

ARAB ECONOMIC INTEGRATION: THE POOR HARVEST OF THE 1980s

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Abstract

التكامل الاقتصادى العربى :
الحصاد الهزيل للثمانينات

إنطلاقاً من تواضع حصيلة التكامل العربى بالقياس الى الآمال التى تصاعدت خلال السبعينات يشير الباحث الى ما سبق له بياناه من صعوبات ثقافية وسياسية وهيكلية تعترض ملء الإطار التكاملى العربى، والى تزايد التشردم بعد حرب الخليج الثانية. وفى تتبع للفكر العربى من التعاون فالوحدة فالتكامل فالعمل المشترك الذى صبغت إستراتيجيته فى ١٩٨٠، يصل الى ظاهرة التجمعات الجزئية الإقليمية (كوسط بين القطرية والقومية)، التى يظل مجلس تعاون دول الخليج بإتفاقيته الاقتصادية أبرز فاذجها. ثم يلخص ما آلت إليه أوجه العمل المشترك، بدءاً من محدودية الموارد المخصصة للمنظمات العربية وصغر الإستثمارات فى المشروعات المشتركة قياساً الى الإمكانيات. ويشير الى دور الصناديق العربية بامتداد معرفاتها عبر حدود الوطن العربى، وعدم الإستفادة من الأوابك لتفادى التضارب فى البتروكيماويات. ويتوقع تراجع حجم تبادل خدمات العمل وتحويلات العاملين، بينما تظل التجارة البينية محدودة رغم ما أنشئ لها من ترتيبات، وهو ما يرتبط بضعف شبكات النقل والإتصالات. وتظل الأقطار ذات الإمكانيات الزراعية منشغلة ببرامجها القطرية. ورغم جهود منظمة التنمية الصناعية العربية فى صياغة إستراتيجيات تنمية قومية، تقع معظم الإنجازات فى الحيز القطرى، بينما تتعرض الصادرات، لاسيما من البتروكيماويات، الى عراقيل حمائية، وتقصر الصناعة العربية عن توفير جانب هام من السلع الرأسمالية. وأوضح الباحث ضعف الحزام الناقل بين الأليكسو والأجهزة القطرية المعنية بالشؤون التربوية والثقافية والعلمية.

وعلى سبيل التفسير يرصد الباحث عدداً من العوامل منها: تغلب حافز الربح الفردى على الحافز المجتمعى؛ والتهوين من خطر النزعات الإنعزالية؛ وتنامى الإتقسامات داخل الأقطار مع تزايد الحركات الأصولية وحدة تباين مستويات الدخل والإرتباط بالعالم الخارجى؛ والتراخى فى التعامل مع الأزمات المجتمعية؛ وشخصنة السلطة؛ والتقتير فى الديمقراطية والحرية وحقوق الإنسان؛ والتخوف من تحول التكامل الاقتصادى الى إندماج سياسى؛ وإحجام القطاع الخاص بسبب الجوى العدائى الذى تخلقه الحكومات؛ فضلاً عن العامل الخارجى متمثلاً فى قيام قوى غربية بتشكيك الحكام العرب فى عواقب التكامل الاقتصادى العربى.

1. INTRODUCTION

On the ninth of April 1981, I gave a paper at the Center for Contemporary Arab Studies at Georgetown University, entitled "New Framework for complementarity Among the Arab Economies". (1) That paper went beyond a delineation of the framework and its components to include an assessment of the extent of Arab economic integration and complementarity achieved during the years 1945-1980, but particularly during the years 1973 through 1980, which witnessed the correction of oil prices from October 1973 onwards, and the parallel rise in oil revenues accruing to the Arab oil exporters. Although the achievement had been quite modest, even during the 1970s, it was sufficient to create rosy expectations, especially when the framework was crowned in late November 1980, by the approval by the Arab heads of state in a summit meeting held in Jordan, of a significant document entitled "Strategy for joint Arab Economic Action" along with 26 other documents supportive of the Strategy

The task assigned to me in the present paper, which is being given exactly eleven years later, is to take stock of what has happened in the intervening decade with respect to economic complementarity and integration in the Arab region. Unfortunately, as the title of my present paper indicates, very little has been achieved during the 1980s. The shortfall between the high level at which hopes and expectations stood in 1980, and the much lower level of concrete performance by the summer of 1990 is vast. Yet before I proceed in the next Section of the paper to trace the main steps taken during the 1980s to promote integration and complementarity, and to assess their real reach and significance, I deem it necessary to make two observations which are meant to sharpen understanding of the cautious evaluation I had made of the "new framework", in my earlier paper, even though I had been directly and intensely involved in the formulation of the document on the "Strategy" and the documents prepared for it and around it.

The first observation is that I had expressed grave misgivings about the chances of the "New Framework" to be filled by substantive and

concrete achievement. My concern was that the framework would remain a largely unfilled container, though elaborate and rationally-reasoned and carefully-designed. This fear was generated by the operation and persistence of a number of deep-rooted cultural, political, and structural factors in Arab society, most particularly within the circles of political leadership and parts of the business community, where integration was not very desirable.

The second observation relates to the future, and the imperativeness of retaining a large measure of restraint in the expectation of marked achievement in the process of integration and complementarity among the Arab economies, in the short and medium terms. The reason for this gloomy projection is that, in addition to the cultural, political, and structural factors to which I have just referred, the occupation of Kuwait by Iraq in August 1990, and the crisis and war which that occupation generated, have resulted in further political fragmentation of the Arab region, with far-reaching economic isolationism, virtually within each of the region's countries. In fact, no official statements supportive of complementarity and integration, no matter how perfunctory and devoid of purposefulness they are, are being uttered any more. A cloud of gloom, frustration, fear, and cynicism has covered much of the Arab region since August 1990, blocking any significant rays of hope in close political as well as economic cooperation. And, it ought to be remembered, cooperation and joint Arab economic action are notions that are distinctly less ambitious in reach and significance than complementarity or integration. However, I will point out one notable exception to this very grim generalization in Section I to which I now turn, where I will review and evaluate the record of the 1980s. Finally, I will attempt in Section II to explore the causes for what this paper designates as the poor harvest of the 1980s.

II. THE RECORD OF THE 1980s

A review of the record of the 1980s with respect to developments relating to the process of Arab economic complementarity and integration will be undertaken in sufficient detail in the present Section of the paper. As I intend to spare the reader excessive quantification, I will generally restrict myself to a presentation of the

broad findings of research undertaken on the components of the process in question. My main source of information has been **The Consolidated Arab Economic Report** (This official publication appears annually -- but the most recent issue is for 1991 -- with information relating to 1989 but in some instances to 1990. (2) In addition, I have perused other reports and analytical articles in journals, particularly, **Al-Mustaqbal al-' Arabi (The Arab Future)**, monthly published in Beirut by the Centre for Arab Unity Studies), **Shu'un' Arabiyya (Arab Affairs)**, monthly published by the Secretariat-General of the League of Arab States), and **Al- Muntada (The Forum)**, a monthly published by the Arab Thought Forum in Amman). And finally, I have benefited from discussion with a number of Arab scholars, intellectuals, and business leaders, who follow Arab economic development closely and evaluate them analytically. As I do not have the space necessary for specific reporting on the various parts of the research and the discussions undertaken, the reader may have to depend on the generalizations and conclusions which I derive from the findings of my work.

The record of the 1980s will be examined under nine broad headings which feature importantly in the sources perused, particularly the **Consolidated Report** for the years 1980 through 1990. The headings in question refer to sector or activities; in other words, a functional classification is adopted. However, the **Consolidated Report, 1989** contained a review of the history of joint Arab economic action and a listing of its main landmarks, from 1945 when the League of Arab States was founded, down to the preparation of the **Report** in question. This was the first time such a full review was attempted. However, though useful as a list of agreements drawn, institutions formed, broad politico-economic structures established, and resolutions taken by Arab officialdom, it is mainly descriptive, with exceedingly little critical evaluation. (3)

The **Consolidated Report, 1990** also includes a chapter which, among other things, surveys the activities, but only during 1989, of the bodies involved in joint Arab economic action. The survey follows a mixed institutional and functional (or sectoral) classification, and

comprises six broad headings, with a large number of subheadings.(4)

We need only add with respect to the survey of the six institutions, bodies, or sectors just referred to that although the survey is claimed to record the activities under the headings identified in the Report of 1989, the institutions, bodies, agreements, or resolutions listed and discussed all relate to the whole decade -- that is, they were all formed, drawn, or taken some time within the decade or earlier. However, there is special concentration on their activities (or the activities undertaken within their stipulations, as in the case of agreements and resolutions) which relate to the year 1989, but almost invariably with some reference to their background as well. The review of joint Arab economic action during the 1980 which will be undertaken in the rest of the present Section combines the information available in the two surveys presented in the **Consolidated Report** of 1989, and that of 1990, though their classificatory systems are different. The combination is necessary in order to provide a whole picture for the decade of the 1980s.

One final word is necessary before we start the review in question. This is that only broad generalizations will be made in the text, in order to avoid over-loading it with detailed information.

1. The Institutional Framework for JAEA

The present review starts with a discussion of the institutional framework of JAEA. I would like to stress once more that the terminology which is "in style" at any one moment is a clear indication of the position which the body politic takes with regard to Arab economic relations. Thus, it was "cooperation" which was highlighted in the 1950s, and this choice reflected something less than complementarity or integration. The term cooperation was loose and elastic enough to allow more than one interpretation and therefore to suit the different preferences of different Arab governments and intellectual leaderships closely associated or aligned with political leaderships. Later in the 1950s, the emphasis shifted radically, and it was outright unity which became the new objective. The shift was reflected in the resolution taken in June 1957 by the Council of the Arab League, the highest ministerial body, approving a project for

Arab economic unity and subsequently the formation of the Council for Arab Economic Unity.

We need not survey the smaller shifts in outlook and ambition between the mid-1950s and the end of the 1960s or the early years of the 1970s. However, the main concern which began to emerge in the intervening years was for something more purposeful than mere cooperation, but less ambitious (therefore more realistic) than outright unity. Hence the emphasis on complementarity. But with the change in mood after the correction of oil prices in October 1973, and the inflow of vastly increased oil revenues, and with the accelerated formation of specialized regional organizations and federations, and hundreds of joint Arab (and Arab-international) projects and companies, joint Arab action began to take precedence in the institutional vocabulary of Arab economic structures and relationships. Hence the emergence and subsequent prominence of the designation "joint Arab Economic Action" (JAEA) which was embodied concretely in the "joint Arab Economic Sector" (JAES). These two designations were the substance of the Strategy for joint Arab Economic Action (the Strategy) which was finally drawn in 1980, and approved at the summit of the Arab Heads of State held in Jordan in November 1980, as already indicated.

However, the predominance of JAEA, which continues to be recognized until the present moment, has not been free of rivalry. Thus, complementarity and integration continue to be desirable objectives of intellectuals and some business leaders outside the dominant, political mainstream in the Arab region. JAEA, in the eyes of the intellectuals and business leaders in question, is a diluted formula which is deliberately meant to lead attention away from the quest for complementarity and integration, which are higher in the scale of ambition than JAEA. Nevertheless, JAEA seems to be a satisfactory objective for mainstream, not highly politicized Arab thinkers and action groups. To conclude, the 1980s started with the crowning of JAEA and the main modality in its service, the JAES, and has continued to reserve for JAEA the same place of honour which it came to occupy at the summit meeting referred to earlier.

So far we have concentrated in effect only on the conceptual and semantic part of the institutional framework, whether of JAEA or of integration and complementarity. (It is to be indicated that the Strategy does not bring out the clear differentiation between JAEA which is a rather generic term, and complementarity or integration, each of which has a specific, clearly identifiable connotation. But we will not dwell longer on this matter; instead, we still continue to refer to integration, complementarity, and JAEA as though they were interchangeable concepts, processes, or states).

Two substantive matters have still to be addressed with respect to the institutional framework now being examined. The first is the identity of the tools or instruments through which JAEA unfolds and the JAES operates. The second is the record of JAEA during the 1980s as a whole: the directions, the reach, and the effectiveness of its activities. This record will be traced in the appropriate sub-sections that follow in this Section.

By far, most of JAEA is governmental, involving two or more Arab governments (but in many cases of joint companies and projects, there are international, non-Arab parties in the joint ventures concerned). Most of the structures that are currently in existence and function as instruments of JAEA were formed before the decade of the 1980s. They range in their powers of authority and control from the Arab heads of state at the top of the pyramid, acting and taking resolutions at their summit meetings, all the way down to the managements of small joint projects and companies. In between there are ministerial councils, specialized regional organizations and joint companies and projects, sub-regional councils and federations, and ministerial councils which do not have specialized regional organizations of their own.

The most important part of the institutional machinery is the Economic and Social Council of the League of Arab States, which is the kingpin of the machinery of JAEA, positioned as it is between the heads of state on the one hand, and the Secretariat-General of the Arab League, on the other hand, with control and coordinative functions and powers over the specialized regional organizations. Its concerns

and authority embrace all the sectors directly involved in economic activity and development.

While there has been very little if any change in the institutional framework and structures of JAEA since the economic summit meeting of November 1980, the thrust of JAEA, and of the JAES has slackened considerably, though in varying degrees between one sector and another, or one part of the machinery and another. The areas of notable activity during the 1980s will be singled out later within the present Section. For the moment, attention will be focused on one important part of the institutional framework and machinery of JAEA. This is the three sub-regional bodies formed in the 1980s, namely, the Cooperation Council of the Arab States of the Gulf, the GCC (consisting of Kuwait, Qatar, Bahrain, United Arab Emirates, Saudi Arabia, and Oman), formed in 1981, the Arab Cooperation Council (consisting of Iraq, Jordan, North Yemen, and Egypt), also in the Mashreq, which was formed in 1989, and the Union of the Arab Maghreb, (consisting of Libya, Tunisia, Algeria, Morocco, and Mauritania), formed in 1989 as well.

There has been heated debate by intellectuals, and within some political circles, around the rationale or "philosophy" of the formation of sub-regional councils. Specifically, the debate has centred around the question whether such councils consisting of grouping of a limited number of Arab states each, are meant to replace the Arab League or marginalize it, and by the same token marginalize the goals and objectives it (supposedly) stands for, or whether they are merely meant to be more efficient and more homogeneous, and more practical-minded in contrast with the League's often overambitious purposes and targets, in the economic as well as the political areas of Arab life. The new bodies themselves claim that they supplement the Arab League, and serve its long-term goals.

The debate was hottest with respect of the GCC, as its critics attributed to its members somewhat isolationist tendencies, inasmuch as most of them are important oil exporters who want to shelter their relatively recent financial opulence. Their quite substantial aid to capital-short Arab countries during most of the 1970s, and their

continued aid (though on a smaller scale) in the 1980s, have created among the latter group of countries a mixed feeling of gratefulness, with envy and displeasure in the face of the conspicuous consumption of GCC societies which has characterized the years since the "oil era" started in 1973/4. In addition, many Arabs are very critical of the outflow of vast financial resources to western money markets instead of the allocation of a larger volume of aid to Arab development. In response, particularly after the second Gulf crisis and war of 1990/91, the GCC members have expressed resentment at the lukewarm popular support which they got from other Mashreq and Maghreb countries, and are set today to restrict their aid considerably, if not stop it altogether, as a punishment for what they consider ungratefulness by aid receivers. JAEA will necessarily suffer and shrink for several years to come, given the present feelings on the two sides of the political, emotional, and economic divide.

Yet, even if the Gulf crisis and war of 1990/91 had not occurred, aid outflows from the GCC would have continued to be distinctly reduced in the 1990s, as they have been in most of the 1980s. The basic reason for the drop in the volume of aid during the 1980s has been the drop in the price of oil as well as in the volume of exports, and therefore in oil revenues accruing to the Gulf oil exporting countries. The drop has been so steep that it has forced countries like Saudi Arabia and Kuwait to have to dig into their current and capital budgets in the second half of the 1980s.(5) (Aggregate Arab oil revenues reached an all-high level of \$209.5 billion for 1980, but dropped to \$74.5 billion for 1987.(6) The situation is much more critical now in the spring of 1992, after the campaign against Iraq to dislodge its army from Kuwait has cost the GCC members, but particularly Saudi Arabia and Kuwait, tens of billion of US dollars which they contributed to the overall financing of the campaign.)

But the special financial circumstances of the GCC apart, this Council has taken certain steps since 1983, when its members approved the Unified Economic Agreement, in a drive towards complementarity and sub-regional economic action. These have aimed at:

1. Achieving "economic citizenship", that is, equality among the citizens of a GCC member country with the citizens of other member countries, with respect to freedom of economic enterprise, and movement across GCC frontiers by goods and means of transport as though they belonged to the country of entry.

2. Targeting the narrowing of differences among economic policies in the various GCC countries, and ultimately standardizing them. The policies involved included those relating to development objectives and planning, agricultural policies, and industrial development policies.

3. Linkage of infrastructural networks and facilities, particularly those that promote the intermeshing of the economies.

4. The establishment of joint projects. A large number of proposed projects have been studied, and many have been reportedly formed (with an aggregate capital of about \$21 billion.(7)

5. Creation of institutions that serve the GCC as a whole. Three of these have already been formed, in the fields of investment, specifications and standards, and a technical bureau for telecommunications.

6. Movement towards the standardization of certain laws, measures, and procedures. This has been achieved with respect to records and forms relating to customs, quarantine rules and regulations (agricultural and veterinary), water development and conservation, the use of pesticides, fertilizers, and medicines, and veterinary immunization, and rules and procedures relating to seaports.

7. Taking a common stand vis-a vis international issues, such as negotiating trade agreements, coordinating foreign aid policies, bulk purchases for the GCC as a whole of basic commodities. In addition, they approved a contingency plan in December 1988, for the production and marketing of petroleum products.(8)

In conclusion, it is to be noted that the seven avenues of action are on the whole being translated into agreements and operational modalities. But they are still far from full implementation, particularly with regard to "economic citizenship" as envisaged under the first

point in the foregoing list.

The two other sub-regional bodies, the Arab Cooperation Council in the Mashreq and the Union of the Arab Magreb, have stirred less questioning than the GCC with regard to their real purposes and the implications of their emergence for regional Arab economic complementarity and integration. Furthermore, they still shaping their internal structures and designing their initial priorities (in terms of activities to be targeted, and agreements to be entered into) by the end of the 1980s. The ACC can hardly be said to still exist, after its two senior members, Egypt and Iraq, faced each other as enemies on the battlefield during the recent Gulf war, and Jordan is barely on speaking terms with Egypt. Finally, the UAM, though still in existence, is moving very slowly in building its structures.

One positive comment in defence of sub-regional councils deserves to be added. According to a careful and authoritative observer, such councils provide an essential intermediate stage or station between narrowly-defined single-country concerns (a *qutriyyatendency*), and a too broad regional concern which encompasses the whole Arab region and thus becomes unmanageable.(9)

There are a number of other parts in the machinery of JAEA. They include the ministerial council which have no specialized regional organizations of their own; they oversee matters relating to housing and construction, transport, and the environment. The Secretariat-General of the Arab League acts as an executive secretariat for those councils in lieu of specialized regional organizations. Not much can be said of the activities of the councils in questions, apart from a brief mention that they done a sizable amount of paper work relating to the three sectors which fall under their authority. However the annual issues of the **Consolidated Report** point to no concrete achievement, apart from the holding of conferences, seminars, and meetings, and some preparation of plans and programmes.

The group of specialized regional organizations have more to claim as achievements during the 1980s. However, their achievement consist mainly of formulating long-term strategies and programmes, providing technical assistance and training, and holding seminars and

other meetings (as in the case of the organizations for agricultural development, industrial development, labour, and ALECSO -- the Arab League Educational, Cultural, and Scientific Organization). All of them, except the Arab Labour Organization, have carried extensive and diversified programmes within their competence.

However, all Arab specialized organizations without exception suffer from insufficiency of budgets and therefore of high-level manning, and from counter-productive interference or outright neglect, by the ministers within whose field of authority they operate. Without going any further into a diagnosis of the root causes of the weaknesses and limitations of those organizations, we can say here that what delays and severely limits the development of the various productive sectors which are served by the specialized organizations is not the shortage of studies, strategies, or programmes and plans, or yet insufficient understanding of the problems associated with sectoral development, but insufficient determination within the government system, misdirected action, and discontinuity in efforts.

Finally, the relationship between the organizations as a group, and the Secretariat-General of the Arab League and the Economic and Social (ministerial) Council which is the titular coordinator and supervisor of the activities of the organizations, have never been smooth and flawless. problems of overlapping functions among the organizations, of choice of directors-general for the organizations often through political bargaining among ministers rather than on the basis of outstanding professionalism and managerial capability, of inadequate budgeting, of bureaucratic heavy-handedness, combine to slow down the activities and marginalize the performance of the specialized organizations. For several years now the Arab League has been studying the problems in question. A report on the subject by a team of distinguished experts was completed in the late 1980s, and has been accepted in principle by the Economic and Social Council. But its recommendations have yet to be put into effect.

Joint projects and companies, which are capitalized jointly by two or more Arab governments, and in many cases by the Arab private sector as well, are estimated to number 252, with an estimated paid-up

capital of \$17.9 billion; another 269 joint projects and companies in which international (non-Arab) parties are shareholders along with Arab parties, are estimated to have an aggregate paid-up capital of \$12.3 billion. The authorized and declared capital of both groups together is larger than paid-up capital by about \$4.6 billion; this brings total authorized capital of all joint projects and companies to \$34.8 billion.(10) The capital of joint holding companies, as well as that of the two regional funds (the Arab Fund for Economic and Social Development and the Arab Monetary Fund), and of national development funds (which provide development financing to needy Arab countries) have all been excluded. (The combined capital and reserves of the two regional and five national funds were about \$28.7 billion in 1991. (11) If the excluded aggregate capital is added to the total of \$ 34.8 billion refereed to further up, the grand total would be about \$ 69.5 billion.(12)

Considering the size of the aggregate Gross domestic product for the 21 Arab countries, which stood at \$362.4 billion at current prices for 1988 (but at \$385.5 billion for 1987),(13) and considering aggregate investment by the Arab countries within their own frontiers (which in spite of the decline in GDP from its higher level in 1980 and 1981, totalled \$93.1 billion in 1987)(14), and finally considering that Arab external financial holdings abroad reached a total of \$374 billion by the end of 1982 (15) -- the last year for which such information was made available -- the aggregate capital of the hundreds of joint projects and companies, namely, some \$65 billion, seems to be quite small in comparison with the GDP annual flow, the domestic investments made by the various countries, and the stock of financial reserves abroad, mostly in banks and securities but also in direct investment.

Another cause of dissatisfaction with joint projects as parts of the machinery of JAEA is that, although by far the largest proportion of them were established before the 1980s, there is very little difference between the estimate of their aggregate paid-up capital as it stood at the end of the 1970s, and its counterpart at the end of the 1980s. Furthermore, well informed authorities on the subject both at the

Secretariat-General of the League of Arab States and at the Council for Arab Economic Unity, and the author who has done most of the research in hand on joint projects (to whose work I referred in note 12), all agree that most of the projects in question are not functioning well. They are brisk on work programmes and declaratory statements, but very sluggish on execution; on top, they are on the whole reputedly bureaucratic in outlook and administration, though there were in the 1980s outstanding examples among them of efficiency and creditable performance, such as the companies formed by the Organization of Arab Petroleum Exporting Countries, OAPEC, to serve various aspects of the activity of the oil sector.

It was stated earlier that the Arab private sector has a significant share in the capital of joint projects, whether these are totally Arab, or combined Arab and international. The most notable part of the private-sector machinery in JAEA is the General Union of Arab Chambers of Commerce, Industry and Agriculture for the Arab Countries -- a sort of federation of individual-country chambers for each of the three sectors mentioned in the name of the Union. This Union came up in November 1983 with an ambitious agreement, which approved the establishment of the "Arab Company for Agricultural Investment" with an authorized capital of USD one billion. However, concrete progress has not been reported since then, except that the **Consolidated Report, 1985** mentioned that the Company was in the process of completing the formalities for its establishment.

The last part of the machinery of JAEA to be mentioned is the one which includes the most active institutions whose performance remained at a creditable level during the 1980s, while that of most other parts of the institutional framework of JAEA declined, compared with the 1970s. We refer here to the two regional funds: the Arab Fund for Economic and Social development, AFESD, and the Arab Monetary Fund, AMF. Other parts of the framework involved in financing and investment will also be dealt with. However, owing to the distinct importance of the institutions which form the subject matter of this paragraph, they will be discussed in the next sub-Section

all by themselves.

2. Financing and Investment

If loans and other financial transfers from some of the GCC countries to Iraq during its war with Iran in the 1980s are excluded from the discussion now undertaken, then by far the largest part of financial transfers (mostly in loans, but also to a much smaller extent in non-reimbursable grants as technical assistance) from capital-surplus to capital-short Arab countries were effected by the two regional funds, the AFESD and the AMF, together with national development fund. The latter group includes 5 institutions established by Kuwait, Saudi Arabia, United Arab Emirates, Iraq, and Libya. The Iraqi Fund was inactive during... 1980s, as the country's resources were all committed to the war effort. In addition to the institutions listed, the finance and investment sector of JAEA included the Arab Authority for Agricultural Investment and development. AAAID, (with a declared capital of \$500 million), the programme for financing external trade established in 1989 by the AMF (with AFESD, private Arab, and international participation) with a working capital of \$500 million, and the Inter-Arab Investment Guarantee Corporation (established in the 1970s) whose activities in the 1980s totalled guarantee coverage of about \$500 million.(16)

The six development funds listed in the preceding paragraph, plus the AMF, are reported to have aggregate declared capital plus reserves of \$28.7 billion by the beginning of 1991.(17) The capital of the AMF is generally considered too modest, when set against the many functions the Fund is designed to shoulder in correcting structural and temporary balance-of-payments imbalances or distortions, and in participation in the capital of the programme of trade promotion and of investment guarantee. The total capital availability of the six development funds is considerable, if the fact is borne in mind that these funds generally try to lend only a part of the investment requirements of the projects for which financing is sought. (AFESD provided loans totalling Kuwaiti dinars 1,152 million during the period 1974-89, for projects whose total cost was KD 5,230 million. (18) Thus, its financial participation amounted to 22 percent of total

cost). In other words though the total capital of the development funds is quite substantial in its own right, it serves as a catalytic agent for a much larger volume of investment -- indeed, a five-fold volume if the record of AFESD is representative of operations of the whole group of Arab development funds.

Arab development assistance to needy Arab countries (both, direct government-to-government, and through regional and national development funds) amounted to an average of \$5.1 billion a year during the period 1976-89, or a total of \$70.8 billion.⁽¹⁹⁾ But this did not represent the whole volume of aid. Considerable aid is directed by the Islamic Bank for development, IBD, to needy Arab countries; likewise, the OPEC Fund for International development, OFID, had extensive lending operations during the 1970s, though these shrank in significance during the 1980s owing to the crisis which the oil sector went through in prices, volume of production, and revenues earned by the exporters. Both the IBD and OFID receive by far most of their resources from Arab oil exporters. Consequently, aid received by Arab countries from these institutions, is in fact aid mostly from Arab countries. Finally, the Arab oil exporting countries made substantial resources available to the World Bank and the International Monetary Fund during the second part of the 1970s. This enabled these two bodies to expand their operations. To the extent that certain Arab countries benefited from the expansion of aid facilities, it had been Arab resources in effect which had generated the benefit.

To sum up: it is clear that financial resources accruing to Arab oil exporting countries have resulted, since the mid-1970s, in a vast inflow of loans and considerable grants to capital-short sister countries, as well as to number of non-Arab countries, thanks to the aid policies of the Kuwait Fund and the Saudi Fund, both of which extended aid to non-Arab Third World countries. And, as Arab resources constituted the largest part of the lending resources available to the IBD and OFID, and these two institutions extended aid to non-Arab as well as to Arab capital-short countries, Arab resources have out to help Third World countries beyond the Arab region.

In short, Arab oil revenues have been an important source of

financial assistance in the Third World at large, but -- quite naturally -- in the Arab region more particularly. This can be seen all the more dramatically in the proportion of Arab GDP or GNP which such assistance constituted, compared with its counterpart coming from the rich advance Western industrial countries. Thus, in 1988, Arab development assistance amounted to 1.9 percent of the GDP (or 1.85 percent of GNP) of the actual donor countries, in that year, while it was a mere 0.09 percent of GNP for the Western industrial countries. Arab assistance also represented 14.5 percent of the volume of oil exports in 1987.(20) It need hardly be indicate that Arab financial assistance arises from the sale of a depleting asset, not from renewable resources, as it does in the case of the rich Western countries.

3. Arab Oil Policies and Oil-Related Development

Any Arab coordination that can be discerned with regard to oil production and pricing policies is undertaken by the seven Arab members of the Organization of Petroleum Exporting Countries, whose total membership is 13 states. OAPEC, which is purely Arab in membership, has functions which are quite restricted to studies, research, some training, and the holding of professional seminars on oil and other energy matters. The Arab members of OPEC probably favour this division of labour between OPEC and OAPEC, because they believe that pricing and production matters ought to be dealt with by a body which reaches beyond Arab producers, and can be claimed to speak for a much larger oil constituency than the narrowly Arab one.

As a result of this pattern of division of labour, the use of oil revenues for development, particularly within the oil sector itself, fell between two stools: it was deemed to belong neither to the area of competence of OPEC nor that of OAPEC. This is part of the explanation why the rush into petrochemical industries in the Arab oil exporting countries turned out a number of industries which had not been pre-planned on a regional or sectoral basis, and where neither specialization, nor production capacity, had been coordinate among the regional oil producers. As a general result, the Arab petrochemical industry now reaps the adverse consequences. These include excess

capacity, duplication of establishments, and marketing problems abroad.

A final note merits insertion here. It relates to one achievement in the field of energy. This is the linkage effected during the 1980s between the electricity networks of Lebanon, Syria, and Jordan. The linkage can reduce sharp seasonality of shortages or surpluses in the supply of power.

4. Labour Versus Remittances

An Arab workforce "estimated at 3-4 million strong have moved to the oil rich countries to take part in the very extensive construction and development activity which the expanded oil revenues have permitted".(21) The remittances sent back home by this workforce or the savings made by it, are estimated to have been \$3-4 billion a year. However, the size of the workforce, and its remittances and/or savings have dropped accordingly, as a result of the oil crisis in the Gulf countries since the mid-1980s.

The movement in opposite direction of labour and factor payments abroad has reflected a very clear case of complementarity between the oil exporting but labour-receiving countries on the one hand -- Iraq, Kuwait, Saudi Arabia, the United Arab Emirates, Quater, an Libya (in the Maghreb) -- and labour-sending countries, namely Egypt, (North)Yemen, Palestine-Jordan, Lebanon, and Syria, on the other. However, the Gulf crisis and war of 1990/91 have brought about a drastic reduction in the size of the expatriate labour force and therefore in remittances and/or savings effected by it. Kuwait and Iraq both saw the expatriate labour force in them depart, and Saudi Arabia lost an estimated one million Yemeni workers. The prospects seem to be very poor for Arab labour (especially for Palestinians and Jordanians) to return to Kuwait in large numbers; the indications are strong that most of the departing labour will be largely replaced by East and South-east Asians. Thus, an aspect of complementarity which had been remarkable and beneficial to all the parties concerned, politically, economically, and symbolically, is threatened to be eroded, at least for several years to come.

5. Intra-Regional Trade

Although some institutional improvements have been made during the 1980s in order to promote intra-regional trade, there was hardly any change by the end of the decade in the proportion of the region's total external trade moving inside it; this proportion has remained at a low 6-7 percent only, more or less as it had been at the opening of the decade. The improvements referred to include a new agreement to facilitate trade (approved in November 1980 at the Arab summit meetings which had devoted wholly to intra-Arab economic affairs and JAEA). They also include the launching by the AMF of a programme for the promotion of intra-regional trade, with a revolving fund of \$500 million in order to provide short-term finance to exporters, while waiting to be paid for their sales, and to importers, to help them pay for their purchases. Finally, an amendment to the terms of reference of the Inter-Arab Investment Guarantee Corporation within the region, which had been restricted to non-commercial risks, presently makes the Corporation capable of guaranteeing commercial risks as well.

The persistence of the limit value of intra-regional trade during the 1980s is explainable by the slow change in the range of diversification of Arab production, and the weak competitiveness of Arab products, particularly manufactures, compare with their imported counterparts. Other possible reasons for the continued small proportion of intra-regional trade is the failure of the Arab countries to improve the lines and facilities of transport among themselves to a sufficient extent that would reduce transport costs. Finally, there is a built-in preference among most shoppers for imported goods, even when national (or regional) products are as good as cheap. Obviously, there is a very wide scope for the intensification of intra-regional trade, but the most essential and pressing prerequisite is the production of more and better goods and services to begin with, so that there would potentially be much more to offer by the Arab countries to each other.

6. Agriculture and Food Production

Failure to achieve an effective and large measure of joint Arab economic action and complementarity in the area of agriculture and

food production has a most adverse effect on food security and is also very costly to the Arab region at large. In the mid-1980s, the bill for food imports for the region reached \$23 billion (15.3 percent of total imports). However it fell to \$18.6 billion for 1989. The fall generally characterized the period 1979-87, thanks essentially to two factors. "These are the rise in food production {per capita} over the years just indicated {1981 or 1982 to 1987}, and the drop in oil revenues. The latter forced the Arab countries to compress their food imports and restrict them to be more essential items".(22).

Yet the rise in food production per capita, which is partly behind the drop in food imports just pointed out, was the result of country-by-country action, not collective Arab action. The agricultural sector is one of the largest beneficiaries among all sectors of studies, programmes, suggestions, and injunctions by intellectuals and specialized regional organizations (such as the Arab Agricultural development Organization, AADO, and the Arab Authority for Agricultural Investment and development AAAID, with their programmes and subsidiary units). The case for agricultural development through collective Arab action is very compelling, since it uses the danger to food security as its main support. With about one-half of the food it consumes coming from abroad, the Arab region cannot underestimate the gravity of the danger which food security faces.

However, specialized organizations -- in agriculture as in other sectors -- can contemplate, undertake research, design strategies and programmes, prepare projects, and make strong appeals to the government ministries under which they operate. But they can do nothing beyond that: action remains the prerogative of the governments, and it is here that the tightest bottleneck is located.

Seeing official hesitation, if not outright lethargy and inaction, the private sector becomes even more hesitant. It ought to be remembered that the size of the food programmes envisaged in terms of investment and working capital is enormous, running into many billions of US dollars over several years. It is no wonder that the private sector balks when it sees that official action is not forthcoming.

As things stood by the end of the 1980s, the countries with the most promising potential for agricultural and food production, in terms of cultivable and irrigable land, water -- namely Sudan, Morocco, Syria, and Iraq -- were still engage in their own country programmes, while regional programmes involving collective action were collecting dust in the files of the Secretariat of the Arab League and those of AADO and AAAID. At the same time, almost every country in the region is vitally interested in the promotion of food production, and could have some role in such promotion, whether as supplier of investment finance (as in the case of most oil-exporting countries), of land and water (as in the case of the four countries listed by name), of manpower (as in the case of Egypt, Jordan, Tunisia and several other countries), or of markets and purchasing power, as in the case of every single Arab country.

7. Manufacturing Industry

The Arab Industrial development Organization, AIDO, has been probably as active as AADO referred to in the preceding sub-section, but much more active than AAAID, in terms of formulation of strategies, designing of programmes and projects, provision of training and generally stressing the importance of industrialization. It cannot invoke utilize an appeal which relates directly to the physical viability of Arab society, the way AADO can do in stressing the urgency of expanded food production in order to feed the Arab millions and to stop the massive erosion in Arab financial resources now being used in large volume for the import of foodstuffs. But, on the other hand, AIDO can invoke the criticality for development of industrialization and the absorption of the excess labour supply in existence. For, agriculture is providing employment to a continuously shrinking proportion of labour while manufacturing industry is claimed to be labour-intensive, at the stage where it stands today in the Arab region.

AIDO's strategies and programmes are largely based on the premise that a notable process of industrialization involves the development of basic and engineering industries, the training and re-training of skilled labour to meet the requirements of advanced technology in manufacturing industry, and the widening of the very

narrow and inadequate science and technology, and also the research and development, base now in existence. such overwhelming priorities involve massive investment, in addition to the design and building of institutions and services needed for the embodiment of the priorities in programmes and projects -- in short, for achieving the target of industrialization. Consequently, collective action is called for by groups of Arab countries, if not by all of them in one massive operation. Industrial complementarity can be achieved, if seriously thought out and sought, both at the horizontal and the vertical levels. The former involves the grouping of similar undertaking or industries, or of research and training facilities. The latter involves the division of labour within the same industry, whereby the various processes and phases within it can be assigned to different countries, on the basis of the logic of comparative advantage, the availability of appropriate manpower and technology, or physical resources, and so on.

The record of the 1980s shows that some progress has been achieved in industrial development, but again on a country-by-country, not a regional basis. However, the increased export potential of Arab manufacturing industry has begun to be blocked by protectionist policies imposed by many Western industrial countries. A notable example has been the difficulties which the Arab petrochemical industry met with in attempting to market its products in Europe. The GCC has taken the lead in approaching the European community as a body to try to work out a mutually-agreeable formula which would allow Arab export to go into the European market. However, the general tendency with regard to industrialization is still for individual countries to act alone; JAEA in the area of industrial development is still very marginal.

One feasible and very promising approach to speedier industrialization would be to establish those capital goods industries for the machines, equipment, and spare parts for which there is already a wide-enough market to enable the industries in question to be viable and profitable. We have in mind in this context the needs of the sectors of transport, communications, and telecommunication, housing, construction, tourism and hotel-keeping, agriculture, public

works, and printing.(23)

8. Transport, Communication, and Telecommunication

This sector has no specialized to prepare strategies, programmes, and networks on a regional or sub-regional basis for it. However, there are a number of ambitious projects at different points of readiness, involving the unification of some airlines or at least the pooling of their services, the construction of roads and/or railroads connecting countries in the Fertile Crescent together, and the beginnings of programmes to link the Arab telecommunication networks together. It is still as true today, as it had been at the beginning of the 1970s, to say that it is easier for someone in Beirut, Amman, or Damascus, to be connected by telephone with someone in Bonn, Paris or London, than in either of the two other Arab capitals nearby. Intra-regional transport connections by air easier and more frequent now than during the 1970s, but still less so than between the Arab region and Western Europe.

Insufficient and inadequate transport facilities within the region are one factor that makes for the insignificance of intra-regional trade, since it means a higher cost for the transport of goods across national boundaries. Yet, as indicated earlier, there are other probably stronger determining factors for the small proportion of intra-regional trade out of total foreign trade. The rise in the intensity of Arab divisiveness since the recent Gulf crisis and war of 1990/91 will certainly lead to the postponement of any linkages, whether by road, railroad, airplane, or ship which had been at an advanced stage of preparation on the drafting board.

Furthermore, the sluggishness in the expansion of economic activity in the region, and the very small growth in GDP at current prices during the second half of the 1980 -- indeed, its negative growth at times -- will combine to postpone the development of the transport and communication components of regional infrastructure. The painful paradox in the present context is that more resources have been directed to transport and communication in individual Arab countries, particularly to the importation of airplanes, cars, buses, and trucks during the 1970s an 1980s, than ever before, while the regional

part of the sector remains largely neglected.

9. Education and the Acquisition of Effective Technology

The last, but by no means the least significant sector or area of activity to discuss in this survey of the record of complementarity and integration in the 1980s, is joint Arab action in the field of education and the acquisition of appropriate and effective technological capability in the region. There is no doubt that the expansion of educational facilities and programmes has continued in the 1980s, virtually in each of the Arab countries. However, collective efforts have remained minimal. The Arab League Educational, Cultural, and Scientific Organization, ALECSO, has been very active in the 1980s; indeed, it has completed the preparation of a number of strategies and programmes in the various fields which fall within its area of competence and responsibility, including the fight against illiteracy. In this latter context, the gains made in absolute numbers of grown-ups who have acquired some elementary reading and writing skills have been smaller than the absolute numbers of those entering the dark area of illiteracy in several countries of the region.

As in the cases of agriculture and manufacturing industry, ALECSO, as the specialized agency of relevance, has recorded remarkable achievement in terms of studies, training, seminars, and the formulation of strategies and programmes. But, once again, the transmission belt between ALECSO and the ministry or ministries under whose jurisdiction it operates has proved defective. The translation of programmes and projects into concrete reality has been largely blocked; the only exception to this generalization have been related to training and the holding of seminars, the formulation of strategies and programmes for the future, and the publication of several valuable studies -- areas in which ALECSO itself has been able to undertake the execution of projects with manpower and budgetary resources which it has managed to mobilize.

The promotion of the acquisition of advanced technology does not fall except partly within the area of concern of ALECSO. Other bodies are involved as well in such promotion, directly and indirectly. Perhaps this diffusion of responsibility explains, if only in part, why

the drive for the inculcation of greater technological capability has been so slow and modest. The establishment of a broad, regional base for science and technology has yet to be undertaken seriously. Two major regional programmes prepared after extensive thinking and consideration during the 1970s, still remain dormant. The distance between theoretical and applied science in university education is still wide and unbridged. Likewise, the distance between engineering departments, schools, or colleges, and the users of engineering skills, such as manufacturing industry, transport and communication, agriculture, and construction, remains wide and unbridged, except in very few cases where trainees move for short periods from formal training to the business sector, to learn how to put their skills to practical use.

It is to be stressed that there is still no regional endeavour to explain that the importation of the hardware and software of technology does not amount to the implantation of technological capability in the region. While such importation is thought to be a short-cut to the objective of acquiring the capability in question, it is in effect a much longer and less assured conduit to the acquisition presumably sought. If and when such awareness become general and conducive to corrective action, the region could start the demanding but critical task of building the science and technology base which is badly needed yet painfully fragile.

Finally, the acquisition of technological capability need not be attempted in one big jump or in a short span of time. The region could begin by taking small steps which would be manageable. To make this point clear, an Arab scholar experienced in the field estimated that some \$5 billion a year were spent on the importation of technological software during the early 1980s. Much of the imported material could be produced in the region, if the will were there and Arab professional resources were properly mobilized.(24)

III. AN ATTEMPT TO EXPLAIN THE RECORD OF THE 1980s

The discussion in Section II must have left the reader with a clear impression that the 1970s had witnessed a brisker and more fruitful

drive toward integration and complementarity, through joint Arab action, than the decade of the 1980s. It is necessary, therefore, to attempt now to explore the reasons for the shortfall in integration efforts and results in the 1980s, and to try to explain why the 1970s, in contrast, had witnessed markedly better achievement.

As the reader will see, I have had to stray away to a notable extent from economic explanations and considerations in the present Section. I realize that I take a risk in trying to find the explanation partly in Arab politics, and partly also in cultural, social and even psychological factors. However, I accept the risk because of my conviction that economic factors alone do not provide a sufficient and satisfactory explanation of important economic processes like integration. Indeed, economic factors acting alone, without any major exception, provide strong justification for the pursuit on integration, rather than the opposite. Before I start the attempt to explain very briefly why the harvest of integration was poor in the 1980s, it remains to be added that the listing of the components of the explanation which I venture to make in the following paragraphs, does not proceed according to a scale of significance or priority. Clearly, the components interact and supplement each other so closely that it would be most difficult to rank them according to their impact.

1. The Retreat of Integration and JAEA as Major Arab Concerns

There is an apparent element of circularity in putting this first item as part of the explanation, while it is the phenomenon whose explanation is sought. However, it is worth posing the question why there is less concern with integration today than in the 1970s, that is, what are the deep causes for the drop in concern. In fact, even the Arab intelligentsia that is highly politicized, is less concerned today both with integration and development, on the one hand, and with National (that is, regional) security, on the other hand. The present writer believes that the economic prosperity which characterized the 1970s in the oil and non-oil countries though to different degrees, has generated a drive towards individual opulence, at the expense of political and politico-economic desiderata concerns.

This drive towards money-making has also hit the other strata and groups of Arab citizenry -- businessmen, professionals, bureaucrats, labourers, and particularly politicians. To the extent that political and politico-economic desiderata relating to the welfare of society as a whole often involve those who uphold them in political (and sometime physical) risk, a shift is discernible away from such desiderata towards the pursuit of personal welfare and well-being.

2. Insufficient Awareness of the Grave danger of Isolationism

It is contended by the present writer that awareness by the Arab public, especially by politicized citizens and leadership in the various walks of life, of the benefits that accrue to the region as a whole, and to its constituent parts, because of joint economic action and integration, can only be clear and strong if it is preceded by another awareness. This is that the absence of integration and exaggerated focus on single-country affairs and interests carries with it grave dangers to each of the region's countries. And the dangers mean the distortion and shrinkage of achievement with respect to development, as well as the capability of the region as a whole and its constituent parts to protect to the extent possible its own, and their, security.

There is a two-way relationship between development and security: the former provides a stronger economic base for the latter, and the latter provides a protective shield for the former. Most thinking Arabs are convinced at present that both Arab development and Arab security have been seriously debilitated and eroded, not only since the Gulf crisis and war of 1990/91, but since the early 1980s, when the retreat of Arab concern with integration -- both economic and political -- became marked.

3. Divisiveness Within Individual Arab Countries

The 1980s witnessed greater divisiveness within each of several Arab countries, whether the causes were ideological (political or theological) ethnic, or economic (relating to interest groups, public-versus-private sector controversies, labour-versus-management). Furthermore, the divisiveness within countries had ramifications also **among** countries, but these were less visible though no less real. The most serious aspect of divisiveness which went beyond national

borders arose from fundamentalist tendencies and loyalties, dichotomy between rich and poor countries, and varying alignments within the world order.

A climate of divisiveness, like the one to which this sub-Section refers, cannot but be reflected in attitudes towards intra-regional political and economic relationship. Within this sort of climate, secondary contradictions overshadow basic consensus and shared heritage. Furthermore, the divisiveness has not appeared in a vacuum. It is merely an accentuated tendency which underlines **qutri** long-standing loyalties and tendencies (that is, those whose focus is one's own country within the Arab region). It is not certain that a large proportion of Arab realize that their own **qutri** interests can be better served if they cooperate with the citizens, authorities, and institutions of others countries (**aqtar**) in serving the interests and solving the problems which threaten them, be they economic or political.

The advantages of collective action, as against individual action, are a matter of common knowledge, since a group of countries acting together as one unit command more energy than the addition of their separate energies. Thus, the case of Arab economic complementarity and joint action is well established with respect to every sector or activity, from food production, to manufacturing industry, to the establishment of a science and technology base. The pursuit of self-reliance, a difficult objective under the best of circumstances, is hopeless if attempted by Arab countries individually, but possible if attempted collectively. (25)

4. Divorce Between Thought and Action in Societal Crises

Here lies a major problem with many Arabs in positions of responsibility, especially in politics. Even when such persons comprehend the nature and dimensions of a social crisis, and realize the criticality and urgency of action to respond to its challenge, they do not put in the planning, determination, and effort to translate their comprehension and realization into concrete action which is consistent with their assessment of the crisis. I consider this some kind of separation, if not total divorce, between perception or comprehension, and the response which is consistent with it. The inconsistency thus

manifested can be seen with regard to our weak and flawed response in grave matters of a political or security nature as of economic nature.

What is baffling here is that the average Arab, faced with a personal crisis, or one relating to his family or clan, loses little time in mobilizing his energy and endowments to face that crisis. He may face it the wrong way, counter-productively, or may over-react, but does not show the same sluggishness, or produce the same diluted reaction, as in the case of a crisis involving his society or country or, obviously, the whole region to which he belongs. One wonders if matters of personal honor and welfare rank much more highly in our social evaluation than the collective honor of country or society.

Lukewarm reaction to invocations for work and sacrifice in order to achieve development and security through Arab collective action can be understood, though partly, within the context of the factor which I venture to suggest now as an input in the explanation of the sluggishness of the drive for integration. Such reaction is particularly unfathomable because the objective of collective action, namely integration in the present instance, is not a mere abstraction that eludes the grasp of many people, but something concrete which can make a significant and tangible contribution to economic and social development, and to political progress and security, of which every citizen will be a beneficiary.

5. The Personalization of Authority and Power

This component of the explanation can also be designated as the excessive centralization of authority and power in virtually all the Arab countries. Even where there is political pluralism and a reasonable degree of institutionalization, real power still resides in the head of state. In the rare cases where this is not (or has not been) the case, then it resides in some **eminence grise**, a holder of real power behind the titular head of state.

It is a general phenomenon that, the more centralized and personalized power is, the more isolated the holder of that power. Consequently he loses touch with currents of thought and mainstream feelings, particularly when these do not harmonize with his own position and wishes. The inner circle of advisors, who usually tell the

powerful ruler what they believe he prefers to hear, loss their real function and purpose through becoming the echo of what they believe the ruler is thinking of. Obviously, the popular message for integration or any other process requiring collective Arab action is not very articulate in the Arab region. This message is so muted that it is difficult for the ruler to hear it, even if he not despotic.

In the absence of a well-functioning conveyor belt of ideas, desires, and popular preferences between the people and the centre of power, the ruler has only three conduits to inform him of what the public wants. these conduits are the advisors, the security services, and the family of the ruler. As these three sources of information usually have an interest in passing the same kind of information on the ruler, and they mostly represent "inter-communicating compartments", the ruler's isolation becomes complete.

To all this must be added that most rulers are interested in power and how it can be captured and maintained, not in ideas of integration or collective self-reliance, or inner-directed development: these do not seem to the rulers to be direct contributors to the purpose of holding and consolidating power. And most political parties and movements are likewise obsessed with political power and assign only a marginal part of their attention and platforms to questions like integration, regional development and collective self-reliance.

6. The Strict Rationing of Democracy , Freedom , and Human Rights

This factor is organically related to the one immediately preceding it, since excessive centralization and personalization of power cannot be possible if the population enjoys political participation, freedom of expression and communication, and human rights in general. I believe it is warranted to claim that where the exercise of democracy, freedom, and human rights distinctly fuller, the advocates of integration and joint Arab action would have access to the awareness of the people and make their message not only heard but also accepted. In a system where such communication is possible and widespread, public expression of support to intra-regional integration and development would become both vocal and communicable to the

government, through several avenues of organized political, social, economic and unionized groupings. From there on the actual pursuit of joint action becomes both feasible and promising.

But democracy, freedom, and human rights are not habitually offered on a silver plate to a people. They have to be struggled for, often to be only wrenched at a high cost. It is cheering and promising to see that most Arab peoples are getting engaged in an effort, even if still tentative and partial, to reclaim their political, social and human rights.

The more effective and generalized this effort becomes, the more hope will be generated that socio-economic objectives like the ones around which this paper centres will become attainable. Once the hopes materialize sufficiently, the quality of government can be improved and since governments are at present the tightest bottleneck that blocks the translation of programmes and projects designed to serve the objective of integration and regional development into concrete reality, the loosening of the bottleneck will permit the flow of ideas incorporated in strategies and programmes into the realm of action and achievement. The process from there on will necessarily be long, because durable integration and meaningful development are not easy tasks. The example of the European Community is there to learn from: the EC took decades to reach its present level of cohesiveness and achievement, both in the political and economic fields.

7. Political Integration and Economic Integration

The last sentences in the preceding paragraph suggested the imperativeness of associating political with economic integration. Which should come first is not the basic question here. What is basic is that hesitation in the pursuit of economic integration often derives from the conviction, or belief, that to be effective, economic integration must be accompanied, sooner or later, by political integration. This is largely true, since economic integration involves making major decisions which cannot be made unless there is at least a large measure of policy coordination among the countries seeking integration.

The Arab politicians who express enthusiasm about economic

integration but secretly have at most a lukewarm attitude towards it -- and these probably represent the majority -- are essentially worried that if economic integration were seriously and purposefully sought, it would lead to political integration. But the latter is anathema to them as a class. Here lies one of the main blockages to economic integration.

8. Limitation of Private Sector Pursuit of Integration

It seems to the present writer plausible that private businessmen would be in favour of integration, once the benefits it brings to them are explained convincingly. Naturally, there would be those who would fear the loss of some advantages which they enjoy in their own country, in case economic integration became a reality. But even in this instance, compensatory mechanisms can be designed and put into work, and the relocation of capital can be effected to help industries which suffer as a result of integration and the competition it might bring with it.

The real cause of hesitation by the private sector in the face of arguments for integration is its sensitivity to the hostile climate which governments generate, in effect though not overtly, vis-a-vis integration. This sector takes shelter behind the lukewarm official attitude to integration. But it is arguable that a radical change in this attitude would be met by readiness on the part of the private sector to support integration, once the compensatory mechanisms referred to have been prepared and activated.

9. The External Factor

So far we have dwelt on internal factors which inhibit the drive towards integration. This is deliberate. But I end this Section by indicating that certain Western powers play an influential part in frightening certain rulers of economic integration, and the "danger" that it would bring political integration with it. The countries most sensitive to this sort of influence are the oil producing countries, whose interests are invoked as a central concern of the Western countries exercising the influence. The rich-versus-poor countries confrontation is used to carry the message to the oil countries. This situation cannot be simply shrugged off as an example of imperialist

machination. The non-oil countries are called upon to possess understanding of the concerns of the oil countries, and to share with them the overall concern for the whole Arab region.

In closing this Section and ending the paper, I would like myself to address a question which no doubt the reader will himself (or herself) address: If the present diagnosis of the causes behind the very limited achievement in the area of economic integration during the 1980s is correct, then why had the achievement been more marked during the 1970s, since the explanatory factors suggested have not changed on the whole between the two decades?

I admit that this question is warranted. My only reply is that the 1970s witnessed a unique phenomenon which was so powerful that it swept aside, even if partly, much of the hesitation in the pursuit of economic integration. This phenomenon was the windfall of oil revenues which was so reassuring and so much beyond what the oil countries had ever experienced in financial affluence that they responded positively to the new situation. Consequently, they showed considerable readiness to encourage, and participate in the widening and financing of the institutional framework of regional economic cooperation, and in assisting needy Arab countries financially at a rate by far exceeding its counterpart in Western aid.

The key to an understanding of the 1970s is therefore financial/psychological. The relatively vast financial resources created a new mood which was expressed in joint Arab economic action. But the mood is reversible, as we witness today. And it cannot be brought back to equilibrium unless all Arab countries, rich and poor alike, achieve mutual understanding of their common and also different, endowments problems, and aspirations.

Footnotes:

(1) See Ibrahim Ibrahim, ed., *Arab Resources: The Transformation of A Society* (London, Croom Helm, 1983), where the paper was subsequently published.

(2) The Report is prepared as a cooperative effort by the Secretariat-General of the League of Arab States, the Arab Monetary Fund, the Arab Fund for Economic and Social Development, and the Organization of Arab Petroleum Exporting Countries. I will refer to it hereafter as the Consolidated Report. Its title in Arabic is *At-Taqreer al-Iqtisadi al-'Arabi al-Muwahhad*, and the four agencies which prepare it have published a few of the annual issues in English where the word "Joint" is used instead of "Consolidated". Elsewhere, I have used the term "Unified" (see Yusif A. Sayigh, *Elusive Development: From Dependence to Self-Reliance in the Arab Region*; London and New York, Routledge, 1991).

(3) The Consolidated Report, 1989, Part Eight, "Joint Arab Economic Action".

(4) The Consolidated Report, 1990, Part Eight, "Joint Arab Economic Action". However, the Consolidated Report, 1991, has a mere 3 pages ((133-136) on JAEA (see later), which deal mainly with the destructive effects of the Gulf crisis and war of 1990/91 and their implications for the future.

(5) A well-informed economist in the Gulf has estimated budget deficits for the years 1983-87 to aggregate about \$70 billion for the members of the GCC. See Ali Khalifah al-Kawari, "Comment on Dr. Abdallah al-Qouwayz's Paper on 'Movement of the co-operation Council in the Field of Investment'," given at a Symposium held in Dubai, 12-13 December 1989.

(6) For 1980, see OAPEC, Secretary-General's Eighth Annual Report AH 1400: AD 1981, Table 2.1; for 1987. See Consolidated Report, 1988, Table 4/3 in "Statistical Appendices". However, a more recent estimate for 1987 puts the earnings at \$57.7 billion. The same source cites a preliminary estimate for earnings in 1990 as being \$89.5 billion, or 21.1 percent over 1989. See Consolidated Report 1991, Table 4/3 in "Statistical Appendices".

(7) Consolidated Report., 1990, Part Eight, p.206. The total number of GCC joint projects is "said to be" 326. This bit of information must be taken with a big grain of salt.

(8) Consolidated Report, 1989, Part Eight, PP. 213-216.

(9) Reference here is to Abdelatif Y. Al-Hamad, "The Gulf Cooperation Council: The Experience and Its Lessons", in *Al-Muntada*, a monthly in Arabic, vol.3, No 29, 1988.

(10) All information on joint projects so far mentioned is from the Consolidated Report, 1989, tables appended to Part Eight.

(11) According to data in the latest Consolidated Report for 1991. (See Note 17).

(12) Sayigh, *Elusive Development*, op.cit., p.130, quoting Samih Mas'oud, *Joint Arab Projects and Joint Arab Economic Action* (Kuwait, 1987), and also Mas'oud,

"Joint Arab Projects: Their Present Status, Importance, Hindrances, and Future", in al-Mustaqbal al-'Arabi, No. 103, September 1987. Both works are in Arabic.

(13) The Consolidated Report, 1988, Table 2/1 in "Statistical Appendices" for GDP in 1987; and the Consolidated Report, 1989, Table 2/1 in "Statistical Appendices" for GDP in 1988. Most recent estimates appear in Consolidated Report, 1991 and seem to reflect adjustments in the estimates shown in the text above. Thus GDP is stated as having been \$369.9 billion and \$391.8 billion for 1988 and 1987 respectively. Estimates for 1989 and 1990 are \$396.9 and \$419 billion. See Table 2/2 in "Statistical Appendices".

(14) The Consolidated Report, 1988, for investment in 1987 (Table 2/1 in "Statistical Appendices").

(15) OAPEC, Secretary-General's Eighth Annual Report AH 1401:AD 1982. However, a radio station (Al-Sharq) that broadcasts in Arabic from Paris, announced on 30 October 1992 that Arab external financial holdings were estimated by the Arab Monetary Fund in a recent study to be \$350 billion, of which \$162 billion were owned by the private sector.

(16) Information regarding the capital of the programmes and institutions referred to (except for the funds) is from the Consolidated Report 1989, and also 1990.

(17) The aggregated capital of the funds is recorded in the Consolidated Report, 1991, Table 7/5 in "Statistical Appendices".

(18) The Consolidated Report, 1990, Part Eight, p. 190. No data are available for 1990 in the Consolidated Report 1991.

(19) World Bank, World Development Report, 1989, Table 19 in "World Development Indicators", and table 19 in "World Development Indicators", in Report 1991.

(20) Data relating to Arab donors and to the advanced industrial Western countries are quoted from the World Bank, World Development Report 1992 Table 19 in "World Development Indicators". The ratio of aid from the three Arab countries that made donations in 1988 to GDP was calculated by the present writer from Ibid. and from the Consolidated Report, 1991, Tables 2/2 and 2/3 in "Statistical Appendices".

(21) Quotation from Sayigh, *Elusive Development*, p. 130. A much higher estimate of remittances, reaching \$6.8 billion at their peak in 1984, is reported in a paper by Abdelatif Y. Al-Hamad, entitled "Implications of Oil for Arab Development: Financial and Investment Issues and Options for the Future", given at a seminar on "Prospects for Oil and Future Development in the Arab Countries", held in Amman, Jordan, 1-2 December, 1987. For a very careful study of Arab labour movements across national frontiers within the region, and the earnings made, where various estimates of larger magnitude than in Sayigh, *op. cit.*, see: Ibrahim Sa'ad el-Din and Mahmoud Abdul-Fadeel, *The Movement of Arab Labour: Problems, Effects, Policies* (Centre for Arab Unity Studies, Beirut; Third edition,

1991. In Arabic).

(22) Data for the expansion of food production per capita referred to above are from FAO's Production Yearbook 1989, Vol. 42, Table 4. The quotation is from Sayigh, *Elusive Development*, p. 141. The "food gap" for 1989 is from the Consolidated Report, 1991, Table 3/9 in "Statistical Appendices".

(23) I am grateful to Professor A. B. Zahlan for making this suggestion.

(24) The scholar in question was Professor A.B. Zahlan. He is quoted in Yusif A. Sayigh, *The Arab Economy: Past Performance and Future Prospects* (Oxford University Press, Oxford, 1982), P. 165.

(25) I have tried to prove this point analytically and empirically in Ch.4 of my book *Elusive Development*.

achieve mutual understanding of their common and also different, endowments problems, and aspirations.