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CO-OPERATION AMONG DEVELOPING COUNTRIES

Dr. M. M. El-Imam*

1 . ECONOMIC CO-OPERATION

1.1 The term "co-operation" is a rather broad, if not vague, term. Generally speaking, it may be taken to mean the involvement of two or more decisional units in joint activities which may affect, directly or indirectly, decisions or stand points which they would have otherwise taken. It is implied that the outcome would be more favourable in some sense than that realized out of acting independently. What is to be agreed to is the system through which cooperation is realized. One may rule out the case where every right to take decisions is relinquished to some central authority. It takes more than one decisional-unit to exercise co-operation.

1.2 However, one can still visualize an extreme case where some central decisional mechanism is created. Such a centre would be responsible for the determination of collective actions, binding to all parties whose representation therein insures their participation in formulating decisions. A sufficient degree of decentralization leaves to the different parties some freedom in determining the ways and means of implementing central decisions, and allows them to act freely in other areas.

* Team leader of UN Project with the Council of Arab Economic Unity (CAEU). Views expressed in this paper are strictly personal, and need not represent these of the UN or the CAEU.

1.3 At the other extreme there exists the quite unbinding process of consultation and exchange of information. Here a multitude of procedures exist and are extensively used in daily life. The basic principle in this type of action is to attempt affecting independent decisions through changing the information base. Most international institutions exploit this approach to the utmost; and it may be safely concluded that their major contributions are achieved through this channel. Even when more restrictive systems are in vision, consultations form the preliminary steps. In fact our present gathering is a case in point.

1.4 In between these two extremes there exists a wide spectrum of forms, shades and degrees of co-operation. The history of international relations, whether bilateral or multilateral, regional or multinational offers a variety of examples. They lead to establishment of appropriate institutions and systems by means of which collective wills are pooled into one, and the latter is transplanted into the decision-making mechanisms of all parties concerned. Thus any meaningful discussion of cooperation should incorporate the appropriate institutional framework.

1.5 Perhaps the supposedly most active form of economic co-operation is the so-called "economic integration". Here economic literature as well as practice are quite rich. They offer a lot of possibilities and frustrations, perhaps more of the latter, especially in so far as developing countries are concerned. In this specific shape of co-operation a variety of forms are distinguishable, lying in between the two aforementioned extremes. We may, therefore, recall the vast literature on the subject without going to all its details, which, in spite of their relevance, would carry our deliberations beyond the time limit of this symposium.

2 . DIMENSIONS OF CO-OPERATION

2.1 We have already indicated our feeling of the vagueness of the subject. With some risk of abstractness, we think it would be useful to attempt some systematization through a classification of the various dimensions of the activity called "economic co-operation". These may be taken as follows:

1) General objectives.

2) Areas of co-operation.

3) Specific targets.

4) Forms of co-operation.

5) Means and instruments.

6) Membership or grouping criteria.

7) Institutional set-up.

2.2 General Objectives:

As may be noted from our system of classification, it would be useful to distinguish between specific targets and general objectives. We claim that most exercises, whether theoretical or practical, suffer from imprecision in the formulation of objectives. There seems to exist some axiomatic belief that co-operation is beneficial since it leads to results better than those obtained in its absence. Alternatively, there is the legitimate understanding that through co-operation more power can be gained in tackling difficulties, both through reducing if not eliminating possibilities, of conflict, and by means of gaining support to individual standpoints through collective action. This does not give any precise answer to the question, with the result that governments evaluate the process of co-operation according to different unstated criteria. In most cases the evaluation proves negative with the result that the process becomes dirupted if not discontinued. To illustrate the point let us consider the experiences of groupings for economic integration. A basic principle is that reallocation of resources, economic activities and output will help to accelerate the paces of development and hence add to the welfare of the inhabitants of member countries. In practice, member countries identify that welfare with the welfare of their own geographic areas as existing prior to integration. This leads to the dilemma of the contradiction between the overall welfare of the whole group, and the sum total of welfares as conceived by individual countries. The more positive integrational activities become in the former sense, the more reluctant individual countries feel. There arises the problem of mutual benefits, understanding by that the incremental welfare expected by each member country even though they do not conform with the interests of the total grouping which is the more relevant from the point of view of the benefit to the populations of those countries.

2.3 Areas of Co-Operation:

The responsibilities of Sovereign States as regards economic life in their countries are as extended as human life itself. Governments in all economic systems are deeply involved in practically all aspects of economic life. Further the nature of modern economies is such that it is difficult to separate matters of seemingly pure domestic nature from those lying within the sphere of international affairs. Consequently co-operation may cover one, some or all aspects of economic life. Proposals for economic co-operation have, therefore, to be classified according to areas. The selection of one or the other of these areas is a matter of convenience, and follows from an assessment of objective conditions, orders of priority or urgence, and observation of general objectives.

2.4 Specific Targets:

Targets, or specific immediate objectives, have to be determined in close relation to general objectives, and on the basis of the priorities given to certain areas. This requires some theory that suggests certain targets as the most effective means for achieving the objectives. One of the most common targets is trade liberalization as a means of widening the opportunities for economic development. This takes after the example of the European integration movements and hence accepts the underlying economic theories fitted to conditions of western-type developed market economies. It may be argued that such an approach derives from the static argument for economic integration based on the concepts of widening the market and widening the resource base.(*) This issue will be taken up later, where the emphasis will be on the need for a coherent theory for economic development which would help to define appropriate targets in order to achieve the general objective of economic development. We may mention at this point that one of the crucial issues in economic co-operation is the importance of defining the sequence of targets relevant to the achievement of a given general objective. This sustains our argument for the need to determine objectives in a clear-cut manner.

2.5 Forms of Co-Operation:

As mentioned earlier there exists a long list of forms of co-operation. Ad hoc arrangements may lead to more permanent ones. Consultations may be arranged for whenever the need arises, or they may be delegated to a stand-by institution. Again research within a specific area may be contracted to some existing (national or international) institution (s) or to some specifically created organism. Alternatively a specialized institution is created for the purpose, e.g., the OECD. The outcomes may lead to some multi-national agreement: e.g., trade or payment agreements or commodity

(*) cf., e.g., Mensah (9), pp. 227-330.

agreements with a certain binding committment. In forms embodying decision - making mechanisms areas of action are determined, and programmes of work are established. These normally take the shape of integration agreements. There is a common belief that such more formal forms would evolve at stages, starting from the milder and rather "negative" forms in trade areas to more "positive" forms imposing restrictions on decisions relating to policies and institutions characterizing economic structures. Many writers have claimed the fallacy of such arguments and indicated that a dynamic treatment of integration calls for an earlier start with the areas of payments, production and development. In practice any country is involved in a variety of forms simultaneously, usually within different groupings. Little is done to ensure consistency with the result that most of the forms concerned suffer.

2.6 Means and Instruments:

It is rather difficult to generalize here: means and instruments are functions of objectives, targets and forms. But we may emphasize here the the aspect of feasibility. As one moves from the negative to the more positive forms of co-operation, the limitations on decisional power narrow considerably the scope of feasibility. On the other hand the instruments become more powerful, hence we have to consider at the same time the effectiveness of instruments. In general arrangements regarding co-operation are a compromise between these two aspects. The restrictiveness of more effective means persuade most countries to adopt rather loose forms of co-operation. On the other hand to maintain effectiveness a new aspect is introduced, namely flexibility. Usually this takes the shape of the "wave clause", which when excessively used damps the quality of effectiveness. A little reflection shows that the stage of development works positively in all aspects. More developed countries are less sensitive towards the restrictive means, while they can absorb move efficiently the feasible less binding ones. Whenever flexibility is observed, it is used cautiously and adhered to only whenever fully justified. Experiences of developing countries indicate that there is a great danger of abusing any and all of these aspects in their dealings. The results is that most of their arrangements for regional integration have remained quite ineffective.(*)

2.7 Membership or Grouping Criteria:

Among the alternative criteria the geographic principle proves to be the most expedient for a variety of reasons. Besides the economic factors of transport costs and in many cases, the stage of development, political and social factors are more favourable. Communication is much easier and more frequent meetings and deliberations possible. In many cases language barriers are less prohibitive if not non-existent. The United Nations system, maintaining its global nature, follows a regionalization scheme. Some

(*) See for example: Meerhaegle (7).

specialized agencies may differ in their schemes on technical grounds. However, some groupings adopt the criterion of the stage of development, while others are determined by the socio-economic system. In general these two do not deviate considerably from the geographical criterion. Some schemes are global; others exclude socialist countries; but in either case regional subdivisions are warranted. Within the class of developing countries, several regional groupings are recognized. But even then, some sub-groups such as the least-developed or land-locked countries are segregated. Whereas industrialized countries or advanced socialist countries were able to form their own total groupings, the widely dispersed developing countries were unable to follow suit. Regional groupings hardly come together to discuss matters of common interest. It is left to wider systems to transmit even mere knowledge of what is going on in other areas or groupings. This is a quite serious shortcoming that has to be promptly remedied.

2.8 Institutional Set-Up:

This dimension is closely related to the preceding ones, especially to the form of co-operation. Broadly speaking the set-up should define procedures and institutions responsible for:

1) Identification and analysis of problems.
2) Formulation of proposals of modes of co-operation, and suggestion of means.

3.) Decision-taking at the collective level and its linkages to the national decisional systems.

4.) Follow-Up and arbitration.

In systems of mere consultative nature, the last two are subdued. Apart from integrational schemes among industrialized and Eastern Europe countries, the third is generally far from being effective while the fourth is practically non-existent. Even when collective decisions are taken to the letter, other types of national decisions may sterilize or even reverse their effects. The example of the thousands of trade barriers uncovered by the GATT agreement is a clear indication. It also shows that systems of partial co-operation are doomed to failure. This asserts our claim for a careful statement of objectives, consistency of targets and comprehensiveness in means. On the other hand, practically all issues of an economic nature have their roots in technical and social fields. An effective system of co-operation should account for a coherent set-up extending to the primary sources which would help in a proper formulation and analysis of problems.

2.9 It is clear that the above - mentioned dimensions are not completely independent. Different areas usually call for certain forms and means to be adopted. The degree of flexibility envisaged determines the particular form, hence the corresponding set-up. This in turn defines the specific targets, while success in attaining general objectives depends upon their linkages with the immediate targets. The dimensional breakdown was considered useful in deriving lessons from the past experiences of developing countries and it is indicative as regards the proposals for future action. In what follows we shall enumerate the areas which attract the attention at present and attempt at indicating the importance of considering the development process as a focal point.

3 . AREAS FOR CO-OPERATION

3.1 The ongoing discussions allover the world have gained the name "The New International Economic Order". They deal with practically all major spects of international affairs and seek collective will to establish new systems and relationships, hence call for serious forms of co-operation. A summary list seems, therefore, warranted.

1 - Monetary reform; major issues being:

i - Exchange rate system and currency convertability.

ii - International liquidity.

iii- Official price of gold and the role of gold in the international monetary system.

iv - Replacements to the dollar in the monetary standard; nature and role of the SDR's.

v - Distribution of quotas and voting powers in the IMF.

vi - The very existence of the present system and the possbility of quite radical changes.

2 - Persistence of inflation at unprecedented rates, all over the world.

3 - Recession in the industrial world in spite of inflation, or what has been labeled "stagflation".

4 - The mounting up of umemployment in the OECD countries to reach the record of 15 millions in 1975.

5 - The energy problem and oil prices, and the consequent deficit in the balances of oil importing countries.

6 - Disequilibria in balances of payments which have extended beyond the traditional list of developing countries, whose situation worsened and threatened their present low per capita incomes and their future development. Urgent relief measures such as the establishment of Special Trust Fund with the World Bank and resort to compensatory financing and measures to expand exports to advanced economies are being advocated.

7 - Prices of raw materials, deficiencies in their supplies and difficulties in food production, and their adverse effects on living conditions and foreign exchange positions of developing countries.

8 - The continuous deterioration of terms of trade of the developing countries, and the contraction of their exports as a result of the decline in world demand, especially that industrialized countries.

9 - Failure of advanced countries to increase the flow of aid, or even to maintain the present modest rates of 0.32% as percentage of their GNP. Rather than reaching the DD2-target of 0.7% in 1980, this ratio is expected to drop to 0.28%, farther away from the 1960 level of 0.52%.(*) Further the secular rise in the prices of capital goods will considerably reduce the real value of future aid.

10- The adverse effects of current loan terms, and the rapidly growing burden of debts on developing countries. This can be seen from Table (1):

(*) McNamara (6), p. 39.

Table (1): External Debt and Debt Service, 86 Countries (*)

(1973)

	Africa (38)	Asia (20)	Southern Europe (7)	Latin America (21)	World (86)
1973 Population ('000)	337295	1121897	112138	284068	1855398
" GNP ($ m)	63680	191750	106910	214690	577030
External Debt: 31.12.73 ($ m)	21775	50540	11174	35404	118893
Per Capita Shares:					
GNP ($)	189	171	953	756	311
Debt ($)	65	45	100	125	64
Debt as % of GNP	34.2	24.6	10.5	16.5	20.6
1973 External Flows					
Loans	4448	2018	1659	7039	20164
Grants	1455	1599	83	438	3575
Total Gross	5903	3617	1742	7477	23739
Grants as % of Gross					
1967	43.1	35.2	5.9	12.0	27.3
1973	24.6	18.6	5.3	5.9	15.1
1973 Debt Service					
Amortization	1478	2543	823	2842	7686
Interest	524	1125	392	1274	3315
1973 Net Flows	3901	4949	527	3361	12738
Service as % of Gross					
1967	30.1	23.0	54.5	58.2	37.0
1973	33.9	42.6	69.7	55.0	46.3

(*) World Bank (12), especially pp. 91-97.

The above data were found to indicate average interest charges increasing steadily from 4.3% in 1967 to 5.9% in 1973, i.e., by about 14% over 6 years. Related to GNP, the external debt which stands at over 20% is flowing at a rate which equals or exceeds

4% of GNP. Half of this goes to service the outstanding debt, which means 2% of GNP or roughly 10% of export earnings. In some countries the service amounts to over 30% of those earnings: 30.1% for uruguay, 32.5% for Peru, and the maximum of 34.6% for Egypt. The criticality of the situation has called for temporary measures such as the "Third Window" and the "Interest Subsidy Account." At the same time, to ensure a minimum flow, the "Oil facilities" are urged to continue.

11- The gloomy perspectives with respect to the achievment of development goals of DD2, or even the realization of any growth in per capita incomes of the LDC's at all. Assuming rapid revovery of industrialized countries, 1976-1980 and substantial growth in nominal value of the flow of capital to developing countries, the following estimates were obtained.(*)

Table (2): Income and Investment, 1970-1980

(1970 dollars)

	Developing Countries		OECD Countries
	Below $ 200	Over $ 200	
1975 Population (m)	1000	725	675
GNP, p.c., 1970	105	410	3100
($) 1980	108	540	4000
GNP, growth rate	0.2%	2.8%	2.6%
Percapita: Saving	14	75	850
($) Ex. capital	2	10	-15
Investment	16	85	835

(*) Mc Namara (6), p.7 Data exclude contrally planned and OPEC countries.

12- A problem which is not frankly spelt out is actually gaining force and may be considered as one of the major factors re-shaping the future pattern of co-operation in the world society. The rapid cumulation of difficulties listed above has greatly affected the structures of existing groupings. A closely cor-related problem is the contradictions arising from antagonism between policy measures needed to face different problems. both at the national and international levels. So far, pleas for co-operation instead of confrontation have greatly narrowed the chances of the latter. However some of the measures currently planned to face some fundamental issues will be having serious long term effects. To mention one, let us consider the energy problem. Three long-term effects can be observed:

a/ Huge investments by developed as well as some developing countries in oil.

b/ Huge investments by industrialized countries in research for alternative energy sources.

c/ This will be definitely followed by huge investments in ins-tallation of new sources and in restructuring industrial ca-pital to fit the new technology fitted to the new types of technology.

The impacts on developing countries are tremendous. A larger part of capital goods will be directed towards the above new outlets with the result of limiting the supply of, and/or raising the cost of, capital goods availed to importing countries. In the meantime a technological gap of a new kind will emerge. The present struggle of developing countries to bridge the already existing gap will soon prove futile.

3.2 The above list can be easily extended. However, problems facing developing countries are long-lived. They have simply become more acute as a result of the inevitable decay of a system that took for granted an untenable distribution of wealth and power. The workability of the system was put to question only when it became definitely incapable of safeguarding the interests of the more advanced powers. During the last two decades or so, several attempts were made by the developing countries to overcome, through co-operation, problems of the above-mentioned nature, in their strive to achieve their central objective, namely "development". Experience has proved those attempts to be of quite limited, if any, impact. It seems justified to attempt a quick survey and appraisal of such experience as a prelude to any further suggestions.

3.3 So far attempts at co-operation, whether or not formulated under the heading of integration, can be classified under the following headings:

1 - The trade approach.

2 - The Commodity approach.

3 - The factors approach.

4 - The projects approach.

5 - The setoral approach.

6 - The economic policy approach.

The groupings involved in the various attempts differ widely. In many cases they were oriented towards closer ties between countries belonging to the developing group and more advanced powers. Further, any given country was generally active in more than one qpproach in the same or several set-ups. The general objective was loosely stated as being the improvement of conditions for the development process. It would be valuable if we followed our brief discussion of the above approaches by an assessment of achievments in economic development.

4 . THE TRADE APPROACH

4.1 The arguments for trade expansion and trade liberalization have been advocated by many western economists. The basic idea was that under such conditions, demand for exports would increase, and through the working of the multiplier, total effective demand hence GNP will rapidly expand. The argument as adapted to conditions in developing economies would claim that expansion of trade is imperative for at least three reasons:

1 - It helps to raise efficiency of capital utilization through providing outlets for the output of unused (existing) capacities.

2 - It provides extra foreign exchange through export promotion; hence assists in dealing with deficits and in easing external sources of financing development.

3 - It provides widening of the market badly needed to justify new investments, thus helping to accelerate the process of development.

4.2 Experience has shown that limited success could be achieved, and only - unfortunately - in the first area. In fact attempts to promote trade in the output of activities established under protectionism implies a strive to confirm an erroneous resource allocation. In general every party wants to push through this channel products which could not compete with similar foreign products faced with the same trade barriers. The result, if ever success were attained, was to establish high cost production structures. Hardships faced in easing the situation with respect to already existive products, leave little room to provide ample basis for rational calculations for new types of investment. In fact trade is but one factor in the whole scene. The poor institutional structures of developing countries do not offer the sufficient response mechanisms. Even when national planning takes account of the changing conditions, lack of co-ordination of national plans frustrates development programmes.

4.3 On the foreign exchange front, advance is quite limited. Acceleration of development generates demand for products provided only by developed economies. This applies to capital goods as well as relatively sophisticated consumer goods. Consider for example an economy which in attempting to accelerate development raises investment rates from 15% to 20% of GDP, so as to gain some 1 to 1.5% increase in the rate of growth. If the foreign component in investment is one-third, this would entail an extra import of over 1.5% ($= \frac{20 - 15}{3}$) of GDP, i.e., exceeding the total increase in output. This imposes a condition of either a marginal propensity to export (to developed economies) exceeding unity, or leaning more heavily on loans. In either case a quicker growth trade with developed, rather than with fellow developing countries is necessary.

4.4 We have already indicated the increasing debt burden, and the growing concern about the slackening of flow of capital to developing countries. If the flow of capital reaches the targeted values the problem of pattern of trade has to be considered seriously. To pay off the increasing debt, developing countries have to divert more of their most efficient products to the lending countries. This adds severe limitations to the expansion of trade among developing countries.

4.5 The compaign for trade liberalization was conducted by the U.S.A., whose primary proposal (December 1945) of the creation of an International

Trade Organization (ITO) as a UN Specialized Agency proved to be still-born. What eventually come into existence was the famous GATT Agreement. The articles of this agreement provide a striking example of our claim of the poor ties existing between general objectives and specific targets. Its general objectives are the improvement of standards of living, full employment, a large and steadily growing volume of real income and effective demand, the full use of the world's resources and the expansion of production and international trade. To achieve these objectives the targets of the Agreement were the substantial reduction of tariffs and other trade barriers and the elimination of discrimination. In the interest of less-developed countries Part IV which was added later called for the stabilization of commodity prices, better access to the markets of developed countries for processed and manufactured products of the less developed countries, and the diminuition of the burdens which these countries undertaken in their attempts to develop. The creation of UNCTAD and the consecutive conferences are evident proofs of the failure of these targets to achieve objectives.

4.6 The debate which followed the creation of the EEC and the various regional free trade areas, especially in connection of the escape clauses from the MFN clause, have led to attempt constructing of less rigid agreements. The most important are the multinational preferential tariff concessions which have been agreed to among groups of countries. Thus in

1967, India, Egypt and Yugoslavia agreed to provide trade concessions on a common list of products. Trade within the group has in fact declined to 1% of their total trade. Again the 1971 Protocol among 16 countries (4 in Asia, 5 in Latin America and 7 in the Mediterreanean) is not likely to push their intra-trade beyond 5%. Perhaps the heavy transportation costs play an important role, contrary to the case of more compact regional groupings. But it is also felt that the insistence on having a common list of products greatly narrows the chances of co-operation. An alternative approach is to negotiate national concession lists observing the actual conditions of member countries. Thus last July seven countries(*) belonging to the Economic and Social Commission for Asia and the Pacific (ESCAP) signed an agreement on trade negotiations with the purpose of liberization and expansion of trade, through establishment of preferential arrangements. Article 2 states that "The objectives of this Agreement are to promote economic development through a continuous process of trade expansion ... and to further international economic co-operation through the adoption of mutually beneficial trade liberization measures consistent with their respective present and future development and trade needs..." The preamble expresses the belief that"... the establishment of preferences among the developing countries of ESCAP, complementary to other efforts undertaken in other international forums, could make an important contribution to the development of trade among developing countries". It remains to be seenhow far can this approach succeed in realizing its objectives.

(*) Bangladesh, India, Laos, the philippines, the Republic of Korea, Sri Lanka and Thailand.

4.7 The trade liberalization approach has been one of the major tools of regional economic integration schemes. However, intra-regional trade has remained in the vicinity of 7% of total exports of these regions. This is the level for the most active Andean group as compared with the 10% within the broader LAFTA group. An exception is the Central American CACM where intra trade grew over a few years at 23% annually to reach 21% of its total trade. In Africa many schemes replaced colonialist ties, and in some cases political difficulties among newly independent states adversely affected their trade. Thus the intra trade of East African Community (EAC) has droped from 18% to around 12%. One of the smallest ratios is the 3% of the Arab Common Market, which did not show any tendency to improve.

4.8 The trade pattern of developing countries has so far displayed rather distressing features, in spite of all regional and international schemes. Table (3) summarizes the developments since 1953 which is the first normal year after the Korean boom. The disparities in trade patterns are persistent up to 1970:

1 - Advanced market economies account for a major share of world trade rising from 64% to 71%. In the meantime a larger part of this share went to trade among these countries, rising from 68% to over 77%; or when related to total world trade, from 44 to 55%. In the meantime the share of centrally planned economies was allowed to rise about two-fold from 2.2 to 4.2%.

2 - Centrally planned economies displayed a different pattern. Starting from an excessive intra-regional share of 81%, they allowed to drop rapidly to 59%, while maintaining practically the same share in total world trade of around 11%. This allowed them to increase their cross trade with both developing countries (from 5 to 13%) and advanced market economies (from 14 to 28%).

3 - Developing countries have compensated for the above changes. Their share in world trade fell steadily from 26 to 18%. This drop was proportional to the drop in their share of the trade of advanced market economies, with the result that this latter accounted throughout to 73% of their trade. The difference was compensated by a four-fold increase in the share of centrally planned economies from 2 to 8%.

4 - The overwhelming share of the A.M. economies led to the rise in the share of the sum of intra-regional trades from 58.5 to 64.5%. Further the A.M. cross-trade with C.P. economies gained a rise from around 3 to 6%. The burden of falls was shouldered by developing economies, mostly through deteriorating terms of trade.

5 - The trends are somewhat reversed in 1974 as a result of the gains due to oil going to the developing economies (oil exporters) combined with the contraction in the trade of A.M. economies as a

Table (3): Percentage Distribution of Regional & World Trade

(Current Values, 1953-1974)

Trade of	with	1953	1960	1963-1969	1970	1974	1974 Adj.
A - Average Trade							
A.M. (100)	A.M.	68.2	71.9	75.3	77.3	71.0	74.8
	C.P.	2.2	3.5	4.5	4.2	4.6	4.9
	D.G.	29.6	24.6	20.2	18.5	24.4	20.3
C.P. (100)	A.M.	14.0	19.3	26.4	27.6	35.7	36.3
	C.P.	81.1	72.1	61.0	59.3	51.2	52.1
	D.G.	4.9	8.6	12.0	13.1	13.1	11.6
D.G. (100)	A.M.	72.7	73.4	72.4	73.2	73.0	74.6
	C.P.	1.9	4.6	7.7	7.8	5.1	5.7
	D.G.	25.4	22.0	19.9	19.0	21.9	19.7
World (100)	A.M.	64.0	66.0	69.0	71.0	68.3	71.1
	C.P.	9.9	11.8	11.7	10.8	8.8	9.5
	D.G.	26.1	22.2	19.3	18.0	22.9	19.4
B - Total Trade							
A.M.	A.M.	43.7	47.5	52.0	55.1	48.5	53.2
C.P.	C.P.	8.0	8.5	7.2	6.4	4.5	5.0
D.G.	D.G.	6.7	4.9	3.8	3.4	5.0	3.8
Total Intra.		58.4	60.9	63.0	64.5	58.0	62.0
A.M.	C.P.	2.8	4.5	6.2	6.0	6.3	6.9
A.M.	D.G.	37.9	32.6	27.8	26.3	33.4	28.9
C.P.	D.G.	0.9	2.0	3.0	2.8	2.3	2.2
Total Cross		41.6	39.1	37.0	35.1	42.0	38.0
Value $ billions of World Trade		78.3	127.9	206.1	313.2	864.2	788.0

N.B.

Average trade is the average of exports and imports. Total trade is the sum of exports and imports. This affects the cross-trade (Inter-regional). Regions are: A.M. = Advanced market; C.P. = Centrally Planned; DGG. = Developing.

Sources:

For 1953, 1960 - Meerhaeghe (8), p.5. 1963-69, 1970, 1974 based on: World Bank (12), pp. 88.89. 1974 Adj. is derived through changing oil prices in line with other export prices.

result of stagnation, in spite of the tendency of the imports of oil exporting countries to grow more rapidly. Correcting for the improportionate rise in oil prices, a good deal of the trend reapears. The remaining deviations are attributable to dislocations in world conditions.

6 - With the poor expectations as regards the flow of aid from developed countries over the next few years, and the contraction of their demand owing to the slackening of their recovery, the above trends are highly likely to worsen. It seems safe to conclude that the trade approach is of dubious value to developing economies. If it did work with more developed economies it follows that the underlying theoretical reasoning has to be adapted to conditions of underdevelopment. There is a clear need for some more radical means of cooperation and changes in the international division of labour. Cooperation among developing countries should reorient their mutual trade towards the means rather than the proceeds of development. This may be called "collective self-reliance", requiring harmony and simultaneity between structural and trade changes.

4.9 Much is being said about the relationships between developed and developing countries. Besides the problem of flow of aid there have been strong arguments for non-reciprocity of preferential schemes. It should be borne in mind that the most dynamic areas of processing and manufacturing products little may be expected through trade schemes. Even among developed countries this has been the case. On the other hand the benefits from trade may be swept away through poor arrangements for distribution transport and insurance, combined in many cases with simple processing. Oil has recently given many a lesson in this direction, and great potentials can be easily exploited. This also brings in the whole mechanism of trading. Products do not sell themselves and competition in the world market calls for skilfull salesmanship and bargaining, with the assistance of appropriate amount, quality and timing of information. It is for this purpose that the International Trade Centre (ITC) had been constructed in 1964 as a GATT-UNCTAD organ of technical assistance. Recently, the Council of Arab Economic Unity has realized the importance of this aspect, and they are going jointly to establish an "Arab Trade Promotion Centre" with strong liaison with national trade centres in member states.

4.10 Many countries have large potentials in certain types of products. But trade is only one side of the coin, or shall we say the dice. In spite of current world conditions with respect to food and agricultural products, the relatively poor sudan and the relatively rich Iraq both fail to reap possible large benefits from a quick development of that sector. In both a lot has to be done in the infrastructural activities in order to redress the economics of the sector. In the latter case institutional arrangements fail to give agricultural producers a fair share in income generated through internal demand. If this demand constitutes - in general - some 80% of total demand, it would be natural to pay more attention to the domestic market as well as the international market. For the more sophisticated manufacturing sector the world market may pay a dominant role. This is the case - among others - of Egypt. In the field of trade Egypt has been quite active: She is a member of the CAEU, of the Arab Common Market, of GATT, of the tripartite agreement and of the 16-country Protocole. But what is decisive for its development is to identify areas where both production and trade could be easily developed, rahter than expanding trade in traditional products.

5 . THE COMMODITY APPROACH

5.1 This approach is closely tied to the trade approach, but it differs in concentrating on single products, taking into consideration other aspects such as price fluctuations and levels, export proceeds, fluctuations in supply and buffer stocks and their finance. This applies more particularly to agricultural and raw materials. A number of commodity agreements have been concluded, e.g., for wheat, sugar, tin, etc. However in most cases the major producing developed countries are likely to gain more than their developing mates. On the other hand, industrial countries are capable of searching for industrial substitutes, thus adversely affecting the situation of poorer countries.

5.2 Recent experience in the market of oil has uncovered a number of interesting features. The unfair prices that persisted for a long time reflected the extension of ex-colonial traditions. Even when prices were that low the dominance of foreign interests led to production policies that had pressure effects on newly independent governments. At the same time they pushed the exploitation of national exhaustible wealth to safeguard reserves in more advanced countries. Coupled with the control of distribution and world market those policies meant that developed countries got a negligible fraction of the value of their wealth. This fraction was simultaneasly rechanelled through sale of manufactured goods of a conspicuous nature and at ever increasing prices. Faced with the price corrections, developed countries have immediately set in motion huge schemes to develop other sources of oil and energy. One could easily estimate the multiplier effects on their economies if those resources were equally vigorously put to the development cause in the third world.

5.3 The OPEC and OAPEC have shown within a startingly short period on amount of dynamism that enabled them to take the lead in spite of all attempts to put obstacles to them. It is true that not all other raw materials could yield themselves to similar institutions and arrangements. But the fact remains that present day discussions about food and raw materials have got into much deeper issues than were trade arrangements. The shift from the exporter - importer dialogue to the producer - consumer one is not as superficial as it may look. It allows for a more concrete recognition of the development needs of the parties.

5.4 The so-called indexing principle is another example of the redefinition of problems. The emphasis is being shifted from the secular slackening of the prices of raw materials, hence the terms of trade of their producers, to the inflationary trends in industrial countries which finally exploded. Under the first formulation the main issue was to device ways and means for compensating developing countries for losses, in the shape of requesting developed countries for more aid and trade facilities. Under the second, the issue at stake is the unwarranted transfer of real income from developing to developed countries. What is needed is a fresh outlook towards the process of development in developed countries themselves. This outlook should device other methods than the mere modernization of colonial practices. A similar change has to occur in developing countries along lines which we shall indicate later.

6 . THE FACTORS APPROACH

6.1 According to classical thinking liberalization of factor movements represents an advanced stage of economic integration. The factor "capital" has received a lot of attention for two reasons. The first is the important role played by capital as a major determinant of economic growth, and the inability of most developing countries to finance it through domestic savings. The second is its close relation to the monetary and foreign exchange troubled areas. The scene was dominated by the World Bank Group (IBRD, IDA and IFC) and the IMF. More recently, regional development banks, such as the African Development Bank, were created with the objective of mobilizing resources for the finance of development projects in countries within a geographical region. To this group belongs the Arab Fund for Economic and Social Development (AFESD) created within the framework of the Arab League. As an example of inter-regional co-operation the Arab Bank for Agricultural and Industrial Development in Africa aims at directing resources from oil-rich Arab countries to their fellow developing countries in Africa. Oil countries are in fact acting individually and collectively in providing a number of countries with the capital they need free of ties and at much easier terms.

6.2 In search for badly needed resources, capital-deficient countries have found it necessary to enter into long-term agreements with industrial countries and firms. This has helped to divert current imports and potential exports from the intra-trade of developing countries. However, the flow of capital should satisfy a number of conditions, besides the shortage-surplus condition:

1 . The identification and feasibility of suitable investment opportunities
2 . The technology to be applied, especially in investments in advanced branches.
3 . The whole internal set-up, and the amount of security and mobility offered.

We shall consider the problem of technology later. When we come to the internal set-up the situation looks different with respect to the nature of flow. Loan capital is usually guaranteed through governments. But it is a function of a number of factors, many of them are political. Investment capital is more demanding since it is usually realized through private enterprise channels. To create so-called "favourable investment climate", capital deficient countries go rapidly down the list of degrees of freedom in its economic system. When economic conditions are difficult, things are more difficult since the privileges given to foreign investors - usually selecting the most lucrative opportunities - delimit areas of maneuverability. These and other considerations were taken into consideration by the CAEU when it sanctioned recently the agreement on the guarantee of investment of Arab Capital in in Member States. More has to be done with respect to economic policy, especially the fiscal policy, before full advantages could be realized.

6.3 Movement of labour seems somewhat easier; but little has been done to make it effective, in the sense observed in the EEC countries. In cases where importation of labour has been ecncouraged, this was left to the initiative of individual countries, even firms. Generally, movements add to the already existing disequilibria in manpower structures, since they usually involve relatively scarce categories in exporting countries. Further, significant movement occured only when wage differentials existed in dimensions that could be justified neither economically nor socially. On the other hand importing countries that would like to preserve their relatively small entities normally adopt clearly distinct dual wage standards, creating a sense of discrimination. Problems of citizenship and rights of expatriates are hardly dealt with squarely or in a uniform manner. This has permited political considerations to bring about adverse movements which impair the state of confidence for long periods.

6.4 Still less is being achieved in connection with the ownership of natural resources. Some countries encourage ownership of agricultural and/or residential land by foreigners on a selective basis. Experiences of exploitation of mineral and depletable resources during colonial eras and the adverse outcomes of poor concessions have set in motion actions of ensuring sovereignty over sources of wealth. Nationals of fellow developing countries may be granted free mobility of citizenships; but they seldom possess the technical know-how that would justify handing them over control over natural resources. In any case, to be able to do so, individuals should be ready to raise the capital needed; and the problem is implicitly treated in the regulations governing capital mobility, and persons mobility. It should be remembered that as a result of the relative instability of national frontiers in the recent post-colonial period, many disputes about boundary areas threaten the sense of co-operation and in many cases they elevate the chances of armed conflict. Water channels and deposits, per se or as potential mineral bearers, are evoking a lot of disputes.(*)

6.5 Taken together the factor or resources structures have been greatly exploited in arguments for cooperation and integration. Those arguments stressing disparities in resource (hence production) structures are based on the one-sided criterion of increasing trade opportunities within the grouping. While it is true that this may be desirable, it need not be considered as the major criterion. What really matters is the creation of conditions favourable for increasing the absolute magnitudes of trade of member countries, hence their share in world trade. To attain this reallocation of resources both at country and regional levels are warranted. The real difficulties arise from the fact that production structures are usually kept out of regional debates with the result that negotiations of the trade

(*) See also par. 7.1 below.

components are usually frustrated. This means that a certain minimum of plan coordination is needed to combine the resource, production and trade components of any co-operation system.

6.6 Research and Technology have gained prominent positions in modern economic structures. They are the outcomes of advanced stages of economic development and of sophisticated educational systems. Strictly speaking they are not "factors" as such. In a production-function terminology, they determine the shape and parameters of the function rather than its variables. But in the broader longer run sense they have proved to be the most decisive factor, and they represent the real creator of value. A lot of talk is going around concerning the transfer of technology, and has rightly criticized the practices of transnational companies. Excessive costs to individual countries of even the mere transfer has left the dominant role to the initiatives of multinational cooperation systems, especially the UNDP, UNIDO and other UN specialized agencies. ECLA has succeeded in creating a multiplicity of regional institutions that could assist in the process. Within the Arab League region, the Industrial Development Centre for Arab States (IDCAS), has adopted the strategy of creating specialized regional institutes fairly distributed among member states. But the fact remains that what is really needed is the creation rather than the transfer of technology. Developments achieved in other economies are best fit to their resource endowments which may - and normally do - differe greatly from those of technology - importing countries. Further, with the present - day rates, of change, the transfer - lage is equal to or greater than the obsolecence rates. High costs justified in initial calculations become prohibitive after actual commitments are realized. Duality in the economies become a growing undesirable feature. Finally social implications are usually neglected with the result that duality is also imposed on persons and communities, whether producers or consumers. More assistance, especially from the UN system, is needed to propagate research and to initiate creativity in technology building and adaptation.

7 . THE PRODUCTION APPROACH

7.1 Under this heading we may cover the so-called project, sectoral and multi-sectoral approaches. Experiences within these areas have largely oiled down to co-operation in certain projects. Within the projects approach proper it may be useful to differentiate regional and international goods, in analogy to the differentiation between local and national, or domestic and extra-national goods. Examples of regional goods and services are transportation and communications, public utilities, water resources, education and research. These may fall within the national spheres; but regional projects may be preferable to national ones whenever they lead to cost savings through economies of scale or better utilization of regional resources. In West Africa for example the Organization for Utilization of the Senegal River is an example of co-operation in River Basin Scheme.

The opposite case of the Syrian-Iraqi dispute about the Euphrates indicates the amount of harm that can arise from the lack of cooperation. Regional projects may stem also from serious attempts to expand intra-regional trade. Thus the CAE is paying much attention to projects related to intra trade and transit trade, such as the transport network, port improvement and the production and utilization of standardized containers.

7.2 Projects based on international goods are generally justified by cost-reductions through economies of scale. Here the problem is more complex. Unlike the regional goods which distributes activities while cooperating to raise efficiency of management, the projects selected under this principle usually bar similar projects in partner countries. To compensate for this negative effect, the package approach may be adopted to allow for distribution of benefits. This may be done on a project-by-project basis, or within a scheme of sectoral or multi-sectoral coordination. Thus, in 1964 Iran, Pakistan and Turkey established the Regional Co-operation for Development (RCD) to cover a number of sectors but naturally concentrating on industry. Fifty-six projects were selected in certain branches according to the scale principle, as candidates for jointly owned joint purpose enterprises. Three projects only were implemented with one only (the banknote press accorded to Pakistan) having free access to the regional market. Pakistan participated with Iran in establishing an aluminimum smelter but it withdrew later.

7.3 Most regional groupings emphasize sectoral cooperation. The 1960 Montvedio Treaty establishing LAFTA expressed the intention to promate industrial integration through the co-ordination of plans for specialization and expansion of private enterprises in particular industries. Twenty "complementarity agreements" were signed and several others are in process; but none of them involved basic industries. Impact on intra-regional trade was limited and the majority went to the three big members: Argentina, Brazil and Mexico (a phenomenon sometimes accused of being" an exercise in Mexican imperialism"). The ACM, created by the 1969 Cartagena Agreement (following 1966 Bogota Declaration) is a subregional arrangement of LAFTA aiming at a greater degree of integration. Their objective in industrial coordination of substituting for imports from the three big partners did not materialize. The scale criterion has been observed by the 1960 Managua treaty establishing the CACM and the 1967 Kampala treaty establishing the EAC. However, the system of "rounds of negotiations" adopted by the former group proved to be too cumbersome to lead to tangible results. The latter has completed a phase of feasibility studies and it remains to see the results. A danger which always exists is the difficulties arising from non-compliance, after construction of regional projects. This has been the case in the Central African UDEAC established in 1964, where duplication soon crept, especially in non-durable consumers industries. The ASEAN group was established in 1967 to activate economic development through collaboration and mutual assistance. Little has been achieved beyond consultations relating to collaboration in food production, civil aviation, meteorology, communications and shipping. The creation of regional finance institutions is another form of cooperation. Besides the AFESD in the Arab Region, there are others such as the West African Community Development Fund, FCD, created by the CEAO to promote co-operation in production and marketing of livestock, meat and meat-products, products of inland and sea fishing, industry and transport.

7.4 The Arab Region is increasingly paying attention to this form of cooperation:

1 - The CAEU has succeeded in creating a number of jointly owned holding corporations. These are assigned with the task of creating enterprises within the region which will help realizing objectives This approach has several merits. A preliminary study defines the scope, objectives and feasibility. A Board of Directors will actively involve member countries in programming implementation. In the meantime earmarking ample capital permits specialists to move freely within the region selecting the best opportunities. The Council has also, during its successive meetings selected certain branches for investigation: Fertilizers, Iron and Steel, Petro - chemicals, paper pulp and synthetic silk, Agricultural machines and machine tools, Spining and Weaving and Pharmaceuticals.

2 - For already developed sectors the CAEU has patronized the creation of producers. Associations which are responsible for investigating and recommending ways and means of cooperaion in improving performance and furthering expansion. A technical Agency for Development of Pharmaceuticals is an organ of the Council's secretariat entrusted with the harmonization, coordination and development of the national activities in this branch.

3 - A number of specialized agencies, similar to, and with the assistance of, those of the UN were created. Although they are primatarily occupied with national programmes, they have contributed a lot to regional activities and to the improvement of regional information base, the building up of experteeship and diffusion of knowledge among Arab specialists.

4 - The CAEU's joint venture approach has attracted the attention of the AFESD which has so far concentrated on the financing of national projects and programmes. It has launched, with the assistance of UNDP, and the collaboration of CAEU, ECWA and UNCTAD, a huge programme for identification and promotion of multi-country projects. The CAEU is intending to continue the process of project identification, while the AFESD will finance feasibility studies of projects falling within its scope of activity.

7.5 The production approach is definitely a more effective means of co-operation. However, experience of cooperation among developing countries has not so far brought around any convincing results. This has been taken into consideration is the Lima Declaration and Plan of Action on Industrial Development Co-operation. The critical food situation has led to more emphasis on cooperation to realize a significant increase in the output of agricultural products in developing countries. Regional projects taken on a project-by-project base may face (or even cause) a lot of problems more than they can solve. They are affected more than national projects by the phenomenon of "erosion of international prices". By definition they belong to the "big projects" category which may exhaust rapidly limited lists of project ideas, thus national planning authorities are apt to find themselves short of ideas and/or resources to utilize the impetus thus created in conss-tructing more elaborate programmes. This follows from the fact that at early stages of development, and under the spell of the import-substitution concept final rather than intermediate outputs are considered. Effective integration could be achieved if the external input-output relations are observed. It is hoped that the CAEU's joint corporations approach may outpace the national rush - especially in oil-rich countries- towards purely national projects constructed in the sphere of international goods. This calls for careful investigation of long-term strategies of development. Such strategies should pay careful attention to the factor or resource movements required for attaining higher targets. We have to consider, therefore, the overall development issue.

8 . PLANNING AND DEVELOPMENT

8.1 The record of a quarter of a century of concerted action in overall development planning is quite unsatisfactory. After the polite gesture of calling countries "developing" rather than retarded or backward, the hard facts of life have demanded more square treatments. Thus Mr. Mc Namara's recent speech(*) brings to the attention of the World Community the seriousness of problems faced by the one billion persons living in the low-income countries, and in particular the relatively worse position of the 700 millions living in rural areas. He had to emphasize the conditions of "absolute poverty" and to describe the rest as "relative poverty". As can be seen from table (2) (Par. 3.1), the annual increase in the per capita GNP of OECD countries is around $ 100 (1970 prices) or about equal the whole per capita income in the LDC's. Rather than looking for ways and means of achieving minimum rates of growth, the worry is about how to bring about minimum rates of decline.

8.2 Cooperation in development and development planning on a global level has taken a number of shapes. The UN declarations on DD1 and DD2 are the outcome of international deliberations and they defined collective or co-ordinated means of action. Specialized Agencies have contributed in different ways: collection and diffusion of information and knowledge, exchange

(*) R. Mc Namara (6).

of experts, development of methodologies for planning and project evaluation, and the elaboration of regional and international projections and world indicative plans and strategies; to mention only some examples. Institutes interested in world affairs have employed a number of scientists to develop new techniques suitable for construction of world models to analyze long - term trends and study the implications of various types of behaviour. Among several others, the Club of Rome activities have attracted the attention of a lot of economists and scientists in the developed and developing world. As a result the Barilotchi group in Latin America has been inspired to build up what they consider as a version suited to the conditions of developing countries. A similar group in the Arab Region has started recently, with a nucleus in Cairo. The products of these groups would help in bringing about a better understanding of problems and techniques, and providing better foundations for international negotiations and national decisions. Even when dealing with a specific topic, such as the food or energy problem, these methods bring in an overall assessment of all the regions of the world or of the interrelationships with other areas of economic life. Similarly advanced countries are developing similar models to enable their authorities in analyzing the impacts of alternative trade and production policies.

8.3 An early start in regional cooperation in planning national development was made through the Colombo Plan for Co-operative Economic Development in South and South-East Asia. This plan prepared by a commonwealth consultative committee in May 1950, gave blue-prints for six-year plans (1951-1957) for Ceylon, India, Pakistan, Malaya, Singapore, North Borneo and Sarawak.(*) The objective was to improve the living standards of the people of the region by stepping up the production of foodgrains, industrial raw materials and finished goods. The main success of that unrepeated experience was the inclusion in the first plan of India of the important development schemes suggested for her, in spite of the existence of four nationally prepared alternative plan proposals. Pakistan adopted its part in November 1950.(**) In spite of the claims of many integrational groupings for plan co-ordination, no formal mechanisms were foreseen. At best, regional cooperation concentrated on the project level as discussed before. In the Arab Region, the CAEU has, since 1971, emphasized the coordination of plans of member states. At present, and with the help of the UN Project EIATE (Economic Integration and Trade Expansion) now assisting its secretariat, a six-year programme of action is envisaged. The programme attempts at developing cooperation in planning as a means of achieving plan coordination by 1980. It involves:

1 - Establishment of the necessary information base, economic, technical and statistical.

2 - Harmonization of techniques, concepts and expositions of country plans.

(*) Waterston (11) pp. 33-34.
(* *) See, e.g., Seth (10) pp. 323, 368.

3 - Emphasis on long-range planning which offers a wider scope for harmonization of objectives, policies and programmes.

4 - Elaboration of long-range projections on national and regional levels.

5 - Construction of regional models and their linking to national and world models.

6 - Elaboration of alternative long-term strategies and five-year plan frames for the regions and sub-regions in order to enable national planners take regional objectives and activities into consideration.

7 - Organizing consultations with experts from partner countries to comment on integrational aspects of draft national plans.

8 - Creation of an Arab Central Statistical Bureau and a documentation centre to handle and accelerate the compilation, exchange and processing of information.

9 - Setting up of a monitoring system to follow up the implementation of national plans and the major changes in economic conditions and their bearing on integration and development of the region.

10- Member states are invited to adjust their activities within the next five years so as to start a five-year planning cycle as from January 1981.

This does not suggest resort to a rigorous regional plan or attempt to coordinate plans in the strict sense before the necessary pre-requisities are established. In the meantime, analysis of current plans and follow-up of their implementation would help the council to suggest improvements. Activities at sectorial and project levels are tied up to the programme. On the other hand issues of economic policy and trade cooperation are being programmed so as to fit together with the overall development programme.

8.4 Cooperation in the field of overall development planning has suffered from a few major drawbacks. A critical one is the mechanism by which coordination achieves the level necessary to affect the decision-making process. We are not suggesting the construction of super-national planning organs, especially in countries where the issue of sovereignty is quite sensitive. But giving up such an idea does not mean content with partial solutions, especially the resort to the project-by-project approach. Experience of national planning has shown that a start with this much easier approach raises a lot of difficulties which take years to solve. Actions along the lines of the CAEU programme, with the existence of a ministerial council whose decisions have a certain degree of mandate would involve countries in serious action that go beyond giving lip-service such as that given to Development Decade Declarations. They would also help to build up Techniques, objectives and investment and policy criteria on regional basis, something so far missing.

8.5 Perhaps the most critical of all, not only with respect to regional but also to national development, is the degree of relevance of development theory, and of current development planning techniques. We have shown in another place(*) that the "output approach" to development and the corresponding resource allocation technique may fit the systems and needs of more advanced economies. In developed market economies this fits with current economic theory and the corresponding social accounting systems where the macro-economic analysis is consistent with the micro-economic decisional problem of the optimal resource allocation required to achieve a desirable output structure. In socialist economies the "planning for management "responsibilities require central planners to solve similar problems on a central basis. As these techniques take the (already advanced) available resources as constraints, it would be rediculous to copy them into economies where respect of limitations of existing resources means planning to maintain underdevelopment. In more advanced economies, the development of resources requires further research, and can be easily integrated in the output scheme. For underdeveloped countries it is "resource development" that really matters. Allocational techniques have first to be applied to solve this problem; and this generally leads to the inverse of input-output relations. Solving this issue, the output problem can then be treated within the expanded rather than the given resource limitations. For this purpose,

(*) See El-Imam (3).

two different types of planning are needed: the long-term planning dealing mainly with resource development; and the medium - and short - term planning suited to resource utilization problems. This has clear implications with respect to regional integrational activities, where both types have to be considered simultaneously. To illustrate the Significance of this distinction let us consider the case of Arab oil-rich countries. In terms of output they are rich; but in terms of resources the majority are currently and potentially poor. To apply the output approach within the limited period of oil availability would be hazardous; their post-oil development may be even halted. What is needed is cooperation with other countries to develop resource structures which ensure continuity of development within and after the oil era. In fact, the resource development approach is being presently adopted by more advanced countries in a number of fields, especially energy; otherwise there could have been no basis for deciding on the amounts to be assigned for this purpose. The irony of present practices in developing countries is that there is a general recognition that the development of human resources is a must. Further it is also accepted that this can only be achieved through a long-term process. According to the output approach medium-term targets are set for the various components, then they are subjected to the cost-output criteria where output is sectoral rather than resource. This generally subdues the allocations to activities badly needed to achieve any development. Let us recall the cycle of terminology: Backward - Developing - Absolute Poverty - Then What !

9 . SUMMARY AND CONCLUSIONS

9.1 To our mind the record of the last quarter of a century is rather poor poor; hence the rather pessimistic tone. At this point of history problems have cumulated to a degree that has led every body to accept the slogan "A New International Economic Order" as an axiom. It may sound harsh, but we owe this to the difficulties that threaten more advanced economies, since they put their strong machinery into cooperative action. More worry has been caused by the unemployment of 15 millions than what could be stirred by the persistant pains of 15 hundred millions. While problems facing the world economy at the present normally fall within the jurisdiction of short-term economic policy, it has become clear, and generally accepted, that longer - run solutions are to be sought. Short-term, or even cyclical, symptoms are the outcome of deep-rooted disequilibria. Cooperation for the solution of these latter is a primary task. Our opinion is that first things should be handled first; then there should follow a process of adjustment.

9.2 To illustrate the proposed approach, let us consider the flow of aid problem. Much has been said about the benefits accruing to both donors and recepients; nevertheless the situation is getting worse. One vital question keeps aching. Do recepients know exactly why and how they need aid, and what best to do with it? Did they carefully investigate all their intrinsic means before they hange their very fate on whether or not aid is forthcoming and God knows with what ties and conditions? It does seem reasonable therefore that the General Assembly would at this very point of time stress, inter alia, that developing countries should take measures "to promote collective self-reliance among them and to strengthen mutually beneficial international economic cooperation with a view to bringing about the accelerated development of developing countries". (Resolution 3202/S-VI, Section I, 1/b). This statement is in our opinion fundamental to any system of cooperation; it defines the basic objective of accelerated development (not mere growth) and the basic means of self-reliance.

9.3 Self-reliance requires self-search and imagination about how to bring it about. It is here that our first argument comes in. The reliance on others to explain facts and suggest theories has led to the cumulation of doubt with respect to the relevance of two-at least- major components of economic theory:

- Theory of International Trade.
- Theory of (Economic and Social) Development.

We suggest that developing countries should cooperate in scientific research in order to develop more pertinent theories. It is true that some economists have contributed a lot in this direction, but as a planner at both the national and regional levels I do feel that more emphasis has been given to historical patterns of international relationships (especially colonial pattern and their present-day's modernization) than to future operationality. May be socio-political patterns of behaviour are too profound to dismiss the possibility of their change over might. But at least, we in the developing world have to strike the example of how to achieve this by a closer examination of our intrinsic potentialities rather than an extrapolation of the behaviour of ex-colonial powers. After all these latter are coming now to a realization that an extrapolation of past trends and techniques is becoming obsolete with respect to the problems of next quarter of a century and those of the twenty-first century. These are what really matter.

9.4 When outlining my arguments for the "development of resources" approach, I have indicated the vast implications with respect to statistical concepts and systems and to techniques.(*) Thus the flow-concept has to give way to the stock-concept, and the income approach has to be superseded by the wealth approach. This would call for a full revolution in conceptual and statistical systems, bringing them nearer to longer-term analysis than the short-term changes. For one, the measure of growth rates has to be reconsidered, at least in its formulation if not contents. Techniques have also to be devised to handle the new set of data with an eye on the changes in the specification of problems. These and similar problems have to be subjected to intensive research. To avoid duplication and waste of time and energy, a coordinated inter-institute programme has

(*) Ibid.

to be elaborated, phased and monitored. Some international competent institution such as the CDPPP(*) may be entrusted with the task of coordination.

9.5 In spite of the achievments of various regional groupings, they fall far short of aspirations. It has been indicated that the trade approach had been going in circles, while the more meaningful approaches in the production sphere lacked the appropriate methodologies and institutional structures. A number of proposals can be derived:

1 - A reconsideration of the theory of economic integration fitting conditions of underdevelopment.

2 - Hence a reformulation of the so-called stages of integration which is apt to rephase the traditional phasing suggested by Bela Balassa and others.

3 - More careful statement of objectives and targets and the link between them.

4 - Long-term programming of the activities of regional groupings in more meaningful terms. We do not have in mind such partial decisions as the abolition of tariff barriers by year 1980 or any other date. What we envisage is a more comprehensive time-phasing integrating steps in all areas of integration with less unfounded ambitious statements, and more down-to-earth mechanics

(*) This and all other references to any UN agency express strictly personal views which had not been discussed with any member of those agencies.

of action. The UNOTC Project which I am serving has this as an objective for its first phase with the CAEU, and I understand that similar attempts are being supported in other areas.

5 - This leads us to a rather fundemental requisite namely coordination among regional groupings. It is true that UNCTAD conferences are a suitable forum for multinational activities. But what is needed is some other forum which brings together several groupings to exchange informationaand to discuss common business together. The frequently quoted Andean achievements vs. the LAFTA raises the growing danger of inter-regional, if not intra-regional, conflicts.

6 - To ensure the success of the production approach, the integrated development technique has to supersede the project-by-project approach. This will have the extra benefit of mutual exchange of benefits.

9.6 The need to integrate actions in trade promotion and development planning calls for a corresponding action at the international level. As we all recall, the motivations for holding UNCTAD-I in 1964 was the dissatisfaction of developing countries with the failure of the traditional trade approach to contribute to the main objective: development. Over the last ten years a lot of improvements could be realized. However, it still seems warranted to suggest further ties between the ECOSOC and the UNCTAD, and to strengthen Regional Economic Commissions and bring them together with the regional groupings into some clearing house where better mutual understanding could be achieved. There is a growing trend within regional institutions (including UN Economic Commissions) to rely only on experts from within the region. While it is true that citizens of an area do speak its language and understand its problems, they may not be the only brains to suggest meaningful solutions. Carrying either attitude too far may be damaging; and is in fact in contradiction with the sense of overall coöperation that should develop.

9.7 The only international system that brings our globe together is the UN-system. It is therefore the only system which is capable of sobring problems, setting targets and assisting programmes of action, of a global nature. So far the dominance of government representatives onto Boards of Direction has led to the overweight given to individual country interests, even though they fall within the legitimate spheres of interest of the world community. One major improvement in the system of assistance through the UNDP was the combination of the TA annual programming with SF long-term projects into a unified system of 5-year programming closely tied to country development-plan targets and priorities. Another step in the same direction would be the development of schemes of global interest, and fitting them into country programmes. A few examples may illustrate the point:

1 - The food situation has become acute, and recommendations had been made to call developing countries to increase their food and agriculture output. While this may prove useful, it would be still desirable if global targets were set, global resources assessed and global schemes outlined. Within these schemes country projects should be developed and assisted, ensuring that they are judiciously integrated into their plans.

2 - A lot of worry had been expressed about the critical situation of certain categories of raw materials. Advanced countries are developing certain sophisticated techniques to uncover new resources, mainly within their own boundaries, e.g., remote-sensing techniques. Poor-income resource-rich countries, especially in Africa cannot do this. They even lack the basic geo-physical surveys and soil and mineral surveys. With the assistance of UNDP (provided it is provided with ample sources) such survey can and should be carried out. These would help define prospects for solving acute shortages in strategic raw materials.

3 - Rich-income resource-power oil countries are looking frantically for meaningful investment opportunities. With the help of the world system a mode of tripartite co-operation can be developed which obviates any suspicious of the revival of foreign interests in highly sensitive newly independent States. The combination of financial resources of the rich developing countries, the technology of more advanced countries and the physical resources of poor

countries would become easier, and would safeguard the interest of all parties and promote those of the world as a whole.

9.8 Within our claim for the "development of resources" approach a number of activities call for beneficial cooperation:

1 - One area is mentioned above namely surveying natural resources.

2 - Another related area is the development of technology. The low income levels and the scarcity of scientists make it prohibitive to any country to achieve significant results in this area. On the other hand the myth of transfer basically contradicts the principle of self-reliance and leads to a modern and more dangerous form of dependency. One way only recall how both the Soviet and Americans could independently develop their space-schemes until they reached a point where they found material to exchange. There may have been some waste of resources, but this is counter-balanced by the differences in techniques whose sum-total is opening wider scope. Developing countries have to co-operate either on regional or on type of specialization basis to develop their appropriate techniques. Collective research institutions have to be created and given all necessary immunities and incentives to deal with problems related to their environments.

3 - It is our belief that the only lasting resource of all is the human resources. Development of human resources has the advantage

of providing communities with renewable upgradable resource which can sustain development better than any other depletable or degradable resource. In the limited manpower sense, the cooperation in development of appropriate educational systems and creation of regional training centres would be of great help. In the broader and humanitarian sense, the understanding and development of social patterns of modernization and understanding of the limitations they impose and the cost they involve, are pre-requisites for serious attempts for development. Cooperation in these aspects should supplement economic cooperation and efforts for national and regional development. In particular mutual efforts in the area of long-range planning would help incorporate in a better form the requirements of development of resources, in particular human resources.

4 - Infrastructures are another type of resources whose development in an integrated regional framework will pay its worth. Whether with respect to trade, production, communities or development of other resources the development of infrastructures may end an era of separationism and bring around an era of more vigorous cooperation. Nobody could imagine an advanced Europe or North America without real advancements in this sphere, nor could we imagine their systems of cooperation as powerful as it is.

9.9 The development of managerial abilities has been often stressed in development studies. New techniques based on elaborate information systems and sophisticated computing machinery are being mechanically copied. While these methods do suit advanced stages of modern culture, it is questionable whether they would maintain their optimum qualities under different social, mental and economic conditions. It is a fact that the efficiency of a sophisticated computing facility is limited by the rates of input insertion and output extraction. Systems that concentrate on the intermediate processing stage neglect the two major outside constraints. It is important that developing countries would cooperate to develop adaptations to modern techniques of management. This may be also tied up to the changes we have suggested for the national statistical systems and planning techniques.

9.10 A lot of areas have to be covered in deliberations between developed and developing worlds. The most important of all is the planned and approved change of international division of labour. This imposes on developing economies the task of defining the branches which should be transfered to them especially in basic and capital goods industries with the corresponding pattern of trade. Again there should be positive solutions to the problem of pricing of raw materials, which would take account of wide disparities between external and internal purchasing powers of currencies, and the basic differences in the pricing of factors of production arising from radical differences in economic structures and means of valuation of income and income shares. The systems presently applied were developed in advanced economies with marginal treatments for so-called subsistence activities. Socialist countries could detach themselves from this since they do possess their own system with its component on international transactions. Developing countries are still to find some appropriate means. Also they have to claim their appropriate shares in the activities of distribution of world trade. What is happening in the area of air transport for example, is an illustration of the fallacy of blaming others for the difficulties facing developing countries. It is a real shame that a country which does little except to look for aid to feed or educate its poor inhabitants should boast of having planes bought through loans landing in London, Paris or New York to announce its being an independent State. Independence is not for a State; it is of its inhabitants from the evils which colonial systems have supposedly brought them to. If it is a must, they may quote the example of Scandinavians, unless they fear being accused of being as rich as these are !

9.11 We have mentioned world-modelling as a recently growing techniques for studying problems facing even individual nations but have their causes or effects within different parts of the world. The attempts to adapt this approach to conditions of developing countries should be encouraged. They should provide regional institutions with a better foundation for collective decision-making and for more meaningful deliberations with the other regions. Such models may be easily adapted to investigate sub-regional relationships. Simulation and systems-analysis techniques should prove better and more scientific alternatives to ad boc and trial-and-error methods.

9.12 I think I owe every one an apology for the exposition being so lengthy without approaching being exhaustive. Other distinguished colleagues whether in this gathering or in simular ones would sure be bringing the list to fuller dimensions. I may only conclude with recalling the importance of integrated approaches to such vital problems as those we are covering. This does not follow from my bias for overall planning approaches being a planner; it is the belief in such approaches that persuaded me to associate myself with planners. What we should look forward to is a carefully planned well integrated system of cooperation.

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