analysis of an Agency for International Development Study on Zimbabwe and Namibia," Journal of Southern African Affairs, 3, 1: 85-97.
- US Department of State (1982) 30th Annual Report United States Contributions to International Organizations. Washington.

UNITED NATIONS INSTITUTE
FOR TRAINING AND RESEARCH
(UNITAR)



INSTITUT DES NATIONS UNIES
POUR LA FORMATION ET LA RECHERCHE
(UNITAR)

PROGRAMME ON REGIONAL AND INTERREGIONAL CO-OPERATION IN THE 1980s

THE KEY ISSUES, POLICY ALTERNATIVES AND RESEARCH PRIORITIES
OF REGIONAL AND INTERREGIONAL CO-OPERATION
IN THE 1980s

Working Paper by the UNITAR Secretariat

This document contains the preliminary draft of the first of a suggested three-part structure of the Report of the Panel of Eminent Persons which is to be transmitted, through the Executive Director of UNITAR, to the Secretary-General of the United Nations and other bodies and organs of the U.N. system upon the conclusion of the work of the Programme.

The suggested structure of the Report is as follows:

PART I The Key Issues, Policy Alternatives and Research Priorities of Regional and Interregional Co-operation in the 1980s

(draft follows)

PART II Specific Objectives and Opportunities of Regional and Interregional Co-operation

A review of objectives and opportunities of co-operation among developing countries; and between groups of developing and developed countries, by region and subregion, and by sector, based on the research findings of the Programme.

- (A) Objectives and Opportunities of Regional Co-operation in Asia
- (B) Objectives and Opportunities of Regional Co-operation in Africa
- (C) Objectives and Opportunities of Regional Co-operation in the Arab World
- (D) Objectives and Opportunities of Regional Co-operation in Latin America
- (E) Objectives and Opportunities of Interregional Co-operation among Regional Groups of Developing Countries
- (F) Objectives and Opportunities of Interregional Co-operation between Developed Market Economies and Groups of Developing Countries
- (G) Objectives and Opportunities of Interregional Co-operation between Centrally Planned Economies (European CMEA countries) and Groups of Developing Countries

PART III Policy Recommendations for Regional and Interregional Co-operation in the 1980s

Outline of a series of proposed measures designed to enhance current efforts in the area of regional and interregional co-operation and to inspire further efforts and mechanisms as needed, in order to promote equitable and symmetrical relations between countries; help

generate a purposeful dialogue between political leaders, policy-makers, research institutions and the intellectual community in view of reaching concrete results; and establishing ongoing relations with existing and newly established inter-governmental regional bodies, in a manner which complements and supports the efforts of other parts of the U.N. system directed toward related objectives and recognizing the executive role and competence of the Regional Economic Commissions (following the provisions of the Kandy Declaration).

Recommendations would be grouped under the following headings:

- policies on the national level
- policies on the subregional and regional level
- policies on the interregional level
- policies on the global level
- policies to finance the implementation of the above policies

PROPOSED METHODOLOGY

The Secretariat of the Programme will prepare drafts of all three Parts for discussion, criticism and elaboration by the Panel at each of its successive meetings.

- A first draft of Part I is submitted below
- Partial drafts of Part 2 will be submitted at forthcoming meetings, as the required reports become available from the international research network.
- A full draft of Part 3 will be submitted to the Panel at its last regular working meeting, together with completed and revised drafts of Parts I and 2.

The final text of the Report will be drafted by the Secretariat following the Panel's review and approval of the drafts of all three Parts.

First Draft of Part 1

"The Key Issues, Policy Alternatives and Research Priorities of Regional and Interregional Co-operation in the 1980s"

(i) The Key Issues*

The rationale for the exploration of new and appropriate strategies of international economic co-operation can be summed up in a few words: if present trends in the world economy continue without basic change, the great majority of developing countries will face unbearable economic and financial burdens and will suffer the effects of halted or reversed development with loss of autonomy and self-reliance.

The malfunctioning of the structure of international economic relations instituted at the end of World War II became evident well over a decade ago with the difficulties and subsequent collapse of the Bretton Woods agreements, the worsening of the terms of trade for many developing countries, the resurgence of protectionism, the concentration of capital and economic activity in giant multinational corporations, and the continued plight of at least one billion people living at or below the level of absolute poverty. Impelled by the newly found economic leverage of OPEC, and also by the increased financial drain due to higher oil prices, the developing countries took up the call for a New International Economic Order first in Algiers in 1973, and later at the sixth and seventh special session of the U.N. General Assembly (1976-77). But, notwithstanding numerous resolutions and the adoption of significant plans and programmes of action, progress toward the restructuring of the international economic order proceeded at a snail's pace, if at all. In the meantime demand continued to grow, especially in the poorest countries, and development financing levels continued to deteriorate. As a result the Group of 77 developing countries called for sustained global negotiations on raw materials, energy, trade, development and money and finance, to be launched at the eleventh special session of the General Assembly in 1980. Although the corresponding resolution was adopted (resolution 34/138), and numerous compromise texts and positions were advanced, the negotiations could not get started and are still stalemated at the present time.

The disappointing lack of fulfilment of the targets of two U.N. Development Decades, the failure of implementation of the Programme of Action of the NIEO, and the stalemate over the launching of the Global Negotiations confirm a general trend of the post-war period. Despite the creation of many new organs and organizations, a multitude of negotiations and continuous debates and discussions, efforts to enhance the quantity and quality of development aid, to improve terms of trade in favour of the poor countries, to assure sovereignty over their natural resources, and to create better access to international product and capital markets as well as to technology and information, have not produced tangible results. Although agreement was finally reached on a Common Fund for stabilizing commodity prices, subscriptions to the Fund were not sufficient to prevent a recent major drop in

* Based on "Regional and Interregional Co-operation in the 1980s" Working Paper of the Inaugural Meeting of the Panel of Eminent Persons in Brussels, revised and elaborated in light of comments and suggestions received from members of the Panel and the Advisory Board.

the price of several commodities of interest to developing countries. The treaty on the Law of the Sea, which could have had a favourable demonstration effect on other fields of international negotiations, could not be adopted without significant compromises, due to the reticence of a major power.

Failure in international negotiations has a heavy impact on conditions in developing countries, and in turn these conditions could lead to shortsighted nationalistic policies which exacerbate the difficulties. A few economic indicators suffice to illustrate the reasons. Current account deficits of developing countries now rise routinely to 1% of their total exports. The average economic growth rates of developing countries are down to 2.4 percent; less than the aggregate growth of their populations. Per capita economic growth is negative in all but a handful of oil-exporting and newly industrializing countries. For the rest, the combined deficit of \$100 billion for 1982 is staggering. The chances of repayment of the over \$500 billion total accumulated debt appear even more remote, and the overburdening of the commercial financial institutions, which now carry the brunt of the credits, is already evident.

Economic trends in the industrialized world are less drastic but are likewise grave. Average GNP growth in the OECD countries is around 1 percent, down from 4.7 percent for the decade of the 1970s, unemployment is up to 25 million, and inflation persists at an average of about 8 percent.

Domestic economic difficulties in the industrialized world often entail protectionist measures, deflationary monetary policies, and a preference for highly selective bilateral aid and trade flows. World trade becomes more constrained and concentrated, and widening gaps appear between the relatively well-off oil-producing and newly industrializing countries, and the less developed and less resource-rich members of the international community. The continuation of present trends would reduce the development prospects of the latter to nil. As per capita growth remains negative, and as markets are foreclosed and debts accumulate, almost one hundred developing countries with about two-thirds of the world's population will face major shortfalls in commercial energy, food, water, capital, qualified manpower, and productive infrastructure. The number of people living in absolute poverty will increase, and hunger and misery will create social unrest. Within the delicate structure of international security, the simultaneous destabilization of local regimes could have an unpredictable effect. The failure of North-South negotiations could impair the unstable balance in East-West relations, compounding the nightmare of human misery in unprecedented dimensions with the vision of a confrontation of unprecedented violence.

The present pattern of world relations has little or no promise for the future. New and productive approaches must be explored, to release the international community from the impasse of worsening problems in a global setting confronted with narrow and self-centred policies.

(ii) Policy Alternatives

Regional and Interregional economic co-operation are among the needed new approaches capable of turning around the current disastrous trends by creating a variety of flexible and mutually beneficial relationships among countries sharing a geographic, social or cultural region.

Co-operation among developing countries has been on the agenda of international negotiations since the Bandung conference of the non-aligned countries in 1956; and economic co-operation among developing countries (ECDC) became a pillar of Third World Development efforts since the adoption of the Arusha Plan in 1979. South-South co-operation in general, and regional and interregional economic co-operation in particular, may become the pivots on which the deterioration of the world economic situation could be turned around in the 1980s.

The strategy is entirely rational. It is not likely that the international economy could be restructured on the level of the world as a whole without corresponding changes on other — national, regional and interregional — levels. The need to adapt and reform national structures is widely recognized, but chances of achieving it by global or North-South strategies alone are small. The pursuit of national interests in an increasingly stressed and crisis-prone world reinforces bilateral relationships and the reduction of multilateral flows and assistance. If the Global Negotiations are not to turn into a 'dialogue of the deaf', and the NIEO is not to pass into history as another unachieved utopia, new and productive relationships have to be forged among national economies on sub-global, i.e., regional and interregional, levels. Such relationships would reinforce the collective self-reliance of the dependent economies, enhance the negotiating power of the weaker partners, and reduce the number of disparate actors and interests. The chances of successfully concluding global arrangements would be greatly increased.

Regional economic co-operation can have a wide range of benefits. First and foremost, economic progress calls for the optimum utilization of natural resources: agricultural land as well as energy and mineral resources. Regional coordination in the development, processing and marketing of such resources can assure an optimum scale of production, avoid wasteful duplication in investment and infrastructure, and improve the application of appropriate technology and know-how. In some instances the nature of the resource is such that regional development offers the best solution. This is the case for energy resources: with the exception of oil, energy is not readily transported. Hydro-electric power, natural gas, geothermal energy, and low-quality coal can be best exploited on a regional basis. Likewise rivers, lakes and inland seas call for regional co-operation for optimum development.

Labour can also be considered a regional resource. Migration can be a disruptive or a harmonizing factor; regional regulation can assure the optimum and harmonious employment of the available workforce. Human resources can be further developed on a regional basis through joint programmes of learning and skill-training.

Financial co-operation on a regional basis can be an important instrument in the renegotiation of external debt, the coordination of legislation concerning foreign direct investment, and the channelling of aid to maximize the chances of achieving the development objectives of the participating countries. In some cases additional forms of monetary and **financial** integration may be feasible, such as agreements on relative exchange rates and payments.

The United Nations has already established Regional Economic Commissions for the promotion of sub-regional, regional and interregional co-operation. In addition to strengthening them as necessary, other bodies could be created especially on the sub-regional level, in order to assure a better coordination of economic policies and the participation of all strata of society in the benefits.

The long-term benefits of regional co-operation can be stated in economic terms. They include:

- (a) enlargement of the size of regional production through joint investment and preferential treatment;
- (b) greater concentration of foreign exchange savings in the area of capital goods and technologies essential for autonomous industrial and agricultural development;
- (c) enlargement of the size of regional exports through the more efficient utilization of the human, financial, and natural resources, and infrastructures of the region;
- (d) increases in employment, income, and savings through larger scale regional production;
- (e) enhanced competitiveness of regional products on world markets;
- (f) ability to attract more outside capital on better terms through effective collective bargaining power and more assured returns;
- (g) enhanced control over regional production and trade.

In addition to economic benefits, regional economic co-operation has spin-offs or side-effects in the social, political and cultural sphere. It reinforces regional identity, strengthens solidarity, and stabilizes relations among neighbouring states. These effects have already been experienced in the European Community and the countries of ASEAN, among others. Co-operation on a wide range of issues could follow the sovereign desire of the co-operating states.

The fruits of success in launching regional and interregional co-operation on a larger scale could be considerable. Global negotiations among regionally organized groups would be incomparably more promising than among over 160 national economies widely disparate in self-reliance, size and power.

Some Operational Considerations

Creating functional regional co-operation schemes is not a simple matter; the historical record is not encouraging. A number of factors have to be taken into account as possible obstacles before chances of success in the future can be enhanced.

First, the presence of conflicting interests in a given region. These may be social, political or economic, and they can obstruct the path of negotiations for regional co-operation.

Second, external actors, such as transnational corporations, and extra-regional states with a strong economic or political interest in one or another country of the region. These can attempt to block closer interdependence among the countries of the region since this would reduce their own power, influence and profits in the region.

Third, the relationship between perceptions of national sovereignty and of collective regional self-reliance. States, especially those which have only recently achieved their independence, are protective of their sovereignty and intent on creating national identity. They may be hesitant to risk submerging their identity in collective co-operation schemes.

Fourth, fears attaching to the emergence of new patterns of domination in the region. These could occur as a result of closer interdependence between countries disparate in size, wealth, and level of development.

Because of the existence of these and related factors, schemes and models of regional co-operation must take into account, inter alia:

- the diversity of perceived interest in the countries of the region;

- the requirements for the coordination of plans and harmonization of interests;

- the basic objectives of regional development on which agreement is possible;

- the role, power and influence of extra-regional actors, whether corporations or states;

- the current perceptions of national sovereignty and independence;

- the existing disparities in the size, wealth and level of development of the countries in the region.

Countries which are potential partners in regional co-operation schemes need to be identified on the basis of political realities, geo-economic patterns, traditions of co-operation, complementarities of economic interests, agreement on perceived national interests, levels of self-assurance concerning the safeguarding of sovereignty and independence, and relations with extra-regional actors.

In addition, a practical framework must be devised to coordinate and integrate subregional, regional, interregional and global efforts to effectively complement one another. The resistance of various regional bodies to co-operate more closely needs to be overcome, and advantage must be taken of the experience of the United Nations to actively encourage successful regional operations.

Finally, the question of providing adequate financial resources to implement projects of regional co-operation must be resolved. Without sufficient resources regional organizations cannot attract top-level expertise, and cannot translate plans and projects of co-operation from the drawing board into reality.

When these and related factors are taken into account, regional co-operation schemes can prove to be more successful in the 1980s than they were historically, and can move beyond the limitations of previous forms of co-operation. In this regard several suggestions can be advanced.

- A. Regional economic co-operation should not be limited to trade and investment, as it has often been in the past. Such limitation tends to skew the benefits in favour of the more developed partners and create unacceptably high opportunity costs for the weaker economies.

The success stories of regional and sub-regional economic co-operation — the EEC, ASEAN, the Andean Pact, the CMEA and a few others — stand out against a backdrop of a larger number of failures. These were due not only to a lack of political will to implement the agreed measures (which was a factor in some cases), but also to real opportunity costs which made entering upon regional arrangements too costly for the less developed economies. The skewing of benefits is typical of regional co-operation in the historically prevalent forms limited to trade and investment, and is due inter alia to the following factors:

- (1) the freeing of trade within a region creates benefits mainly for the major producers, by providing larger markets for them. These benefits accrue to the more developed countries of the region at the expense of the relatively backward ones. The latter suffer losses from customs revenue and confront growing competition for their fledgling industries.
- (2) the common external tariff of a region, if it is to offer protection for regional products from external competition, must be relatively elevated. High tariffs, however, are disadvantageous to the less developed countries which rely on low tariffs to gain access to needed capital goods, basic foods, and consumer items. Hence the common external tariff often protects the industries of the more evolved economies of a region at the expense of the weaker ones.
- (3) the freeing of the movement of the factors of production (capital, labour, and raw materials) has similarly disparate effects and benefits. A freer movement of labour tends to create migration from the less productive to the more productive countries. This may be welcome for the former (it reduces unemployment and provides benefits from the repatriation of the income of migrant workers) but may be burdensome for the more developed areas: it may exacerbate already high rates of unemployment. A freer movement of capital, in turn, results in the gravitation of scarce investments to areas with relatively evolved production capacities, in view of quicker and higher returns, disadvantaging the less developed countries.
- (4) the regional control of foreign (extra-regional) investment reduces dependence on outside financing in favour of local capital through restrictive measures. But these measures may act as a deterrent for the development of the poorest countries that are necessarily eager to attract foreign investment.

It would appear that the high rate of failure of some types of regional economic co-operation had been due to their limitations to trade and finance. The reluctance of the less developed countries of a region to enter into the arrangements, or their decision not to abide by certain measures, is not due to lack of political will, but to the high opportunity costs such ventures present for them. Instead of surrendering the concept of regional co-operation in view of its uneven history, it is more reasonable to explore ways and means to assure its potential benefits without incurring the so far experienced costs.

- B. More evolved and integrated regional development schemes should be envisaged than those prevalent in the past. Schemes drawing on integrated regional approaches can eliminate the inequitable distribution of benefits caused by the limitation of co-operation to aspects of trade and investment.

Compensatory measures can be built into limited forms of regional co-operation to offset losses due to differences in production capacities and infrastructures in the countries of a region (for example, regional funds and financial pools can be created to offset unequal benefits in a regional free trade area for the less productive economies). Many such measures are only temporary palliatives: the regional economic situation remains inequitable. The more developed countries attract more capital and enjoy greater market shares than the less developed ones, even if labour migration may create additional unemployment for them. The role of the existing regional development banks in these issues would be important to examine.

Structural inequity can be overcome by a more encompassing and integrated set of measures as elements within a broad regional development scheme. Integrated regional planning includes measures for:

- (a) optimization of benefits from regional resources, both renewable and nonrenewable (joint investment and development schemes for extraction, processing and marketing, taking into account comparative advantages of location, labour pools, and related factors of production);
- (b) the more rational deployment of industries within the region (joint ventures, regional multinational enterprises);
- (c) the fuller utilization of whatever agricultural potential exists in the region (joint investment schemes and common pricing policies with non-reciprocal concessions where needed);
- (d) rationalization of the region's financial resources (a system of tariffs and subsidies to finance the creation and development of infrastructures, and a linkage of currency values to assure the equitability and stability of the cost of tariffs and subsidies);
- (e) sharing of technology and information (technology information pools, joint training programmes, R & D centres, and mechanisms for the transfer of endogenous technologies);
- (f) regulation of the region's external trade relations (common negotiating fora for setting prices, tariffs and quotas for regional exports and imports);

- (g) regulation of the region's external financial relations (common fora for the renegotiation of external debts and the control of external direct investment);
- (h) the administrative infrastructures required for the implementation of the above measures.

A development scheme capable of achieving such objectives calls for autonomous regional decision-making backed by adequate funds. This, in turn, may require the infusion of additional capital into the region, on acceptable terms and in appropriate forms.

- C. Mutually beneficial forms of interregional co-operation need to be evolved to assist developing countries in achieving the objectives of balanced and integrated regional co-operation among themselves.

Additional incentives for the realization of evolved forms of economic co-operation among developing countries could come from other developing countries and groups of countries in the framework of South-South interregional co-operation, and from developed countries and groups of countries in the form of North-South co-operation. Both types of interregional co-operation need to be studied in depth. They pose special challenges in devising appropriate mechanisms that allow groups of developing countries to realize their objectives of co-operation without interfering with the autonomy of their decisions and the means of their implementation.

The desirability of South-South co-operation is evident and, while it calls for detailed study as to specific costs and benefits, it needs no further comment here. In regard to North-South interregional co-operation it is worth emphasizing that developed countries would benefit from structurally balanced arrangements among regional groups of developing countries: the co-operating regions become more reliable trading partners, offer restricted yet better guaranteed investment opportunities, enjoy greater political stability, and lower their need for external aid and assistance. In view of such benefits, it is important that developed countries recognize the need to orient their development policies to facilitate the realization of the objectives of regional co-operation among developing countries. Effective assistance is especially important in the early phases of regional co-operation, when opportunity costs for the less developed members must be lowered without overburdening the economies of the more developed ones.

North-South interregional co-operation can be effectively pursued if the industrialized countries take inter alia the following steps:

- (i) increase development aid to the internationally agreed level and channel it to the countries of the region through the existing regional administrative bodies;
- (ii) allocate technical assistance to projects resulting from integrated regional planning with region-wide benefits;
- (iii) negotiate debts and loans with regional financial bodies;
- (iv) implement trade preference based on regional, rather than national origins;

- (v) refrain from pursuing bilateral trade and aid policies that would conflict with the development plan for the region as a whole;
- (vi) accede to regional regulations on direct investment, and encourage their transnationals to abide by regional codes of conduct applicable to them.

International organizations, including the economic and social bodies of the United Nations and its specialized agencies, in particular the Regional Economic Commissions, have a paramount role in facilitating the implementation of equitable and appropriate forms of regional and interregional co-operation by following up the decisions of the co-operating countries and providing information, funds, as well as technical assistance to the extent of their capabilities and in accordance with the initiatives of the member countries.

(iii) Research Priorities *

GENERAL GUIDELINES

Research on the objectives and opportunities of regional and interregional co-operation in the present decade must take into account the immediacy and urgency of the economic and social problems facing the international community, and the requirement of producing relevant and implementable knowledge concerning strategies and approaches that would contribute toward the solution of problems of international development. It must take cognizance of the fact that the world community is in a condition of manifest crisis, which is of a structural nature, with historical roots and global dimensions.

Research on the possibilities of realizing the full potential of regional co-operation among developing countries, and co-operation among developing and developed countries and groups of countries, must proceed on the premise that, unlike traditional concepts of regionalism, flexible and dynamic forms of co-operation will not de-link the great regions of the developing countries, or the developing countries from the countries of the industrialized world, but create higher levels of self-reliance, and closer and more equitable relations. Regional and interregional economic co-operation must draw on complementarities of interests, and on the principle of equity among countries. It must take into account past experience, learn from the failures, make use of the achievements, and further elaborate the forms and modalities of the existing plans and schemes of co-operation. To assure this end, research must identify the costs as well as the benefits of evolved forms of co-operation arrangements, and show that the costs of inaction could be disastrous, whereas the initial costs of action could be outweighed by the subsequent benefits.

* Based on "Conclusions and Recommendations Concerning the Research Tasks of the Programme," adopted at the First Regular Meeting of the Panel of Eminent Persons in Kandy, Sri Lanka.

In order to ensure that research is realistic and policy-oriented, on-going consultations should be held between researchers and practitioners in the field. Bodies, organs and organizations entrusted with the formulation and execution of projects and programmes of subregional and regional co-operation should be consulted and their advice sought. The expertise of the United Nations Regional Economic Commissions, and of the major regional bodies already affiliated with the Programme and represented on the Panel of Eminent Persons, should be solicited and made full and appropriate use of.

Inasmuch as even the best conceived plan for regional or interregional co-operation relies on the understanding and support of the broadest strata of the population, the results of research, while oriented to action by political leaders, must be meaningful and comprehensible for the public at large. Research reports should therefore be formulated with a view to comprehensiveness as well as comprehensibility.

SPECIFIC AREAS AND SECTORS

The development of human resources is an essential precondition of sound endogenous development. There can be no self-reliant development without an adequate level of participation of all the people in the elaboration of decisions and in their implementation. Regionally co-operative ways and means of upgrading and enhancing of the skills and abilities of the various strata of the populations, and safeguarding their basic cultural values and historical heritage, should be the object of intense study. Such issues must be viewed in the integral context of existing economic and social conditions, in order to arrive at practical and useful results.

The financial requirements of implementing existing and further elaborated arrangements on regional and interregional levels need to be determined. The role of multilateral financial institutions, as well as of regional banks and financial facilities must be elucidated, and appropriate forms of investment, access to capital, and resource transfers need to be studied. The objective is to discover mechanisms whereby arrangements adapted to the specific social, economic and political conditions of the various regions could be concluded, in order to reduce the dependence of the less developed and less resource-rich countries on foreign interests and on international monetary institutions, and increase their autonomy in accessing and allocating funds to achieve their own development objectives.

The issue of national sovereignty must be studied in depth, recognizing that it is assessed diversely in different regions of the world, and may have divergent meanings for developed and for developing countries. It should be recognized that the transfer of decision-making to the level of a regional group in certain areas of economic activity does not imply a reduction of autonomy and self-determination but, on the contrary, would enhance these factors by allowing states to regain control over processes and decisions vital to national development. The objects of study should be regional and interregional co-operation agreements that increase the self-determination of states, by redressing existing asymmetries in relations of interdependence and doing away with syndromes of domination and inequality.

The impact and consequences of advanced forms of regional and interregional co-operation on North-South and East-West relations should be investigated. Such forms of co-operation should contribute to progress on the global level, by enhancing equity, and improving the negotiating capacity of the presently dependent members of the world community. Research must centre on how regional and interregional co-operation could contribute to the unity of the countries of the developing world, and to balanced and beneficial relations between developing countries on the one hand, and industrialized economies - both free-market and centrally planned - on the other. The modalities of interregional co-operation must be subjected to economically sound, as well as politically realistic analysis.

The effective implementation of plans and projects of regional and interregional co-operation calls for appropriate institutional and administrative mechanisms. National, regional and interregional mechanisms must be reviewed in light of these requirements. Practicable suggestions need to be advanced for rendering existing structures more adapted and efficient, and for complementing them, if necessary, with further institutional and administrative means and measures.

PART II

Specific Objectives and Opportunities of Regional and Interregional Co-operation

(draft to come)

**INDIAN INSTITUTE OF
FOREIGN TRADE**



UNITAR'S
PROGRAMME ON
REGIONAL AND INTER-REGIONAL
COOPERATION IN 1980s

PRELIMINARY REPORT FOR THE
SECOND REGULAR MEETING OF
THE PANEL OF EMINENT PERSONS

Kuwait, January 8-9, 1983

STRATEGIES FOR EXPANSION OF TRADE AND ECONOMIC COOPERATION
BETWEEN INDIA AND SOUTH PACIFIC COUNTRIES

Prepared by

V.Vithal Babu
Deputy Director General
and
A.C. Vyas
Associate Professor

(Preliminary Report)

INDIAN INSTITUTE OF FOREIGN TRADE

STRATEGIES FOR EXPANSION OF TRADE AND ECONOMIC
COOPERATION BETWEEN INDIA AND SOUTH PACIFIC COUNTRIES*

Preamble

As an integral part of the Comprehensive Research Plan of the Programme on Regional and Inter-Regional Cooperation in the 1980s of the United Nations Institute for Training and Research, the Indian Institute of Foreign Trade has undertaken a study on Strategies for Expansion of Trade and Economic Cooperation between India and South Pacific Countries. The Survey covered Fiji, Papua New Guinea, Solomon Islands, Western Samoa and Tonga.

The Asian and Pacific Development Centre, Kuala Lumpur, collaborated with the Institute in this project.

Objectives

The objectives of this study are :

To determine ways to expand trade between India and the Pacific region countries of Fiji, Papua New Guinea, Western Samoa, Tonga and the Solomon Islands;

To identify specific products of interest and explore ways to increase economic co-operation between the region and India through an assessment of:

- the impact of the South Pacific Forum on Indian-South Pacific Trade;
- the complementarities and areas for profitable trade between India and the countries of the South Pacific, including the potential size of the specific export markets, sources of imports, and end-user requirements;

* Prepared by V. Vithal Babu, Deputy Director General, and A.C. Vyas, Associate Professor, Indian Institute of Foreign Trade, New Delhi.

- the measure of competition from other suppliers to the South Pacific;
- government rules and regulations, tariff and non-tariff flows;
- areas where exports can be promoted by providing further credits;
- new actions to be taken by Governments to promote India-South Pacific inter-regional trade and economic cooperation.

Methodology

A research team comprising two specialists of the Institute undertook the field investigations. Discussions were held with the government departments and organisations, representatives and specialists concerned with agriculture, industry, natural resources and trade. Based on the desk research and field survey a preliminary report has been prepared for presentation at the Second Regular Meeting of the Panel of Eminent Persons to be held on January 8-9, 1983 at Kuwait.

Introduction

The economies of the island developing countries of South Pacific are basically dependant upon the agricultural sector with most of the people working on subsistence farms cultivating coconuts, cocoa and a few minor cash crops like tea, rubber and spices. Forestry and fishing are the other important activities. Manufacturing operations have been by and large modest in most of these island countries.

These island countries are heavily trade dependant. The proportion of exports to GDP in 1981 was about 60% in respect of Solomon Islands, 46% in Papua New Guinea, 27% in Fiji, 20% in Western Samoa and 18% in Tonga. The proportion of imports to GDP during the same year was as high as 82% in Tonga, 72% in Western Samoa, 60% in Solomon Islands, 50% in Fiji and 45% in Papua New Guinea.

These countries rely mainly on one or two dominant commodities, the export earnings of which are subject to fluctuations due to variations in demand and output as was witnessed in the recent years.

All of them suffer from shortages of entrepreneurs and trained administrative and technical personnel.

Attempts are being made for encouraging and promoting regional cooperation for the development of these countries in close partnership with the industrially developed countries of the region, i.e. Australia and New Zealand. The South Pacific Forum, comprising the heads of states of the island countries, at its meeting in Canberra in February 1972 established the South Pacific Bureau for Economic Cooperation (SPEC) as an inter-governmental regional organisation for this purpose. The formal agreement establishing SPEC was signed in Apia on April 17, 1973. The participating governments comprise Australia, the Cook Islands, Fiji, Nauru, New Zealand, Tonga and Western Samoa. Thereafter it was joined by Niue, Papua New Guinea, Kiribati, Solomon Islands, Tuvalu and the Federated States of Micronesia.

The functions of SPEC include (a) identification of opportunities for modification of trade patterns, bearing in mind the objectives of regional trade expansion; (b) exploring ways in which industrial and other development could be rationalised using the concept of regional enterprise; (c) investigating scope for free trade among the island member countries; (d) establishing an advisory service on sources of technical assistance, aid and investment finance; (e) assisting in coordinated action on regional transport. SPEC has been quite active in the region in the fields of Bulk Purchasing, More Effective Aid, Regional Telecommunications, Revitalisation of the Banana Industry, Packaging and Marketing Aspects of

the South Pacific Banana Industry, Regional Shipping and Civil Aviation Regional Trade & Development, Regional Survey of Agricultural Pests and Diseases, and in the formal establishment of the Pacific Forum Line and the Forum Fisheries Agency, etc. At present, SPC is engaged in areas such as Trade Negotiations, Environment, Energy, Regional Sugar Agreement, Telecommunications, Law of the Sea, Air Freight Study, Civil Aviation, Industrial Development etc.

The South Pacific Commission (SPC) has been cooperating with SPC and other organisations in the areas of regional development.

The United Nations Development Programme (UNDP) has been evincing strong interest in the Pacific Region. The first inter-governmental gathering took place at Suva in 1979 to consider UNDP-assisted regional projects, thus initiating a continuing programme in consultation with the Pacific countries. The on-going regional programme was subsequently reviewed in consultation with ESCAP and other concerned organisations. The Inter-Governmental Meeting on the UNDP Inter-Country Programme, 1982-86 was held in Apia, Western Samoa in November 1980. The on-going and new regional projects were considered, and "Priorities and Areas of Assistance" were identified and approved. They include on-going projects on development of fisheries, livestock and rootcrops; mineral investigations; training in telecommunications, rural development, small scale enterprises & entrepreneurship, public administration, trade promotion, malarial control & eradication, agriculture, forestry & fisheries, hospital administration, water supply & sewerage. The new projects related to Pacific energy programme, integrated atoll development, vocationally-oriented education, basic training in repair/maintenance of outboard motors, chain saws, pumphouse equipment, and

typewriters, health development network, civil aviation, and transport survey.

ESCAP has been collaborating with the United Nations development system, especially UNDP, in strengthening development assistance to the Pacific region. It participated in the programming mission to prepare the five year (1982-86) phase of UNDP inter-country activities for the region. The services of the Asian and Pacific Development Centre (APDC), Kuala Lumpur are available for development training and research. Likewise of the Statistical Institute for Asia and the Pacific (SIAP), Tokyo, the Regional Mineral Resources Development Centre (RMRDC), Bandung, and the Regional Centre for Technology Transfer (RCTT), Bangalore.

The United Nations Development Advisory Team for the Pacific (UNDAT), a project of ESCAP, has been providing advisory services on an adhoc basis. It has specially worked in close association with SPEC on the Pacific Regional Energy Programme, and brought out reports among others on customs tariff classification.

Various suggestions have been made from time to time for expanding and strengthening regional trade and economic cooperation in the South Pacific by the Commonwealth Secretariat.

The CHOGRM (Commonwealth Heads of Government Regional Meeting) Working Group on Industry has also identified projects which can be established in the different island countries, and action plans have been prepared by the Industrial Development Unit (IDU) of the Commonwealth Fund for Technical Cooperation (CFTC) for

enabling the concerned authorities and organisations to initiate implemental action*

The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), a non-reciprocal trade agreement under which Australia and New Zealand offers duty free and unrestricted access or concessional access for specified products originating from the developing island member countries of the South Pacific Forum came into force from January 1, 1981. The products that can enter Australia and New Zealand have been indicated under separate schedules.

The Pacific Islands Industrial Development Scheme provides financial assistance and incentives to the entrepreneurs of New Zealand pursuing approved manufacturing or processing operations in Island countries including Fiji, Papua New Guinea Solomon Islands, Tonga and Western Samoa.

Official Development Assistance is offered by Australia, Canada, West Germany, France, Japan, New Zealand, Netherlands, UK, USA, Asian Development Bank, European Economic Community and UNDP.

* Fiji: Glass bottles, sandal wood oil, ginger processing, terry towels, wood processing industry, textile manufacturing and allied industries, lime production, salt production, inter-locking paving blocks, cattle feed, trochus shell buttons, tie dye and batik garments, paper board and trays, acrylic buttons, domestic electrical fittings, woven labels, light engineering goods, wick stoves, utensils, pressure cooker, knives, enamel ware.

Papua New Guinea: Solar salt, coir industry, cane furniture, domestic plastic ware, aluminium utensils, auto-mobile filters, auto parts, domestic refrigerators, drycell batteries, cocks and taps, processing timber from old rubber trees, sericulture, industrial estate with common facilities and common facility center.

Solomon Islands: Copra oil extraction, laundry soap, paints, soft drinks, sheet metal fabrication, button from trochus shells, saw mill, raw hides preservation, leather footwear, leather tanning and finishing and village industrial estate.

Tonga: Manufacture of vinegar from coconut water, cultivation of brown-weed for industrial manufacture, food technology lab, timber treatment plant, manufacture of wooden furniture, bakery products, automobile repair workshop, printing press, freezer unit for storage of fish and meat, polyethylene film and bags, and lime juice extraction.

Western Samoa: Raw hide preservation and leather tannery.

Country-wise Description

Fiji

Fiji has since independence in 1970 been able to energise its development activities, attract foreign capital, and effect transformation from a predominantly rural economy to a service economy.

Agriculture, forestry and fishing accounted for 22 per cent of its GDP in 1981, employing 45 per cent of the labour force. Manufacturing operations comprising processed agricultural items and light consumer goods constituted about 13 per cent. Domestic production includes sugar, molasses, copra and coconut oil, cocoa, ginger, meat, fish preparations, pine and timber products, gold, and others such as beer, cement, cigarettes and tobacco, soap and paint. Sugar, molasses, coconut oil, gold, timber and fish products are the main foreign exchange earners. Receipts from tourism are sizable.

Imports such as electrical machinery and goods, other machinery and transport equipment, fabrics, iron and steel, some items of food and beverages, clothing, tape recorders and watches are freely admitted under open general license. Those imported under specific licenses include passenger automobiles, butter, flour, tea, logs, rough and dressed timber, plywood and blackboard, cement, gold bullion, semi-manufactured and fully manufactured gold and jewellery thereof.

Fiji's global exports were up from about US \$ 159 million in 1975 to \$ 311 million in 1981, and imports from \$ 267 million to \$ 632 million respectively. Thus its trade deficit has mounted over the years.

Fiji's main trading partners are Australia, Japan, UK, New Zealand, USA and China.

Indo-Fiji trade has been sluggish in the recent years. In fact, India's imports have been negligible (US \$ 22,827 in 1980 and \$ 78,632 in 1981), while its exports averaged \$ 6.15 million (c.i.f.) between 1979 and 1981. India's exports mainly consisted of cotton, silk and other fabrics, terry towelling, builders indoor sanitary ware, iron or steel articles, parts of machinery developed cinematographic films, cosmetics, footwear, clothing jute bags, sacks, spices, pulses, household utensils, imitation jewellery, musical instruments, tea and machinery. Most of these items are meant for persons of Indian origin constituting 52 per cent of the total population of about 640,000.

Fiji is poised for rapid industrialisation during the Eighth Development Plan (1981-85). The Economic Development Board under the Minister of Economic Planning and Development, which started its operations in October 1981 offers various types of services for prospective entrepreneurs in setting up priority industries. The government of Fiji encourages foreign investment and offers incentives including tax and duty concessions.

There are prospects for stepping up India's exports of machinery & equipment. Scope also exists for enlarged exports of textiles and sarees, hardware items, plastic ware and aluminium homeware, gold jewellery, medicines, polyethylene bags, footwear, etc. There are also possibilities for joint ventures for glass bottle plant, mini cement plant, footwear, textile manufacturers, knitware, processed foods, tannery, beer factory and stationery items.

The Fiji Pine Commission for instance is exploring the possibility of setting up an \$ 85 million industrial complex and there are prospects for establishing a pulp and paper unit. As it is India has a joint venture engaged in the manufacture of paints, enamels and varnishes.

coffee, cocoa, timber, copra, coconut oil and rubber. Imports consist of machinery and transport equipment, mineral fuel and lubricants, chemicals, foodstuffs, beverages, tobacco and sugar. Australia is the principal trading partner followed by Japan, Singapore, USA and UK.

India's exports largely comprising medicinal and pharmaceutical products, textile yarn and fabrics, machinery and transport equipment were up from about \$ 390,000 in 1977-78 to about \$ 600,000 in 1981. Indications are that some Indian merchandise is being imported through third countries, mainly Hong Kong. There have hardly been any imports from Papua New Guinea.

Papua New Guinea (PNG) follows an increasingly pragmatic policy towards foreign investment, especially during the National Public Expenditure Plan (1983-86). Economic activities are classified by the government under three categories: priority, reserved and open.

The priority sector envisaging long-term foreign investment is actively promoted. It covers mineral and petroleum exploration and development, cultivation and processing of tea and sugar cane, growing of legume and grain crops, forestry and integrated timber industries, and fishing.

The reserved activities are those where foreign investors - companies with less than 25 per cent PNG ownership - will not generally be permitted to set up new business or take over the existing units. Small scale alluvial gold mining, growing or processing of coconuts and coffee, inland fishing, handicrafts, manufacturing and land transport fall into this group.

The open category relates to those activities which PNG government prima facie considers it beneficial for seeking

foreign investment, though it would like to examine the proposals in depth and accord approval on a case by case basis. Various types of fishing, canning and preserving of fruits and vegetables, manufacture of prefabricated wooden buildings, and repairing, construction and tourism, and technical and professional services. These operations are subject to certain conditions such as export obligations, import substitution requirements and some PNG equity participation.

The foreign investment guidelines also state:

- Preference will be accorded to joint ventures with PNG partners;
- Import protection via tariffs and subsidies will not be applicable;
- Loans and capital funding of new foreign investment should normally be made offshore except in times of excess domestic liquidity (debt: equity ratio should not exceed 60:40);
- Foreign exchange will be freely available for private investors.

The above information suggests the scope and areas for economic and technical cooperation in broad terms.

The National Investment and Development Authority (NIDA) screens and approves foreign investment proposals.

Soloman Islands

The economy of Soloman Islands is basically dependent upon the agricultural sector. Principal crops are coconut, cocoa and rice. The forest resources offer considerable scope for timber extraction. Fishing is an important commercial activity. Oil palm is being developed as a major export crop.

The present government has undertaken a rapid review of the various policies and a Programme Of Action (POA) 1981-85 is under finalisation.

Soloman Islands have recently embarked upon a diversification programme with a view to lessening dependence of the economy on the export of a few items. In this pursuit, the government is encouraging growers to take to increased cultivation of spices particularly ginger, turmeric, chillies and cardamom with a view to diverting them to export markets. Production of these spices at present is however sporadic presumably because of uncertainties of external markets on the one hand and lack of organised marketing infrastructure on the other.

The manufacturing sector is relatively small, though it has expanded in recent years, mainly in processing of agricultural and forest products. There exist some units engaged in the production of sheet steel, furniture, wooden cabinets, body buildings, fibre glass moulding, barbed wire, concrete products, clothing, biscuits, tobacco, soaps and nails. These enterprises are run by expatriates either on their own or in collaboration with local residents. Efforts are being intensified to enlarge the import substitution activities.

Soloman Islands have an estimated deposit of 30 million tonnes of bauxite. Copper, nickel, manganese, chromite and phosphates constitute the other minerals. Gold and silver are also produced on a small scale. Offshore oil and deep-sea minerals are being encouraged.

The total foreign trade of Soloman Islands was around US \$ 120 million in 1981, exports being of the order of \$ 64 million and imports \$ 56 million. Major exports are fish, copra, timber and palm oil. Imports consist of beverages, tobacco, crude materials, mineral fuels, animal & vegetable oils, fats, chemicals, machinery & transport equipment and miscellaneous manufactures.

Soloman Islands have been recipients of aid mainly from UK, Australia and New Zealand. Multilateral assistance has been forthcoming from Asian Development Bank, European Development Fund, UN Agencies and IMF.

The trade between Soloman Islands and India has so far been insignificant; imports from India were about US \$ 21,855 in 1981.

Tonga

With a population of about 95,000, Tonga's economy is based on subsistence farming, copra, bananas, and coconuts being the major items of production and exports. Other exports include pineapples, water melons and tomatoes. It imports manufactured goods, machinery and foodstuffs largely from New Zealand, Australia, USA, UK, Canada, Japan, Fiji and China.

The volume of imports ranged between US \$ 29 to US \$ 36 million while exports were around US \$ 9 million during 1979 and 1981.

Tonga's Fourth Five Year Plan (1980-85) aims at directing investment to the productive sector of the economy and strengthening the existing infrastructure. Private sector investment is expected to account for 52 per cent of the total, slightly more than during the previous plan period. Vanilla was introduced as a new cash crop and has recently emerged as a major export item.

Surveys of offshore mineral deposits led to the discovery of petroleum around Tonga Tapu in 1977, and test drilling operations were planned to commence thereafter.

Tonga receives aid from UK, New Zealand, Australia and Asian Development Bank.

Under the Indian Technical and Economic Cooperation (ITEC) programme, five irrigation pump sets were gifted to Tonga, a techno-economic survey of small scale industries was conducted and some experts were deputed.

Tonga's imports from India amounted to US \$ 40,100, US \$ 75,722 and US \$ 22,342 in 1979, 1980 and 1981 respectively. Tonga's exports to India were negligible accounting for 153 and 494 US \$ in 1979 and 1980.

Indo-Tonga trade is small owing to lack of direct shipping links and the inertia of the Indian trade and industry. While Tonga exports copra to India, it imports items like tea, essential oils textile yarn, cotton fabrics, spices, readymade garments.

At present there appears to be a good demand for steel plates, motor clutches, wheels, motors H.P. air cooled, petrol and diesel, hydraulic hauls, hydraulic valves, voltage stabilizers and imitation jewellery.

Western Samoa

Basically agricultural, the economy of Western Samoa is mainly dependant on copra, cocoa, timber, banana, root crops, and tourism. The contribution of livestock and fisheries has been modest. Building materials, paints, soaps, garments, processed foods, and beverages comprise the major manufactures. Handicrafts constitute another important item. A timber mill complex has been established by an American firm. The Western Samoa Trust Estates Corporation is engaged among others in production of beef and envisages ample scope for expansion of this line, besides the prospect of the manufacture of dairy products. The Food Processing Laboratory is currently producing fruit juices/pulp based on passion fruit, mango, papaya and banana.

It also manufactures jams, dried spices and fruits, and sauces. Scope exists for expansion and diversification of its lines of production not only for domestic consumption but also for exports.

According to the Fourth Development Plan (1980-84), the agricultural policy is likely to undergo a major reorientation with emphasis on gradual development of commercial plantations, village agriculture and forest resources. In the manufacturing sector the government is encouraging diversification of production through processing of primary commodities both for domestic as well as for export purposes. It intends to assist the private sector to the maximum extent and to that end, the Enterprises Incentives Scheme is under review. Basic infrastructure for tourism is being strengthened. Various incentives are given in encouraging primary and secondary production in the country. There are prospects for further processing of coconut and cocoa, fruits & vegetables, as well as for the manufacture of wooden furniture for exports.

Exports consisting largely of cocoa, copra, other coconut products including cream, milk and timber, taro and bananas accounted for US \$ 18 in 1979 declined to US \$ 11 million in 1979⁸¹. Imports were of the order of \$ 107 million in 1979 and \$ 68 million in 1981, comprising most of the requirements of food and manufactured items. The main trading partners are New Zealand, Australia, Japan, West Germany and Netherlands.

India's exports to West Samoa were around US \$ 77,694 and US \$ 32,638 in 1980 and 1981 respectively. Imports from Western Samoa have however been nil.

A number of Indian experts and teachers have been either recruited directly by the government of West Samoa or deputed by international agencies.

Trade Expansion between India and South Pacific Island Countries

Among the South Pacific Island countries under survey Fiji provides substantial scope for trade as well as joint ventures for India. As it is there is keen competition from multinational companies especially of Australia and New Zealand which are involved in trading and retail marketing of a wide variety of goods, besides having a hold on manufacturing and shipping services. It may be mentioned that the Australian Government, for instance, gives loans to Fiji businessmen in joint venture participation with Australian companies under special aid scheme to assist Fiji organisations in taking up required equity. Exports from Australia have high reputation of quality products and in most cases the air freight costs from Australia are cheaper than even the sea freight cost due to special cargo rates. SPARTECA also gives added advantages to the Australian and New Zealand exporters. Other countries including Japan, UK and USA have also been fairly active. It is therefore essential that the Indian manufacturers and exporters match in terms of product, price, packaging, after sale service and delivery schedules with their counterparts from abroad.

One of the major constraints in trade expansion between India and South Pacific Island countries as a whole is the lack of direct shipping facilities.

The inadequacy of shipping services to the smaller island countries of the South Pacific is one of the weakest links in ^{Indian} / trade relations with these countries. This inadequacy is characterised by the conspicuous absence of direct sailings from Indian ports to these markets.

Presently, cargo for Fiji and other survey countries is accepted by the Shipping Corporation of India on trans-shipment basis at Singapore/Auckland on its East Coast of India-Singapore/New Zealand service, and for trans-shipment at Sydney on the West/East Coast of India-Australia services. The former service is available once in two months while the latter once in a month. It may be mentioned that the Shipping Corporation of India is the only Indian shipping line providing this service on a regular basis to Australia and New Zealand.

The non-availability of adequate cargo load is reported to be the biggest constraint in the provision of direct shipping services as the total cargo traffic is hardly of the level of 300/350 tonnes, giving an average of about 25 tonnes per month, and much less in terms of liftings available per sailing from different Indian ports viz., Bombay, Cochin, Tuticorin, Calcutta and Haldia from where services to Australia and New Zealand are available.

As stated above, cargo to Fiji and other survey countries is accepted by the Shipping Corporation of India with trans-shipment at Singapore/Auckland/Sydney. But, this trans-shipment is highly dependent on on-carrying vessels, which are either not available for on-carriage immediately or even within a reasonable time after cargo is landed at trans-shipment ports, or are highly reluctant to carry smaller quantities of cargo offered for carriage in the absence of a stable and long-term carrying arrangement with them. Consequently, cargo destined for Fiji and other destinations has to wait at trans-shipment points for an inordinately long time resulting in delayed deliveries, involving inevitably additional warehousing expenses and increased susceptibilities of loss and damage.

While direct shipping services to these smaller island markets are not feasible for want of adequate cargo traffic, there is no doubt that the existing on-carrying arrangements leave much to be desired. It is necessary to overcome and resolve the problems through a more stable and dependable arrangement which lies in the establishment and operation of trans-shipment depots at one or two ports, in the South East Asian region, lying across the major sea routes frequented by many shipping lines, with heavy conglomeration of traffic and from where trans-shipment services are available on a regular basis.

Judged by these criteria, Singapore commends itself as an ideal candidate for the location of such a depot, where cargo for different destinations presently not served on direct basis could be aggregated for despatch to their respective destination markets immediately after discharge. This implies prior through-booking arrangements for all cargo to be aggregated at the trans-shipment depot for despatch to ultimate destinations. The setting up of such a trans-shipment depot would certainly help establish a more stable and viable arrangement with on-carrying lines than is otherwise the case. Such a depot could be owned and operated either by the Shipping Corporation of India which is presently the only Indian shipping line providing the services in South East Asian region, or jointly in association with other interested Indian shipping lines. The location of a trans-shipment depot at Singapore would appear to be justified also from the viability angle because it would help serve a much larger area comprising destinations in the South Pacific e.g. Fiji, Western Samoa, Celebes, Papua New Guinea etc. not served on a direct basis and also other countries to which the service is otherwise inadequate, e.g. Indonesia, Malaysia and Thailand.

- v) Linkage with the concerned governments to decide on management, finance, training and other packages of assistance;
- vi) Training of local workers in identical industries in the country undertaking technology transfer;
- vii) Supply of machinery, tools, equipments, etc. for setting up industries in the host country by the country undertaking technology transfer;
- viii) Supply of management for installation, commission, and running of plants for a specific period agreed upon;
- ix) In-plant training and handing over the plant to nationals.

Given the above package approach to technology transfer on specific groups of items or lines of production there appears to be adequate scope for technical cooperation between India and the survey countries.

Fiji

The strategy of technical cooperation between India and Fiji is worth consideration especially in Ba District owing to various inherent advantages. For instance, Crown land is available for establishing an industrial zone which can be made available at nominal rental basis. The Ba Town Council is prepared to undertake the sub-division of such land if made available by the Government. It is also known that the Government has already reserved a portion of land along Koronubu Road which it intends to sub-divide for industrial purposes. Ba is capable of providing stable manpower both skilled and un-skilled at wage rates below those prevalent in major urban centres. The Fiji Institute of Technology, Western Divisional Centre is adequately geared to provide technical training without the need for bringing in outside specialists.

Ba is the biggest district with a population of over 48,000 which it is unable to sustain with agricultural production alone. The rate of unemployment is comparatively higher and hence there is a strong case for diversifying industrial development for the benefit of the local people of the country. It is also known that the trade union activities are negligible and this has been one of the reasons in the recent growth of the industrial sector in Ba. It has besides stable commercial community keen on entering the industrial sector. Lautoka located 32 kms away, linked by tarsealed road, can provide the necessary port facilities. Provision of water and electricity for future growth is also adequate.

Against the above background the strategy for technical cooperation will cover both rural development as well as industrial expansion in the Ba district. Under rural development, prospects exist for processing of various fruits and vegetables such as pineapple, mango, guava, karela, and mushrooms. Besides there are good prospects for exports of one-day chicks, and orchids. Manufacture of gober gas, cattle feed, milk products and honey also holds prospects. Industries for manufacture of coconut, floor tiles, ceramics, leather goods, wood carvings, engineering items, etc. appear feasible.

Papua New Guinea

Prospects exist for setting up secondary industries for manufacturing household utensils/appliances, office equipment and stationery, automobile accessories & parts, rubber goods, leather & leather manufactures including footwear, low-cost radio assembly, fruit canning, steel & steel products (small rolling mills running mostly on scraps for manufacture of rods, angles, sections, etc.),

of pineapples, treatment of vanilla, vanilla oil and passion fruit. Need for a few Tongans visiting India for educating themselves with the working of small scale industries in India has been stressed. An expert in the field of cottage industry is presently required in Tonga. The services of another specialist from India on wood carving and bamboo work for training the local workers has also been emphasised.

Western Samoa

Western Samoa offers adequate scope for technical cooperation in the area of rural development and small scale industries. Interest has been expressed in seeking technical cooperation in leather tanning, cultivation of robusta coffee, cashewnut, spices and sandalwood.

Of special significance to West Samoa is the need for training of the personnel involved in production, processing, and quality control of fruits and vegetables, currently produced by the Food Processing Laboratory in Apia. Textile printing and garment manufacture are other important areas especially for assisting exports of hand printed fabrics, garments, tablecloths, etc. of traditional polynesian designs. Technical assistance in the form of exposure to leading garment manufacturing companies in West Europe has been suggested.

West Samoa is also looking out for experts in liquor manufacture especially to assist in improving passionfruit liquor to world market standards as well as expertise in producing wine in blending gin, vodka, etc. from distillate, and in marketing overseas.

The above areas are only illustrative of the nature and scope for technical cooperation between India and the survey countries. The modalities for preparation of detailed project proposals and implemental action thereof have to be carefully devised by appropriate official and non-official organisations.

ANNEXURE 1

TOTAL TRADE OF SELECT SOUTH PACIFIC ISLAND
COUNTRIES

Million US \$

| | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> |
|------------------|-------------|-------------|-------------|--------------------|
| Papua New Guinea | | | | |
| Imports | 676 | 788 | 950 | 1,034 ⁺ |
| Exports | 780 | 964 | 1,049 | 1,069 ⁺ |
| Solomon Islands | | | | |
| Imports | 35 | 57 | 65 | 64 |
| Exports | 35 | 67 | 70 | 56 |
| Fiji | | | | |
| Imports | 355 | 470 | 562 | 632 |
| Exports | 193 | 251 | 350 | 315 |
| Western Samoa | | | | |
| Imports | 100 | 107 | 85 | 68 |
| Exports | 11 | 18 | 24 | 11 |
| Tonga | | | | |
| Imports | 26 | 29 | 34 | 36 |
| Exports | 6 | 8 | 11 | 7 |

Source: (a) Handbook of International Trade and
Development Statistics, 1981 Supplement,
UNCTAD (1978, 79 and 80)

(b) Countrywise statistics (1981)

(c) + Estimated

ANNEXURE 5

IMPORTS & EXPORTS BY MAJOR COMMODITY GROUPS
OF WESTERN SAMOA

(US \$ '000)

| <u>Group</u> | <u>Imports</u> | | <u>Group</u> | <u>Exports</u> | |
|-----------------------------------|----------------|---------------|-------------------------------|----------------|---------------|
| | <u>1978</u> | <u>1980</u> | | <u>1978</u> | <u>1980</u> |
| Food | 11,645 | 13,800 | Banana | 124 | 491 |
| Beverages and Tobacco | 2,982 | 1,655 | Fruits & Vegetables | - | 1,377 |
| Crude Materials | 1,130 | 1,759 | Coffee, tea, cocoa and spices | 3,594 | 3,366 |
| Minerals, Fuels, etc. | 3,905 | 10,682 | Copra | 4,819 | 9,397 |
| Animal & Vegetable Oils and Fats | 420 | 472 | Wood & by-products | 195 | 362 |
| Chemicals | 3,229 | 3,862 | Other | 2,400 | 2,902 |
| Manufactured Goods | 10,959 | 14,641 | | | |
| Machinery and Transport Equipment | 13,453 | 13,138 | | | |
| Miscellaneous Manufactured Goods | 4,831 | 4,270 | | | |
| Miscellaneous Transactions | 1 | 14 | | | |
| Total | <u>52,557</u> | <u>64,292</u> | Total | <u>11,132</u> | <u>17,691</u> |

Source: Based on South Pacific Economies - Statistical Summary, South Pacific Commission, Noumea, New Caledonia.

ANNEXURE 6

IMPORTS & EXPORTS BY MAJOR COMMODITY GROUPS
OF TONGA

(US \$ '000)

| <u>Group</u> | <u>Imports</u> | | <u>Group</u> | <u>Exports</u> | |
|-----------------------------------|----------------|---------------|-------------------------------|----------------|--------------|
| | 1978 | 1980 | | 1978 | 1980 |
| Food | 7,120 | 8,084 | Fish & seafoods | 144 | 7 |
| Beverages and Tobacco | 1,814 | 2,227 | Banana | 208 | 433 |
| Crude Materials | 1,282 | 1,854 | Fruits & Vegetables | 185 | 442 |
| Minerals, Fuels, etc. | 2,645 | 4,891 | Coffee, Tea, Cocoa and spices | 207 | 421 |
| Animal & Vegetable Oils and Fats | 27 | 32 | Other crops | 254 | 1,112 |
| Chemicals | 1,304 | 1,936 | Animal feed | - | 226 |
| Manufactured Goods | 4,983 | 6,809 | Copra | 3,411 | 549 |
| Machinery and Transport Equipment | 4,334 | 5,813 | Coconut oil | - | 3,470 |
| Miscellaneous Manufactured Goods | 1,983 | 2,539 | Wood & by-products | 68 | 152 |
| Miscellaneous Transactions | 55 | 158 | Shells, coral etc. | 68 | - |
| | | | Other | 959 | 327 |
| Total | <u>25,547</u> | <u>34,341</u> | Total | <u>5,437</u> | <u>7,708</u> |

Source: Based on South Pacific Economies - Statistical Summary, South Pacific Commission, Noumea, New Caledonia.

ANNEXURE 7TRADE BETWEEN INDIA AND SELECT SOUTH PACIFIC ISLAND COUNTRIES

| | (US \$) | | |
|------------------|-------------|-------------|----------------------|
| | <u>1979</u> | <u>1980</u> | <u>1981</u> |
| Fiji | | | |
| Imports | 6,634,382 | 7,477,896 | 5,818,739 |
| Exports | 35,312 | 22,827 | 78,632 |
| Papua New Guinea | | | |
| Imports | NA | NA | 579,898 |
| Exports | NA | NA | 10,040 (Jan-Oct.) |
| Soloman Islands | | | |
| Imports | 30,694 | 17,365 | 21,854 |
| Exports | Nil | Nil | Nil |
| Western Samoa | | | |
| Imports | NA | 77,694 | 32,638 |
| Exports | NA | -- | -- |
| Tonga | | | |
| Imports | 40,100 | 75,722 | 22,342 |
| Exports | 153 | 494 | NA |

Source: (i) Overseas Trade Fiji, Bureau of Statistics, Suva.

(ii) National Statistical Office, Wards Strip, Papua New Guinea (Unpublished) 1981. (The annual import data relate to sections: Chemicals & related products; manufactured goods chiefly by material; machinery and transport equipment; miscellaneous manufactured articles)

(iii) Exports and Imports by Country and Commodity; Ministry of Foreign Affairs and External Trade, Soloman Islands, Honiara (Unpublished).

(iv) Return of the Trade, Commerce and Shipping of Western Samoa, Apia.

(v) Foreign Trade Reports of Tonga, Naku' Alofa.

(21)

REPORT OF THE COORDINATOR
THE COMMITTEE OF TEN
(Kuwait, 8-9 January 1983)

In response to the invitation of the United Nations Programme on Regional and Inter-regional Cooperation in the 1980's (UNITAR), the General Secretariat of the League of Arab States, the government of the Republic of Tunisia and a number of Arab experts met in Tunis during the period 2-3 November 1981 to examine regional and inter-regional cooperation in the Arab region. A number of resolutions were made, namely :

- 1- The identification of priority research areas in the light of the Strategy of Joint Arab Economic Action and the Charter of Arab National Action. The research areas chosen were:
 - a- Human resources
 - b- Food security
 - c- Planning and integration
- 2- The establishment of a Committee of Ten experts responsible for the programme of research and studies in the Arab region.
- 3- All Arab research projects would be financed and administered by Arab sources. Administrative costs connected with the Programme on Regional and Inter-regional Cooperation as a whole would be met by UNITAR while inter-regional projects involving non-Arab researchers and/or non-Arab regions would be jointly financed.

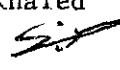
The Committee of Ten met for the first time in Tunis during the period 29-30 July 1982:

- 1- The Committee discussed the report and recommendations made by the Panel of Eminent Persons, during its first meeting in Brussels, finding them a valuable guide to its work particularly in defining the contours of the programme and in detailing the research areas.
- 2- The Committee reviewed the list of experts who might be charged to co-ordinate the three research projects chosen. Dr. Darem Al-Bassam, of the Arab Planning Institute (Kuwait), was designated to coordinate the human resources research team. He was also charged with following up the contacts he had already made with various scientific institutions and researchers that would ^{to} like contribute to the realization of the programme.
- 3- The Committee decided to enlarge its membership in view of enriching its intellectual basis.

- 4- The Committee finally chose a coordinator with primary responsibilities in facilitating contacts between its members, preparing its meetings and acting as a liaison officer with UNITAR headquarters.

The second meeting of the Committee of Ten was held in Tunis during the period 22-23 November 1982. During this meeting:

- 1- The Committee examined the evolutions that took place since its first meeting. It discussed the food security and human resources research projects. Dr.K.Tahseen Ali and Dr. Mohammed M. El-Imam agreed to coordinate the work of the research groups on food security and planning and integration respectively. They were both asked, along with Dr. Darem Al-Bassam, to prepare comprehensive reports on their fields to be presented to the Panel of Eminent Persons during its present meeting in Kuwait.
- 2- The Committee further examined the problem of financing the research programmes. The coordinators of the research teams are expected to evaluate their own needs and to prospect possible sources of funding. Members of the Committee of Ten shall also endeavour to tap sources of financing within their own institutions.

Dr. Khaled M. Khaled
Coordinator 



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعمار الاقتصادي والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

122

Issues raised by the Panel of Eminent Persons
in its Meeting in Kuwait on 8-9 January, 1983

The Panel of Eminent Persons of the UNITAR Programme on Regional and Interregional Cooperation reviewed progress by the programme's international research network in its studies of issues concerning such cooperation and made a number of recommendations concerning the activities of the Programme in the context of the present international economic situation.

The Panel recognized the obstacles facing regional and interregional cooperation as an element in South-South cooperation but stressed that implementing such forums of cooperation may be the only feasible way to resolve the complex problems facing the international communities in this decade.

The main points stressed by the Panel are the following :

1. THE NEED TO BALANCE RELATIONS BETWEEN THE UN SYSTEM AND EXISTING NON-UN REGIONAL ORGANIZATIONS :

The United Nations system should plan and implement its activities in a manner that would complement and support the work of the non-UN regional organizations in the developing countries. While global aspects of planning should remain with the United Nations system regional project and programme planning and implementation should be the responsibility of the non-UN regional organizations with the help and support of the UN Regional Commissions and other UN bodies. Generally speaking, it would be necessary to further investigate the way a two-way and mutually beneficial cooperation could be developed between UN and non-UN regional governmental bodies so as to establish systematic relationship between them to support efforts at regional cooperation.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



مَنْظَمَةُ الْاِقْطَارِ الْعَرَبِيَّةِ الْمَصْدَرَةُ لِلْبِتْرُولِ

UNITAR

الصندوق العربي للإِمْاءِ الْاِقْتِصَادِي وَالْاِجْتِمَاعِي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 2 -

2. THE NEED FOR ALL COUNTRIES TO CHOOSE THE REGIONAL GROUP TO WHICH THEY WISH TO BELONG :

It was noted that in the past the determination of developing countries to be members of regional groupings was attributable to their northern partners and that this led to the definitions of regions in the South which did not necessarily correspond to geopolitical or economic realities. At times this was associated with the desire of some industrialized countries to maintain certain developing countries within their political ambit. It was underlined that efforts should be directed to promoting endogenous definitions of regions whether on the basis of geographical contiguity or similarity of production or the complementarity of their economies in such a way as is deemed by member countries in the regions to best serve their national interest.

3. THE NEED TO ACHIEVE A BALANCED ASSESSMENT OF PAST FAILURES OF REGIONAL COOPERATION IN ORDER TO POINT THE WAY TOWARD MORE PROMISING FUTURE DIRECTIONS :

It would appear that the high rate of failures of schemes of regional economic cooperation cannot be attributed to any one cause. Regional cooperation can neither be reduced to a simple question of trade on the one hand nor is it tantamount to an operation of transfer of resources on the other hand. The inequality of distribution of benefits is one of the causes of failure but not the only one. The reasons for past failures should therefore be further investigated region by region with a view to deriving policy recommendations concerning pitfalls to be avoided in the future.



مَنْظَمَةُ الاقْطَارِ الْعَرَبِيَّةِ الْمَصْدَرَةُ لِلْبِتْسَرُولِ



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعانة الاقتصادية والاجتماعي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 3 -

4. THE MAJOR PRECONDITION OF A SUCCESSFUL IMPLEMENTATION OF SCHEMES OF REGIONAL COOPERATION:

In order to guarantee full success of regional and interregional cooperation, the investigation ought to be focussed on three main factors :

- a) The political will of national governments to implement regional and interregional strategies for collective self-reliance.

The political leaders have to be convinced that the only desirable future available to many countries, is one of collective self-reliance founded upon joint economic interest. The establishment of such kind of unions can only succeed if constant political pressure from political leaders is maintained.

- b) The legal, technical and administrative obstacles to regionalization of development.

One cannot stress enough that the establishment of a regional scheme is a painstaking and often very technical operation which needs to be carried out by expert civil servants and technicians. The UN, with all its expertise in its specialized bodies, and the existing regional institutions could be of great assistance in tackling legal, technical and administrative obstacles to regionalism.

- c) The problem of public support.

The problem of public support is fundamental in achieving successful regional cooperation. The opposition or support of citizens can play a significant role in frustrating or sustaining initiatives adopted by national governments. Therefore, original



مَنْظَمَةُ الْاِقْطَارِ الْقَرْبِيَّةِ الْمَصْدَرَةُ لِلْبِتْسَرُولِ



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإعانة الاقتصادية والاجتماعية

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

- 4 -

approaches for motivating public support have to be found.
The general part of the Report should be drafted in simple
language, understandable by the common reader.

5. THE FACTOR OF MUTUALITY OF CONCRETE INTERESTS AS A MOTIVATION
FOR ACHIEVING REGIONAL COOPERATION IN PRACTICE :

Since interests are up to now the main causes of action at national
and international levels, the common interests of states in a
regional framework should be considered a primary pre-requisite of
feasible and realistic schemes of regional cooperation. The
Panel strongly recommends that the institutes members of the
international research network center their final report on action
oriented perspective. They can find common interests in areas
of regional cooperation such as :

- Food security systems using all possible regional complementarities;
- A system of regional financing to enhance the international flow of funds;
- A system of human resource utilization including complementarities in labour capabilities and technical skills.



مَظْمَةُ الاقْطَارِ الْعَرَبِيَّةِ الْمَصْدَرَةُ لِلْبَيْتْرِوَل



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإِمْاءِ الاقْصَادِي والاجْتِمَاعِي

الصندوق الكوئيق للْتْنْمِيَةِ الاقْصَادِيَةِ الْعَرَبِيَّةِ الْمَعْهَدُ الْعَرَبِيُّ لِلْتَخْطِيطِ بِالْكُوئِيْتِ

- 5 -

6. THE RELEVANCE OF THESE OBJECTIVES TO THE PURPOSES OF THE UNITED NATIONS :

The Project is very important for the future of UN system in general and from the point of view of increasing the efficiency and relevance of the World Organization, in particular. In the decades since the establishment of the UN a complex structure of intergovernmental regional and subregional institutions have been set up. Many of these institutions are working within the framework of United Nations and of the specialized agencies. They accumulated valuable experience and enhanced regional cooperation in different areas. Some of the institutions are working outside the UN structure. The programme is the very first attempt which analyses regional and interregional cooperation from global and national perspectives. From the point of view of the economic security of each country thus provides a valuable insight to the results, shortcomings and to the immense reserve of experience. With all these, the project contributes to the better understanding of the problems and to the promotion of progress in the field of cooperation among developing countries, it reveals some of the future possibilities in the global institutional cooperation in the implementation of any international development strategy and formulate concrete programmes for the countries and for the international organizations.



منظمة الاقطار العربية المصدرة للبترول



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإزفاء الاقصادى والاجتماعى

الصندوق الكويتى للتنمية الاقتصادية العربية المعهد العربى للتخطيط بالكويت

- 6 -

The project is implemented with the participation of important political personalities, scholars, research institutions, representatives of regional bodies and N.G.O.s from every continent, from countries with market economies, developing countries and centrally planned economies. It utilizes the expertise, the experiences and the ideas of all these sources. Never in the history of the UN was such an important gathering assembled to discuss the difficult problems of regional cooperation in a comprehensive interdisciplinary and international framework. Its findings may be especially helpful for the Regional Commissions but also for the Specialized Agencies and the whole UN system.

In regard to its own work, the Panel of Eminent Persons wishes to have three kinds of meetings and consultations :

- a) Systematic consultations with the United Nations Regional Economic Commissions and their Executive Secretaries;
- b) Similar consultations with the Executive Officers of non-UN regional bodies active in the region where the Panel meets;
- c) Joint consultations with the Executive Officers of the major regional bodies at a central location for a sustained exchange of views and exploration of the possibility of a harmonization of their activities.

December 8, 1982

SOME NOTES ON PLANNING, PROGRAMMING, AND IMPLEMENTING
A GLOBAL DEVELOPMENT SYSTEM ORIENTED TOWARD
ENCOURAGING REGIONAL COOPERATION

L. Ronald Scheman, Assistant Secretary for Management
of the Organization of American States

Important financial and programmatic implications result from any plan to deliver development services based on the concept of regional administration of regional needs. To be meaningful, such a system must take into account a wide range of services now programmed on global level and seek an effective integration of operations. The underlying premises of such an integrated mechanism would:

1. Focus on the regional agency as most adaptable and responsive to national needs and priorities;
2. Promote regional cooperation by according it full responsibility for regional economic and social decision-making and project execution;
3. Strengthen regional development capabilities by channeling increased financial and technical resources of the developed countries through the global agencies to the regional organizations.
4. Inter-relate the complementary development functions of global and regional agencies;

The integration of regional efforts as an effective component of global development assistance requires close attention to the financial weakness of regional groupings, which has impeded any

fair test of regional capabilities in the past. The practical impediment to initiating new regional operations, or strengthening those already formed, is the lack of an adequate framework for resource allocation to make it work. A solution is possible, but requires a careful analysis of the three basic areas of the international development system: planning, programming, and project execution.

In detail, the principal functions can be divided as follows:

A. Planning Cycle

1. Establishing policy guidelines
2. Determining specific program policy
3. Program policy coordination
4. Establishing budgetary targets

B. Programming Cycle

5. Program and budget formulation and preliminary approval
6. Program and budget review and recommendations
7. Final program and budget approval

C. Operational Cycle

8. Mobilization of financial resources
9. Mobilization of technical resources
10. Program execution
11. Coordination among agencies
12. Monitoring and evaluating operations and administration

The overall objective of the system would be to assure that the development resources would be applied to programs decided upon by the countries of the region and that regional

professionals would get maximum training in program management, while the back-up capabilities of the world institutions would be at their disposal for mobilizing resources and technical aid.

An effective solution to these requirements would be a system which would allow program goals to be determined at the initiative of the regional agency and also accord them the basic responsibility for implementation. The global institutions would still retain the major functions in establishing policy guidelines, mobilizing, allocating and monitoring world resources, financial and technical, for development purposes, and ensuring coordination and effective application of resources. This would imply a division of the principal functions in an acceptable manner. The definition of program policy, budget formulation and project execution (Functions 2, 5, and 10 above) would be performed by the regional agencies. Establishing program criteria, program review, coordination, and allocating resources (Functions 1, 3, 4, 6, 7, 11, and 12) would remain the responsibility of the world agency. Mobilization of financial and technical resources (Functions 8 and 9) would be shared. Those issues which transcend regional interests would continue a global concern.

A model of operations under a global regional division of labor would be as follows:

Planning cycle. The initial policy guidelines (fields of major concern) and budget targets for application of world resources would be set by the global agency. Thereafter, the

major responsibility for application of those policies to regional needs would rest with the regional agency. For this purpose, the regional authority would be composed of various functional divisions comprising the highest government officials in specific substantive areas, such as agriculture, telecommunications, or health, who would convene regularly to recommend program priorities in their field. Those recommendations would be forwarded to the global agency responsible for monitoring the functional activity (e.g., the FAO, UNESCO, WHO) which could make suggestions for the purpose of coordination with other regions of the world. At this stage, allocation of available resources and budgetary levels to the regions would also be established to achieve balance and equity among the different regions. The recommendations of the world body would be returned to the regional body for preparing specific regional development programs based on these recommendations.

Programming cycle. The formulation of the specific program and budget for regional activities would be the responsibility of the regional authority. This would be subject to the budget targets established by the world body. Decision-making should be no more difficult than the kind of program allocations made in the U.N. at present. The world agency would not be empowered to change the regional agencies' programs, but could make recommendations to the regional authority. It could, however, have authority to recommend or require joint action between regional groups, especially in activities susceptible to savings by inter-regional cooperation, such as research or training.

Operational cycle. The mobilization and allocation of financial resources would be a shared responsibility. All nations, developed and developing, would remit their international development quotas or pledges to a single development fund that would be disbursed to the regional authorities by the world agency. No new financial resources from the developed countries would be required, since ample resources would be available by redirecting funds from existing United Nations programs. The system of quotas could be supplemented by an incentive fund for each regional agency, which would be disbursed on a matching basis to funds raised by the member governments of the region.

Once financing is determined, program implementation would be the responsibility of the regional agency. To bridge the gap of technical expertise not readily available in the region, the global agency would maintain a worldwide register of qualified technicians and consultants available for international assignments, assisting the regional authority to staff its projects and coordinating utilization of experts among the regions. The global agency would also assume the role of "management adviser" to the regional groups, with management systems teams available to ensure maximum application of modern management tools. However, major emphasis would be placed on participation in the management component to ensure practical training of local development expertise.

Finally, the global agency would play the role of evaluator to review the administration and operation of the various projects and to make the recommendations to the regional agency for

improvement. Such a role assumed by a global agency would help assure the developed nations that their resources were being used as effectively as possible.

There would be no constraints on a healthy sphere of supplementary activities on either the regional or global levels. The regions could amplify the programs financed from world funds by having special regional quotas for their own programs which would not have to be referred to the global agency. The global agencies would retain their present responsibilities relating to international policy in the many facets of development problems which transcend regions and the mobilization of world expertise and public opinion for specialized universal problems. Even in such areas, however, the regional organizations would have an essential role as a local forum, analyzing the issues from the regional point of view, and in assisting the member governments to arrive at effective and informed regional opinion.

The basic premise of this suggestion is to delineate the complementary functions of the global and regional authorities arriving at a division of labor allocating to each what they are best equipped to perform. This implies a fundamental re-evaluation of United Nations operating procedures to strengthen regional capacity as an executing agency for development programs. An operating example of such a division of labor, which might serve as a useful model for such a world development system, is the arrangement between the World Health Organization (WHO) and the Pan American Health Organization (PAHO), whereby the charters

of the two agencies incorporate a division of responsibilities allocating all program activities in the western hemisphere to PAHO. PAHO's Directing Council serves as the convocation of the ministers of health of the region, and their recommendations make regional health program policy. The budgetary allocations of WHO for the western hemisphere are channeled through the PAHO, which also bears responsibility for project execution. In addition, PAHO also maintains its own supplementary budget and programs using local resources.

Such a financing plan and division of responsibility opens a wide range of opportunities. It reduces administrative costs deriving from multiple administration of overlapping activities. It ensures adequate financial support for regional initiatives. It allocates regional resources with the active and direct participation of the governments involved. It enables responsible regional officials to make decisions taking into account the total resources devoted to the issues concerning the region. It increases local participation and provides a training ground for regional officials.

The most important benefit, from the point of view of effective coordination of a dynamic international development system, is that governments would be able to rely on a single agency in each field, thereby saving an enormous amount of costly time monitoring the activities of the different agencies operating in their country, responding to a myriad of "experts," attending meetings and performing countless other small but time-consuming

tasks. On the other hand, the developed countries, who contribute the major resources, would be assured effective application of their resources by channeling their assistance through a global agency upon whom they could rely for reasonable allocation and diligent monitoring of resources.

Under such a system, allocating specific responsibilities and financial independence to regional authorities on a comprehensive yet functional basis, it is reasonable to project that the growth of regional consciousness could become the generator of tremendous energy in practical progress toward a more meaningful world development system.



مَنْظَمَةُ الْأَقْطَارِ الْعَرَبِيَّةِ الْمَصْدَرَةُ لِلْبِتْرُولِ



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



UNITAR



الصندوق العربي للإِمْاءِ الْاِقْتِصَادِي وَالْاِجْتِمَاعِي

الصندوق الكويتي للتنمية الاقتصادية العربية المعهد العربي للتخطيط بالكويت

Trade Cooperation, the Integration of Protected Markets and Economic Development.

(23)

Dr. Alicia Puyana *

A. General Objectives

The trade integration of the markets of developing countries has been generally undertaken with a view to alleviating the process of imports substitution of the problems stemming from the limited nature of the national market by combining the advantages of exports: scale economies, technological advancement and market protection: learning by doing, use of productive factors etc.

Almost without exception the expansion of trade relations, in the form of integration of markets or other types, was based on the expectations of certain dynamic effects on economic growth arising from the greater expansion of the economies of those countries participating in the schemes, that is to say, in virtue of the different forms through which integration can affect the growth rate of the countries by making possible the appearance of those economic activities impossible to promote nationally, without incurring prohibitive social costs, and generating, in the long term, an assignation of productive factors more efficient than that

* CEESTEM Research Worker

* Preliminary version not to be quoted from without permission.

existing when the process begins. Trade cooperation conceived in this way constitutes a development model or a new stage in the process of imports substitution.

Unlike the above, integration among developed countries is limited to seeking higher social well-being through marginal changes in the production and consumption obtained from geographically discriminatory tariff changes. With this conception the traditional theory considers integration as a branch of the tariff science and has restricted its effort to identifying the static effects of deviation and creation of trade, with generally results that go unperceived.

B. The Evaluation of the Costs and Benefits of Trade Integration and Economic Cooperation.

Some Considerations.

There has been much written on the contributions of Viner and Meade with respect to the costs and benefits of integration. Criticism is either general^{1/} or points out its inapplicability for the specific case of integration among underdeveloped countries. In either kind of criticism, allusion is made to static analysis which subsequently fails to consider the dynamic effects on economic growth. But even then, works as famous as those of Scitovsky, despite the fact that they include both scale and external economies in their analysis, nonetheless operate within

a static reference framework. These studies come up with discouraging results and never allow us to understand not only why the processes begin but why they prevail in spite of high political cost and many inherent contradictions.

In general terms, we can group together in two main kinds studies evaluating the integration processes: those carried out ex ante and those carried out ex post. The former are based on the knowledge of the preintegration period (for example, structural models:^{2/}) and the ex post on assumptions with respect to the experience of economic integration (for example, residual aggregation models).^{3/} In the first case, the studies have a limited use in that they do not supply a model that would correct the calculations based on recent experiences. This difficulty is overcome in the ex post studies which allow for research in time. These, however, present many methodological difficulties in the complete and satisfactory representation of integrated economies.

It is common to all these works to assume, in an implicit way, that the only change affecting trade models is the creation of integrative mechanisms. In the European case, it becomes arbitrary to attribute all changes in trade to the setting up of the EEC or the AELC., given that three schemes were created almost simultaneously and very complex reactivation systems were in operation, systems reactivating european economies split into two antagonistic political systems. In Latin America, three integrated markets were set up and laws promoting trade and production were always in force. To

isolate and ponder on the participation of every factor in the tendential changes of trade of the member countries is a complex task as yet not attempted.

In the periods of negotiation and putting into operation of agreements, important changes in international economy necessarily affecting trade take place. For Europe, we point to the important reduction of discrimination against the dollar which occurred immediately after the formation of the EEC and the AELC. ^{4/}

In Latin America, abstraction is generally made of the effects of the rise and fall in the export prices of traditional goods on the structure and direction of trade and on investment rates. For example, consideration is not given to the fact that the imports of final consumer goods are highly sensitive, more than intermediary or capital goods, to the behaviour of international prices and reserves. ^{5/} This is the procedure employed in the evaluative studies of Andean Integration, carried out annually by the Cartagena Agreement Junta. In studying trade, for example, a presentation is made which actually attributes all the growth of reciprocal interchange and investments in industry to the functioning of the trade programme or to the approving of the PSDI. In these studies it is assumed that the changes in tariffs are the only factors affecting trade. Consideration is not given, for example, to the exchange rate, nor to the fluctuations in relative prices, nor to the use of non-tariff restrictions to protect the

the markets.^{6/}

Perhaps the most serious criticisms levelled against the generalized use of the measuring of the effects of trade creation and deviation were made recently by Dayal,^{7/} who suggests that the most serious limitations of the works based on said methodology is their partial nature; given that a complete evaluation of economic integration requires the analysis of information on trade and production. In effect, the creation of trade implies a reduction in national production and an increase in the same amount of imports of those goods, from the member countries; trade deviation means an increase in the imports from the member countries and a corresponding reduction in the imports from third party countries, accompanied by falls in the production of the latter. Dayal continues to criticize the studies because on measuring any of the two effects, they calculate the difference between the effective flows of imports and those coming from extrapolating a year's imports with integration. The extrapolation is carried out through corrections measured in time or by relating imports with the income or consumption of the importer country, and, they explain, with integration, the subsequent disparities.

In the strict sense, the difference between effective and estimated imports can be explained by: i) autonomous changes in prices in the supplier country or in the importer country; ii) changes in income, consumption or any other macroeconomic variable; iii) changes

in different variables to income, consumption and to the autonomous changes in prices; iv) revision of the tariffs and other obstacles to imports as a result of integration and v) residual errors due to errors in the equation estimated, in the equation's specification, in the data, or in the representation of certain variables.

The studies currently seek to segregate the effects attributable to point (ii). The residue difference between the effective and estimated imports, effectively attributable to points (i), (iii), (iv) and (v), is explained as the exclusive effect of (iv), that is to say, due to the changes in the tariffs and other barriers to interchange agreed upon in integration. According to Dayal, even when the changes in prices as an additional variable are included so as to estimate the equation, it would mean the isolation of the effects attributable to points (i) and (ii), in such a way that the differences could be explained by three of the five factors previously indicated. Moreover, it is normally assumed that the errors of point (v) explain 10% more of the difference between effective and calculated imports, a percentage sufficient enough to alter the trade balance. For the above reasons, the author concludes, the residual method used by Balassa and by the AELC Secretariat and many others, is fairly unreliable for the calculation of the effects of economic integration.^{8/}

Up to this point, general critiques carried out recently with respect to such a diffused use of the concepts of creation and

diversion of trade in the evaluation of the costs and benefits of integration. Very briefly we shall put forward a few additional concepts that point to their limited meaning when dealing with evaluating integration mechanisms among underdeveloped countries, given that it is the case that interests us here.

According to the traditional theory of economic integration, the effects sought by the countries entering an integration project are of a static and dynamic nature:

A) Static Effects.

The international theory of economic integration developed for the European context, concentrates its analysis on the effects on economic welfare. Notwithstanding the important contribution made by Meade, Johnson, Lipsey and Scitovsky, this theory considers economic integration as part of the theory of international trade and as a branch of tariff science. The latter measures marginal adjustments in production and consumption brought about by changes in tariffs which are geographically discriminatory but leaves aside the problems of economic development. ^{9/} Viner, for example, entirely confined his analysis to the effects on production, supposing demand curves without any elasticity and supply curves of infinite elasticity.

In the case of integration between underdeveloped countries, the effects on production hold a limited importance. Even the utility of using the typical European distinction between creation and diverting effects on trade is questionable. These limitations are brought about by the following factors:

i) Integration consists in the diverting of trade towards regional products and the alternative to integration is to divert trade towards national products. These are probably

less efficient than regional products, because in practice, the former have been limited to the national market and began the industrialization process protected by high tariffs. In contrast, when markets are widened, economic integration, in theory, permits companies to reduce production costs in a shorter period of time. In the absence of an integration policy, the growth rate of domestic demand would be smaller and would not permit a large reduction in production costs in the short term. This is more evident in the case of durable consumer goods. Economic integration will make the diverting of markets process more efficient as regards the reduction in real costs in a shorter period of time. ^{10/} In other words, the only way that the effects of diverting of markets makes sense is to consider them in dynamic terms. The dynamic effects of market creation are the result of the growth of the product of the integrated area and of the foreign trade multiplier.

Independent of the approach from which it is analysed, it is very probable that a productive structure based on regional specialization is more efficient than exclusively directed towards national markets. Although the optimum relation between the price of goods produced regionally and those imported within a universal scheme of free trade

is not reached, the integrated area would come near to reaching a situation of "second optimum option", because regional specialization would improve the structures.

ii) If the diverting of trade permits part of the workforce to be directed towards more productive activities, there would be an increase in welfare. This point, which is not taken into consideration in a static analysis, acquires an importance in situations of underemployment or unemployment. In the case of countries with a surplus labour supply, the economic calculation should balance the loss of economic efficiency as a consequence of the diverting of trade against the increase in the net social product coming from both the utilization of more labour and also the creation of greater employment opportunities in more efficient sectors. 11/

iii) The effect of establishing a customs union between underdeveloped countries represents, in the long term, an increase rather than a drop in trade with the outside world. This is because, in the first place, when the regional economy is stimulated, more capital goods from countries outside of the group will have to be imported. In the second place, the group will exchange industrial goods which previously were destined for the national

market or were only marginal products in their international trade. ^{12/} Thus the short term horizon of the static analysis becomes inadequate.

iv) At the same time, the effects on regional trade conditions vis-a-vis the rest of the world are negligible, because those countries are not important buyers on the world market of those goods that will be the object of intra-regional trade. The changes in conditions of trade inside the region are more important. The relatively less developed member countries will export primary goods and will import manufactured goods at prices superior to those existing, at a given moment of time, in the international market.

"Precisely because of this imbalance inside the region, many of the less developed zones within this, do not favour the creation of markets at the example of their limited manufactures, nor the substitution of imports, which is more expensive". ¹³

v) The estimates of the "before and after" effects of market creation and diverting (in terms of GNP growth based on the elasticities of supply and demand of goods to those who have granted preference through tariff reductions and bearing in mind the substitution of previous suppliers) conclude that for the countries and the EEC, there exist few direct

quantitative effects on trade. The measure of the benefits of a customs union in terms of GNP and other measures of social welfare produce on even more pessimistic picture of the development of the EEC and EFTA (European Free Trade Association): according to Johnson, the benefits for the EEC countries amount to 0.05%. Bringing up to date the 1967 calculations, Balassa confirmed this conclusion in 1974 and suggested that market creation signified a GNP increase of 0.09%. As Scitovsky suggests, the use of the basic approach in order to measure quantitative results always leads to limited results. ^{14/} In his opinion, the results should be directed towards the quantifying of the measure by which customs unions affect production efficiency, in terms of economies of scale, better competitiveness and the widening of markets. (Table 2 shows some of the results of different empirical studies on the production effects of various integration plans).

B. Dynamic effects.

Given that the basic objective of economic integration between underdeveloped countries is to speed up economic growth, it is necessary to analyse the contribution of the trade programme to this process, in the medium and long term. ^{15/}

In the case of the majority of the schemes integrated by developing countries and especially in the Cartagena Agreement, the global objective of economic growth is to be achieved through the combined action of the trade policies of the SPID and the Common External Tariff (CET). These last two measures, but especially sector planning, are largely responsible for the increase in the rate of growth. This is because the final goal cannot be reached automatically through the freeing of trade. It is considered necessary to act directly upon the productive sector in order to change the composition, direction and volume of investments.

In undertaking an integration process, a country does not begin with a situation of general equilibrium nor a situation of free world trade. In fact, some tendencies suggest that the world is generally moving towards larger distortion in price structures. The less developed countries have industrialized and developed their production at the expense of specialization and now are trying to change this situation using integration in order to increase the volume of manufacturing trade. It is hoped that the result in the long term, will be changes in the volume and structure of trade and in investment. This is the most important relation between trade and economic development. 16/

With the freeing of trade, certain intermediate and final consumer goods can be exchanged within the sub-region, by which the necessary foreign exchange is freed in order to import capital goods from third countries needed to cover the expansion of production.

In general terms, economic development is a function of capital formation; capital and capital goods availability are the determining factors. In turn, the rate of capital formation is affected by: i) import capacity, ii) the possibility of either substituting consumer goods or capital previously imported, or of expanding exports and iii) the flow of internal savings. Its contribution to the expansion of the rate of capital formation is the most important dynamic effect on foreign trade. ^{17/} In other words, trade is not something which only acts upon the trade balance and nor is this its principal effect; the growth of the manufacturing sector is also affected and trade can also stimulate a change of attitudes among foreign and national investors. Changes in the rate of capital formation due to trade only appear in the long term, because imbalances in the external sector are structural in character and the underutilization of resources combined with external deficits demand the introduction of controls and other trade restrictions.

To sum up, when analysing the effects of greater trade activity, attention should be focussed on the expansion of the availability of foreign exchange to finance the growth of the GNP and on the effects that this produces on income and demand. Such positive effects may appear even when the net effect of economic integration is the diverting of trade. The question that arises is whether the new trade flow will or will not have sufficient force to increase and optimize the supply of capital equipment so that the dynamic effects of trade can be realized. In other words, will greater rates of investment and growth be attained? Studies carried out by the LAFTA conclude that the new expansion of trade is small and that the probable effects on the rate of growth of GNP is restricted by the limited capacity of the respective systems to react in the short term. ^{18/}

The Central American Common Market (CACM) studies reach the same conclusions, although it has been proved that the increase in reciprocal trade has been particularly high. ^{19/}

C) The effects of Andean trade expansion.

The effects of the Andean integration programme have been analysed, as an example of complex and sophisticated economic co-operation, during the first 10 years of its operation, in order to establish to what extent the stimuli currently used in the integration schemes explain the large growth in

reciprocal exports and to what degree this increase reflected on the hoped for dynamic effects on economic growth. The effects evaluated are:

i) The increase in the demand for manufactures, measured in terms of the total expansion of trade and the degree in which this increased trade leads towards: the better utilization of productive factors; the use of economies of scale in those factories which are under-utilized; the use of external economies and the more complete use of human resources. It is also necessary to establish to what extent the above mentioned factors contribute towards higher rates of growth of GNP through an increase in employment, income per capita, etc. There are also the effects on efficiency resulting from the broadening of the level of competitiveness and the reduction of risks.

ii) The effects on the volume and the placement of new investments, especially in those industries for which the national markets are insufficient.

iii) The effects of polarization, that is to say, the worsening of the relative position of the relatively less developed member countries.

The study and the measure of these dynamic effects is possible in the case of the Andean Group due to the manner in which the different commercial lists were integrated, from which it is possible, for example, to evaluate the volume of trade in those goods which were not produced before the Agreement was signed; in those which do, or do not, receive tariff reductions or in those products from Ecuador or Bolivia, with or without the benefit of tariff reductions.

In this analysis, no distinction is made between the exports of manufactured products, which do, or do not, receive tariff reductions and the products traded within the Andean Group outside the area. This methodology has been adopted because, as will be seen, the proportion of exports which receive tariff reductions and are traded within the group of member countries is small and tended to fall within the period analysed. Intra-regional trade of manufactured goods is a relatively small part of the total and in general, the member countries export the same or similar products to third countries as well. Therefore, it would be difficult to isolate the effects of the freed exports of a particular industry or company sent to the Andean Group when these same productive units export these and other goods, with and without reductions, to the group and to third countries. On the other hand, all exports benefit from the indirect

effects brought about by the Treaty and from national policies of promotion of manufactured goods exports.

If the impact of the total exports of manufactured goods in the utilization of productive factors was considerable, it would necessarily resolve the methodological problem implicit in the quantification of the effect attributable exclusively to the mechanisms of integration. If, on the contrary, the effects obtained do not have important results, one can avoid such complications and broaden the conclusion obtained from the analysis of total trade to include the impact of trade as a consequence of integration. That in actual fact, the latter situation is true, will be proved.

The case of Colombia will be analysed in greater detail because this country has the greatest experience of promotional policies for the export of manufactures and because in this field, the country's behaviour is surprising compared with the other Andean countries. In 1975, Colombian exports of manufactured products to other member countries represented 30% of the total industrial exports of the Andean Group and no less than 50% of the intra-regional exports of manufactured goods were produced in Colombia. A second factor is the availability of more detailed information in the case of Colombia. Despite the success of Colombian

exports, it has been demonstrated that the effects on growth continue to be extremely limited and therefore it can be inferred that the conclusions are equally valid for the other member countries.

The hypotheses that this section will try and prove refer to the limited effect that the promotion of exports of manufactured products has had upon the movements of indicators such as the co-efficient of exports of industrial production, the utilization of installed capacity, the creation of industrial employment and the distribution of income.

Methodological difficulties cannot be avoided when the effect of export promotion policies on total employment and the distribution of income is analysed. Considerably more detailed information than that available would be required on the demand for direct and indirect inputs for natural resources, skilled workers, imported machinery equipment and other capital goods, in order to establish with precision the connections between marginal productivity of exports and agricultural and manufacturing production. Information at this level is not available within the Andean region. Apart from this, the demand for the factors of production varied according to the size of the company ^{20/} so much that the results altered depending on the size of the company or

companies which dominated exports. Also the results varied according to the degree of foreign capital in the most important export production units. The problem of these casual factors is therefore extremely difficult.

Results. 21/

Intra-subregional exports grew during the period 1969-80 at a rate higher than that of total exports. In constant values from 1970 intrasubregional trade grew 14.1% annually while total trade grew at 2.6%. The participation of subregional trade in the total grew considerably from 2.7% in 1970 to 4.4% in 1980.

The composition of intra-subregional exports show important changes since manufactured exports rose from 25% of total exports to 63% in 1980. It should be noted that within total external sales, manufactured goods represent only 8%.

Exports of primary products continue to be important at a regional level. It is much more important with respect to each one of the countries: 67% for Bolivia, 4% for Colombia, 19% for Ecuador, 20% for Peru and 85% for Venezuela in 1980.

The large increase in reciprocal exports of manufactured goods changes the structure of total exports but only since 1978 when the world recession reduces exports to developed countries.

The growth of manufactured exports is only partially attributable to the tariff stimuli of the different lists of the trade programme. Analysis suggests that:

Trade in products favoured with some degree of tariff reduction 63% of the customs tariff (total and immediate tariff reduction from 31st December 1970 and automatic tariff reduction of 10% annually from 31st December 1970 until now, for a total of 80%), grew more slowly than total trade and at a slower rythm than trade, excluding sugar, meat and oil which are considered totally inelastic to trade mechanisms. 22/

The products included on the list of automatic tariff reduction, 50% of the tariff universe which constitutes the central mechanism of the trade programme, which received an 80% reduction on the tariff until 1979, grew 26.6% during the period 1969-78. This is a rate considerably less than that for total trade. A change in rythm permitted that only in 1978 was the percentage participation of 1969, of 16.5%, regained.

Exports of products included on the lists of exceptions registered during the whole of the period, rates of growth up to three times higher than those for total trade and for

the list of automatic tariff reduction. A similar situation was registered for the exports of products included on the reserve list for the sector programme.

It could be suggested that the breadth and reach of the opening and integration of the Andean markets was consciously limited by the negotiations when they included a large number of products on the reserve list for the sector programme (37.0% of the tariff) and on the lists of exceptions (38%), products which were competitive since they exported successfully even without the benefit of tariff reduction. This strategy permitted the exporting country to sell and keep its national market protected. Neither the exception nor the reserve can therefore be justified.

The growth strictly attributable to the trade programme was even less than that suggested because not all the growth of exports of these products can be attributed to the tariff reduction. All the countries maintain complex schemes to promote the export of manufactured products to third countries and to the Andean Group. According to the industrialists, these measures are decisive in determining whether exports will be successful.

Studies on Colombia's manufactured exports suggest that these exports are relatively inelastic to tariff reductions because the rate of growth of sales of products included in the programmes and destined for the Andean Group is not greater than that of the same products sent to countries outside of the group without the benefit of the tariff reduction schemes of the Agreement. This conclusions is supported by another study carried out by the Board on the behaviour of exports of manufactured goods. 23/

Exports and volume of production.

The increase in the export of manufactured goods has not resulted in significant changes since 1950, in the relation between the gross value of industrial production and total exports. In 1975, total exports of manufactured products reached more than 15% of the total value of production in the case of only two countries: Colombia and particularly Chile. Only a small proportion of these exports were sent to member countries: 2.8% in the case of Chile and 1.4% in the case of Colombia.

In 1977 no member country of the Andean Group exported values greater than 1% of the gross industrial product both to the sub-region and to third countries.

Many of the arguments in favour of economic integration between underdeveloped countries centre on the possible advantages that can be obtained from economies of scale; that is to say, the reduction of the co-efficient of inputs which result from an increase in market size. Such economies may take the form of internal or external economies and they are related to higher competitiveness.

Even when it is conceded that for many products, there exist smooth production curves, the less developed countries tend to operate on the extreme left of the scale, where costs drop significantly because of fixed expenses. In these cases, integration can reduce the production costs. However, these economies tend to be marginal and are principally a consequence of the use of installed capacity which was previously underutilized and are not the result of the relocation of resources because of higher competitiveness.

It would seem that there is not a direct relation between the growth of exports in real terms and trends in the utilization of installed capacity. Apparently there does exist a connection, in the short term, between internal demand, exports and used capacity. Exports reduce the negative effect of drops in internal demand of 1973-75 and viceversa in 1974-75. But there is no evidence to suggest a positive tendency in the long term. The large increase in exports in real term in

1975-76 raised the utilization of capacity by 33% but this was very much below the levels of 1972, prior to the expansion of exports. In 1976-77 internal sales and not exports improved the index of utilization of installed capacity.

In fact, to suppose that there exists a clearly defined relation between the utilization of installed capacity and demand, would be to ignore other structural institutional relations which contribute to the explanation of the investments and the installation of excess capacity. These structural problems are long term and trade policies only affect them indirectly. The cycles of progress and recession connected with the bottleneck of foreign exchange, explain attitudes towards the accumulation of inventories and machinery.

One might accept that the level of utilization is a long term decision (industrialists prefer to loose sales rather than increase employment or start up a night shift). In such conditions, a strategy of push demand would not be successful, because it does not take into account the fact that many companies hold to the long term strategy of using only one shift. The well known Rosenthal Report on the CACM concludes that the utilization of installed capacity far from improving, has got worse despite the considerable increase

in market size and the total elimination of tariffs on trade within the CACM. The relation between installed capacity and internal demand continues at 1.5%.

Export of manufactured goods and employment.

According to the theory of "find an opening for surpluses", one might expect that the opening of the economy, a result of integration, would increase the demand for labour, which in the case of developing countries is a surplus resources. However, there exist circumstances which prevent the channeling of this surplus labour towards export activities, such as the reluctance of countries to accept higher competitiveness in labour intensive sectors. This tendency is evident also in trade relations between developed countries and underdeveloped countries. Another obstacle is that in the sectors with a high labour co-efficient, companies which might compete in external markets are those which use highly technical processes. These sectors normally are those which have the highest margins of underutilization of machinery and can export at prices below the marginal cost.

Although it is difficult to establish the relation between the export of manufactured goods and total employment, the connection between the latter and manufacturing industries employment is clear. In the long term, one could hope that export activities would alter the relation between the

economically active population (PEA) and industrial employment. A decline in this relation can be considered beneficial in terms of the GNP because it supposes that the unemployed or the underemployed within the less productive sectors would be directed towards industry. Obviously this is a crude measure because not all industrial activities are necessarily more productive and neither is each sector homogeneous. But in conditions of very high unemployment and excess labour, such as the case of the Andean Group, it is legitimate to suppose that to accelerate the absorption of labour by the industrial sector would mean an increase in productivity in the economy as a whole.

From an analysis of the development of the growth of the PEA and industrial employment between 1960-69 and 1977, it is possible to deduce that in the period after the signing of the Cartagena Agreement, the size of industrial employment in the total PEA has remained constant. The gross value of manufacturing production grew at 5.5% annually for the whole region while employment grew at 2.3%. The difference between the two rates reveals that the growth of the industrial sector was obtained through the raising of work productivity and the co-efficient of capital, fundamentally.

The Linder hypothesis that manufacturing trade grows between countries of the same level of development in the export of manufacturing goods produced in a well protected national market, ^{25/} would appear to be confirmed in the case of the Andean Group and provides definite arguments for the debate on Linder begun by F. Stewart. However, one should note that the Andean countries reciprocally trade goods of greater technological complexity than those that they sell to the developed countries, but send to the latter countries, a greater proportion of the total volume of their exports.

The demand for productive factors which the type of export to the Andean Group generates does not substantially change the function of production nor the structure of internal costs; that is to say, the demand for skilled labour does not fall and nor does the demand for processes with a high capital co-efficient. ^{26/} This result becomes more pronounced when export promotion policies include the lifting of restrictions on the importation of machinery and equipment, which even the small and medium firms can exploit, while under stricter trade conditions, they cannot pay the high prices of capital goods import. In other words, this trade between underdeveloped countries strengthens and does not weaken technological dependency. As in the case of import substitution, it would seem that the growth of exports of manufactured goods in fact, exerts pressure on scarce factors: skilled labour, management and technical personnel, capital, technology and imported inputs. ^{27/}

The type of companies which export manufactures also influences the effect of these sales on employment and sales. If exports are produced by companies which highly concentrate production, then the creation of employment and the redistributive effects are small. Our hypothesis is that intra-regional exports of manufactured products are affected by large industries with a high concentration co-efficient, very important foreign capital participation and which use more imported inputs than national companies.^{33/}

The Export of Manufactures and Industrial Investment

In order to determine to what extent the expansion of industrial investment can be attributed to manufactured exports, the Colombian experiences were examined for the period 1956-78, because of the greater availability of reliable information.

General investment behaviour was analysed for the period 1956-78 together with the determining variables: availability of foreign exchange, capital goods imports, internal sales and the export of manufactured products.

In our analysis, the dependent variable "y" represents total industrial investment and for sub-sectors as defined here. The independent variables, "x", taken one by one, are: internal sales, exports and import capacity (availability of foreign exchange).

For total industrial investment, the correlation between intermediate goods imports and capital goods was also examined. In order to analyse, at yearly intervals, which of the independent variables best explains the behaviour of investments, in each case the model was adjusted:

$$Y_t = a + bX_{t-1}$$

where "a" and "b" are the variables to be estimated. The index "t" covers the period 1957-1978. In Table 33 the results of these regressions, noting the co-efficient of the correlation "r" for each of the variables "x" and "y" under consideration have been set out in an abbreviated form. For 19 observations, the co-efficients greater than 0.38 are significantly different from zero at the level of 10%; those greater than 0.45 at the level of 5% and those greater than 0.58 at the level of 1% signification. The analysis of the correlation has the following results:
(See Table 1)

The strongest determinant of the behaviour of investment is internal sales ($r = 0.92$, columns a and g of Table 1). The exports of manufactured products do not appear to explain or stimulate investments, thus supporting the previous hypothesis that exports continue to be marginal in industrial activities and in investment decisions, the conclusion reached after evaluating the trade programme.

The co-efficient of the correlation for total investment and total exports ($r = 0.68$, columns e, f, g and h) fall when intermediate or metallurgical industrial investment and their respective export totals are considered. The lowest figures refer to intermediate industries. These relations support the previous deductions that it is not probable that intra-subregional exports change the rate of growth and the industrial investment model and that these do not constitute a sufficient stimulus for investment in areas of intermediate and capital goods for which the national market proves definitively insufficient. In the final instance, this is the reason that motivated integration.

Investment in these sectors are more sensitive to other types of promotional policies than policies designed to expand demand. This conclusion is in keeping with our findings on the lack of trade and products not produced before the signing of the Treaty which were completely freed on the 28th February 1971.^{34/}

To sum up, it is possible to suggest that the combination of these two schemes: import substitution and export promotion, within the context of a closed economy and a still very limited market, explain why the anticipated changes in the behaviour of investment have not been obtained. The economic model of the Andean Group continues to operate entirely within the framework of an import substitution project. The only new element is the

addition of markets with national cupolas markets, without important undertakings on the supply side; neither has there been any attempt to widen demand (for example, increase in agricultural productivity, redistribution of income or employment policies). Measures taken in these areas would very probably produce the changes in investment patterns, sought through integration.

An explanation for the lack of significant effects on economic growth could be the fact that in Colombia (and also in Chile) export promotion policies were based on the maintenance of a "real" exchange rate (although at certain moments there may have existed a devalued exchange rate). Many studies suggest that, at least in the short and medium term, devaluation can have a deflationary effect, particularly if at the beginning there is a deficit in the trade balance.^{35/} The redistribution of income in favour of utilities can be another deflationary aspect of devaluation.^{36/} Recent studies suggest that devaluation can have a deflationary effect, even when there are unused productive factors, because a transference of buying power to that part of the population with a high propensity to save takes place.^{37/}

The freeing of trade was possibly affected by the conservative attitudes of both governments and businessmen, who prevented the total opening of the market and the complete abandonment of protectionist policies, which had been in force in the national Andean economies during the last three decades.

Many policy restrictions have made change almost impossible.

The concentration of manufacturing exports and relative development.

The development of sub-regional Andean trade suggests that tariff advantages and other treaty preferential mechanisms were not sufficient to counterbalance the effects of the concentration of economic activity. The less developed countries tend to be net importers and to specialize in the export of primary products of manufactures with low levels of processing while importing more sophisticated manufactures.

i) The development of global trade. Exports from Bolivia and Ecuador rose from 16.2 million dollars in 1969 to 180 million in 1975, falling to 124.5 million in 1979. During this period, their participation in intra-subregional trade increased from 10% to 25%, dropping to 15% in 1978. Accumulated sales until 1978 rose to 602.5 million dollars and sales to 549.9 million, that is to say, a considerable difference in favour of these countries. However, around 80% of these exports were products such as oil, tin, cocoa and chocolate tablets. If these products are not included, there was a deficit of 680 million dollars.

ii) Structure of trade. Bolivia and Ecuador, particularly the first, are primary product exports and industrial product importers.

The structure of Bolivian exports had hardly changes since 1969. 96.2% of exports were basic products and only 3.8% manufactures with a low level of processing. Because Ecuador has been an oil exporter since 1973, the proportion of manufactures in thier exports has fallen. In 1978 sales of Bolivian and Ecuadorean manufactures represented 5.7% of the sub-regional trade in these products. The distinction is made between intra-subregional exports of primary products (coffee, cotton, oil, meat and manufactures with low levels of processing such as chocolate tablets and fishmeal) and theose manufactures with higher levels of processing. The first group includes products known as type A and the second, products of type B. The results obtained are:

- a) the less developed countries are net exports of type A products and importers of type B products and have therefore accumulated a deficit of nearly 150 million dollars;
- b) exports of the type B products from Bolivia and Ecuador continue to be limited, especially in the case of Bolivia; and
- c) until 1975, Colombia and Chile held positive balances on type B products. In 1975, Colombian exports of type B products to the Andean Group represented 30% of the total trade of these products. The participation of Chile was less, but still important: 18.9% since 1975.

TABLE NO. 1

ANDEAN GROUP

Colombia

CORRELATION CO-EFFICIENTS OF INDUSTRIAL INVESTMENT, EXPORTS, IMPORTS, DOMESTIC SALES AND IMPORT CAPACITY

(Availability of foreign exchange) 1956 - 1978

| Dependent Variables | Imports | | | (d) Availability of foreign exchange | Exports | | | |
|---------------------------------------|--------------------------|------------------------------|-------------------------|-----------------------------------------------|--------------|----------------------------------|-----------------------------------|-----------------------------|
| | (a) Domestic Sales | (b) Intermediate Goods | (c) Capital Goods | | (e) Total | (f) Traditional Industries | (g) Intermediate Industries | (h) Light Engineering |
| Total Investment | 0.92 | 0.62 | 0.84 | 0.85 | 0.47 | 0.63 | 0.63 | 0.63 |
| Investment in Traditional Industries | 0.91 | | | 0.85 | 0.69 | | | |
| Investment in Intermediate Industries | 0.69 | | | 0.54 | | 0.40 | 0.40 | 0.67 |
| Investment in Light Engineering | 0.76 | | | 0.54 | | | | |

Sources : Correlations based on unpublished figures from DANE and the Colombian Institute for Industrial Promotion.

NOTES

- 1/ Sufficient and of a high level were the studies concluding that for England it would not be beneficial or that the utilities would go almost unnoticed. However, they joined. See S.S.Han and H.H.Leisner, Britain and the Common Market, Univ. of Cambridge, Dept. of Applied Economics, occasional paper No. 27, 1970.
- 2/ The most well known works are those of L.B.Krause, European Economic Integration and the United States. The Brookings Institute, Washington D.C., 1968. And S.S.Han and H.H.Leisner, op.cit.
- 3/ In this group belong the works of A.Lamfalussy: Inter-European and the Competitive Position of the EEC. Manchester Statistical Society Transactions, March 1963. B.Balassa "Trade Creation and Diversion in the European Common Market". The Economic Journal, 1976, and European Economic Integration, North Holland Publishing Co, 1975. For Latin America, there exist various important contributions in this group.
- 4/ AM El-Agraa. "Measuring the Impact of Economic Integration" in El Agraa (ed,) The Economics of the European Community, University of Leeds. Philip Allan Publishers, Oxford 1980.
- 5/ The complex Rosenthal study on the Central American Common Market is a classic example of this situation. He attributes all changes in the economies of the member countries to integration without taking into account, for example, good prices for coffee, sugar, "babanos" and meat, and an increase in reserves. See: G.Rosenthal, The Central American Common Market in the Decade of the 70's, IDB-INTAL, 1970, and for a critique of this work, E.Lizano, "A Second Thought on Central American Common Market". Journal of Common Market Studies.
- 6/ The well known Rosenthal Report. op.cit.
- 7/ R.Dayal et al. "Trade Creation and Trade Diversion :New Concepts, New Methods of Measurements", Weltwirtschaftliches Archiv, Vol. 113.
- 8/ Dayal, op. cit. pages 136-137.
- 9/ Lipsey, The Theory of Customs Union: a General Survey, p.261
- 10/ B. Lambri, "Customs Union and Underdeveloped Countries" Economia Internazionale, May 1962, o.245.
- 11/ For the effects of economic integration in countries with an excess labour supply, see W.G. Demas, The Economics of Development in Small Countries with Special Reference to the Caribbean, McGill University Press, 1965, and his article, "The

Economics of the West Indies Customs Union", Social and Economic Studies, March 1960, p.15.

- 12/ Viner's argument that a customs union among underdeveloped countries has a negative effect due to the fact that it can reduce the percentage of external trade as a result of market diversion, is refuted by, among others, the B. Balassa, Economic Integration and Economic Development, Mexico C.E.M. 1965, p. 13-14, H. Kitamura op. cit., p.38 and R. Mikesell, op. cit. p. 205 - 10.
- 13/ A.R. Allen, "Integration in Less Developed Areas", Kyklos, 1967, p.331.
- 14/ T. Scitovsky, Economic Theory and Western European Integration, (London, George Allen and Unwin, 1958). Nils Lundgren follows the same line as Scitovsky, affirming that "...in that its basic plan be accepted, the quantitative results will continue to be small, so small that they could not be measured within the present system of national accounts, and so small that they would seem not to merit so much attention from the economists, politicians and newspaper leading articles with respect to the problem of eliminating tariffs among the industrialized countries", (N. Lundgren, "Customs Unions of Industrialized West European Countries", in G. R. Denton, (ed.), Economic Integration in Europe, University of Reading, The Graduate University of Contemporary Studies, 1971, p.25.
- 15/ "I believe however that the theoretical analysis of the the Customs Unions should be directed more towards the problem of their impact on investment use in the developing countries for future yields, than to be limited to an analysis of the implications for social welfare on changing the existing models" R. Mikesell, op. cit., p. 206.
- 16/ "Substitution within the countries will increase the availability of foreign exchange needed to acquire essential capital goods for development from the rest of the world. Therefore supposing that the capital goods come from outside the region, this availability of said goods and the amount of investment can be considerably increased with economic integration", H. Kitamura, "The Economic Theory and Economic Integration in Underdeveloped Areas", in M. Wionczek (ed.), La Integración Económica de América Latina: Experiencias y Perspectivas, Mexico, Fondo de Cultura Económica, 1964, p.35.
- 17/ This conclusion on the effects of a customs union in the underdeveloped countries is adopted by H. Kitamura, in op. cit. p.38, and Meade, The Theory of Customs Unions, North Hollands, 1955, p. 345.
- 18/ K.B. Griffin, Underdevelopment in Spanish America, Allen and Unwin, 1969, p. 241-242.
- 19/ Lizano "A Second Thought on the Central American Common Market", KCMS, Vol. 13, 1975, p. 280-307.

- 20/ Within a determined industrial sector, companies considered as big, tend to use less labour and more capital goods; or less raw materials per unit yield, and/or more imported inputs.
- 21/ A detailed presentation of this sector can be found in A. Puyana Economic Integration among Uneven Partners. The Case of the Andean Group. Pergamon Press, New York, 1982, F. up III.
- 22/ See A. Puyana, op. cit.
- 23/ Fedesarrollo, "Colombia's Foreign Trade in the Framework of the Cartagena Agreement, 1969-1978", mimeo, May 1978, p.30.

Growth of Colombian Exports towards the Andean Group
(subject to tariff reduction)

% of annual growth rate

| | Before GRAN 1968-1970 | After GRAN 1970-76 | Average |
|-----------|--------------------------|-----------------------|---------|
| Bolivia | 35.86 | 39.86 | 39.29 |
| Chile | 146.81 | 42.76 | 57.63 |
| Ecuador | 30.75 | 16.10 | 18.19 |
| Peru | 130.64 | - 6.52 | 13.06 |
| Venezuela | 58.01 | 60.94 | 58.85 |

Source: Calculated by Fedesarrollo, "Colombia's Foreign Trade in the Framework of the Cartagena Agreement, 1969-78", mimeo, May 1982, Bogota.

- 24/ The recent figures on the capacity employed indicates that Ecuador reached a level of 74.2% and 69.9% in 1975 and 1976 respectively. The figure for Chile was 69.1% in 1976. See Coyuntura Andina, No. 1, Bogota, 1976 p.88.
- 25/ Linder: An Essay on Trade and Transformation, New York, J. Waley, 1961.
- 26/ C. DíazAlejandro, states that with Colombia's trade policies,

"minor" exports did not change the employment situation. See Díaz Alejandro: Colombian Foreign Trade Policies and Development, Yale U.P. 1976, p.239-246.

- 27/ Lizano reaches the same conclusion in his analysis on the effects of a trade increase in CACM's manufactured goods. See Lizano, op. cit., p.289 and G. Rosenthal, op. cit., Appendix 6, Sections II and III.
- 28/ See Díaz Alejandro, "The Effects of Non-Traditional Exports in Income Distribution", Trimestre Económico, Vol. XLIV (2) No. 174, 1976, p. 411.
- 29/ One finds that only the production of oil uses more technology than the sectors producing final consumer goods, foodstuffs tobacco and drinks. The production of capital goods requires a smaller capital co-efficient. V. E. Tokman, "Income Distribution, Technology and Employment: An Analysis of the Industrial Sector in Ecuador, Peru and Venezuela", Trimestre Económico, Vol. KLI (4), NO. 164, 1974, p. 750-51.
- 30/ The studies on Chile and Peru reveal that the income situation has not improved in the last twenty years. See Estudios de Extrema Pobreza en Chile, Universidad Católica, Chile, 1975 and R. Webb: Distribución de Ingreso en Perú, Lecturas No. 7, FCE, 1974. Figueroa has carried out a detailed study for the Junta on the income pyramids in the Andean countries. He concludes that, in the best of cases, the situation has remained stationary since the 60's until now. See: A. Figueroa, "Vision de las pirámides sociales; Distribución de Ingreso en América Latina", Junta , J/PR/45, 17th April, 1974.
- 31/ W. Corden, The Theory of Protection, Oxford, 1971, p. 2-18.
- 32/ Total sub-regional trade in 1975 was 1.4% of GNP; exports of manufactured goods was 0.3% of the GNP.
- 33/ For a detailed analysis of the participation of foreign companies in the exporting of manufactured goods, see A. Puyana, op. cit. p.2.
- 34/ See A. Puyana, op. cit. Ch. 3 Section 3 on the SPID, in which an almost total absence of investments in the SPID approved were detected.
- 35/ A.O. Hirschman, "Devaluation and the Trade Balance: a Note", Review of Economics and Statistics, No. 31, 1949, p.50-53.
- 36/ See Díaz Alejandro, "A Note on the Impact of Devaluation and its Redistributive Effect", Journal of Political Economy, No. 71, 1963, p. 577 -580.
- 37/ For an analysis of the contractionary effects of devaluation on semi-industrialized countries, and with respect to production

and employment via income redistribution in favour of profits
see P. Krugman and L. Taylor, "Contractionary of Devaluation"
Journal of International Economics, No. 3, August 1978, pp. 445-456.
Similar conclusions for various countries are suggested by A.
Krueger, Foreign Trade Relations and Economic Development, National
Bureau of Economic Research, 1978.