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REGIONAL EXPERIENCES IN THE ECONOMIC INTEGRATION PROCESS OF DEVELOPING COUNTRIES

Report by the UNCTAD secretariat

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CONTENTS

ABBREVIATIONS

ACC	Arab Cooperation Council
ACM	Arab Common Market
ACS	Association of Caribbean States
AEC	African Economic Community
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CACH	Central American Clearing House
CACM	Central American Common Market
CAEU	Council of Arab Economic Unity
CAF	Andean Development Corporation
CARICOM	Caribbean Community and Common Market
CE	Council of the Entente States
CEAO	West African Economic Community
CEMAC	Economic and Monetary Community of Central Africa (formerly UDEAC)
CEPGL	Economic Community of the Great Lakes Countries
CILSS	Permanent Inter-State Committee for Drought Control in the Sahel
COMESA	Common Market for Eastern and Southern Africa (formerly PTA)
EAC	East African Community
ECCAS	Economic Community of Central African States
ECO	Economic Cooperation Organization (formerly RCD)
ECOWAS	Economic Community of West African States
FFA	Forum Fisheries Agency
FIABV	Ibero-American Stock Exchanges Federation
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GCC	Cooperation Council for the Arab States of the Gulf
IADB	Inter-American Development Bank
IGADD	Intergovernmental Authority on Drought and Development
IOC	Indian Ocean Commission
KBO	Organization for the Development and Management of the Kagera River Basin
LAIA	Latin American Integration Association
LAS	League of Arab States
LCBC	Lake Chad Basin Commission
LGA	Liptako-Gourma Integrated Development Authority
MERCOSUR	Southern Common Market
MRU	Mano River Union
MSG	Melanesian Spearhead Group
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NBA	Niger Basin Authority
OAU	Organization of African Unity
OECS	Organization of Eastern Caribbean States
OIC	Organization of the Islamic Conference
OMVG	Gambia River Development Organization
OMVS	Organization for the Development of the Senegal River
PIDP	Pacific Islands Development Programme
PTA	Preferential Trade Area for Eastern and Southern African States
RCD	Regional Cooperation for Development
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SELA	Latin American Economic System
SICA	Central American Integration System
SOPAC	South Pacific Applied Geoscience Commission
SPC	South Pacific Commission
SPF	South Pacific Forum
SPREP	South Pacific Regional Environment Programme
UDEAC	Central African Customs and Economic Union
UEMOA	West African Monetary and Economic Union
UMA	Arab Maghreb Union
UMOA	West African Monetary Union
USP	University of the South Pacific
WACH	West African Clearing House
WAMA	West African Monetary Agency (formerly WACH)
WTO	World Trade Organization

INTRODUCTION

1. Over the past decades UNCTAD's mandate has been to provide intellectual underpinnings for the process of economic cooperation among developing countries (ECDC) through research, analysis and suggestions.[1] This report is consistent with that mandate; in particular, it provides an assessment of the experiences in the developing countries' economic integration process that has evolved in response to the radical changes taking place in the world scene.

2. Chapters I, II and III of the present report respectively provide analyses on Africa, Asia and the Pacific, and Latin America and the Caribbean. These analyses deal with subregional and regional economic integration processes among developing countries and, wherever relevant, related areas of cooperation such as intraregional trade expansion, monetary and financial cooperation, enterprise cooperation,[2] transport and communications, environment and social programmes. Chapter IV discusses various interregional cooperation initiatives pursued by developing countries and the emergence of mixed groupings of developed and developing countries. The analyses in the different chapters basically show that after 1990, the process of subregional, regional and interregional economic cooperation and integration among developing countries entered a new phase of revival which is expanding economic relations and strengthening political, social and cultural solidarity between countries. These changes are progressively enriching the integration movement and imparting to it greater dynamism, realism and viability. Chapter V provides a summary and some concluding remarks.

3. The process of economic cooperation and integration among developing countries is an historical trend (see box 1), but one which is being revived in the 1990s by new trends and considerations. First, in a globalizing and liberalizing world economy the developing countries need to devote resources to developing better organization and coordination of their efforts to advance their common interests within multilateral negotiating fora such as the United Nations and the World Trade Organization. Second, there is a better appreciation and greater acceptance among developing countries of the fact that by liberalizing, facilitating and increasing among themselves the flow of goods, services and persons, and by enabling exploitation of economies of scale arising from enlarged markets, subregional integration and regional integration constitute avenues to achieve complementarities in national economies, promote fuller and more effective mobilization of resources, gain access to additional resources and knowledge, increase productive capacity, attain international competitiveness and attract investment.

4. Third, apprehension in developing countries about possible marginalization in respect of global markets and trade has fortified them in their resolve to accelerate and consolidate their subregional and regional integration processes. Such concern has arisen in part from the emergence of regional economic spaces involving major developed trading nations, with some developing country members in several cases, and the consequent concern among non-participating developing countries over conditions of access to these markets.[3] It has also arisen from fears regarding the fact that the main beneficiaries of the results of the Uruguay Round of Multilateral Trade Negotiations in the immediate to medium term are the major developed trading nations and the newly industrialized countries. The rest of the world, including the large majority of developing countries, will need to diversify their production capacities and increase competitiveness in order to increase their participation in the post-Uruguay Round international trading system. Subregional and regional economic integration affords developing countries a way of doing just that.

Box 1
Brief history of the evolution of subregional and regional integration groupings of developing countries

Over the past 30 years progress has been made in developing and expanding at the subregional, regional and interregional levels cooperation among developing countries that is directed at developing better organization and coordination among the States concerned in order to advance their common interests within international negotiating fora, and at promoting joint formation and implementation of mutually beneficial socio-economic and functional cooperation programmes in support of development. In particular, the formation of self-sustaining subregional and regional economies was emphasized. Other functional areas of cooperation included industry, agriculture, transport and communications, natural resources, energy, environment, human resources development, technical cooperation, cooperation with the enterprise sector, comprehensive information systems and cooperation with interested external development partners. This led to the establishment of subregional, regional and interregional intergovernmental organizations with their own objectives, strategies and programmes. It is very important to appreciate that institutions were not created simply for the sake of institutional development but to achieve specific development objectives and priorities. At the interregional levels these organizations include the League of Arab States (March 1945), the South Pacific Commission (February 1947), the Non-Aligned Movement (1961), the Organization of African Unity (July 1964), the Group of 77 (1964), the Organization of Islamic Conference (May 1971), the African, Caribbean and Pacific Group of States (June 1975), the Summit Level Group of Developing Countries (May 1989) and the South Centre (which was set up in 1990 as the follow-up to the South Commission, and attained intergovernmental status in September 1995). Moreover, special preferential trading arrangements were established, such as the Global System of Trade Preferences among Developing Countries (April 1989) at the interregional level, and the Bangkok Agreement (July 1975) at the regional level.

At the subregional and regional levels, among the first organizations to be set up were the Latin American Free Trade Association (February 1960), succeeded by the Latin American Integration Association (August 1980), the Central American Common Market (December 1960), the Regional Cooperation for Development (July 1964), replaced by the Economic Cooperation Organization (January 1985), the Central African Customs and Economic Union (December 1964), the Caribbean Free Trade Association (May 1967), superseded by the Caribbean Community (July 1973), the East African Community (June 1967), which was dissolved in 1977 and later revived under the same name (November 1993), the Association of South-East Asian Nations (August 1967) and the Andean Group (May 1969). Institution building has continued unabated, as witnessed by the creation of the South Pacific Forum (August 1971), the West African Economic Community (May 1973), which was dissolved in March 1994, the Mano River Union (October 1973), the Economic Community of West African States (May 1975), the Southern African Development Coordination Conference (April 1980), later transformed into the Southern African Development Community (August 1992), the Preferential Trade Area for Eastern and Southern Africa States (December 1981), later superseded by the Common Market for Eastern and Southern Africa (November 1993), the Cooperation Council for the Arab States of the Gulf (May 1981), the Indian Ocean Commission (December 1982), the Arab Maghreb Union (February 1989), the Southern Common Market (March 1991), the African Economic Community (June 1991), the Central American Integration System (December 1991), the West African Economic and Monetary Union (January 1994) and the Association of Caribbean States (July 1994).

Also established were cooperation institutions with limited development purposes such as the development of specific sectors (e.g. infrastructure), which addressed specific problems (e.g. desertification) or which catered for joint development of river and lake basins (for transportation, irrigation and hydroelectricity). Most of these were set up during the 1970s, but a few of them were set up earlier. These included the Committee for the Coordination of the Investigation of the Lower Mekong Basin (1957), the Council of the Entente (1959) and the Lake Chad Basin Commission (1964), the River Plate Basin (1970), the Liptako-Gourma Integrated Development Authority (1971), the Organization for the Development of the Senegal River (1972), the South Pacific Applied Geoscience Commission (1972), the Permanent Inter-State Committee for Drought Control in the Sahel (1973), the Organization for the Management and Development of the Kagera River Basin (1977), the South Pacific Regional Environmental Programme (1978), the Gambia River Development Organization (1978), the Treaty for Amazonian Cooperation (1978), the Forum Fisheries Agency (1979) and the Niger Basin Authority (1980).

Chapter I
AFRICA

I.1 INTEGRATION AND COOPERATION GROUPINGS AND INITIATIVES

5. Subregional and regional economic integration have been strong recurring themes in Africa since the late 1950s and an array of intergovernmental groupings for economic integration and cooperation have been set up (see table 1).[4] Among the early groupings was the Equatorial Customs Union (UDE), set up in 1959 between the Central African Republic, Chad, Congo and Gabon to continue with the collaboration that had existed between them when they were administered under the French Equatorial Africa area. In 1964 the union was transformed by the same member States and Cameroon into the Central African Customs and Economic Union (UDEAC). In West Africa, the West African Economic Community (CEAO) that was set up in 1973 was preceded by two other communities - the Customs Union of West African States (UDEAO), established in 1966, and the West African Customs Union (UDAO), established in 1959. At the continental level, formal recognition of these themes is enshrined in the Lagos Plan of Action (1980-2000) for the economic development of Africa and the Final Act of Lagos, adopted in April 1980 by the Heads of State and Government of the Organization of African Unity (OAU). The Plan of Action and the Final Act set out a blueprint for national and continental development through concerted effort up to the year 2000, and they both identify the promotion of subregional and regional integration as a priority. Intra-African integration becomes even more imperative in the present world economy of liberalization and globalization; African countries can effectively participate in the new world trading system through *inter alia* the building of subregional and regional competitiveness.

6. African economic groupings, like most other developing country groupings, were created to promote the development and social and economic integration of their member States by way of (a) establishing customs unions characterized by free flows of persons, goods, services and capital, and by the adoption of a common external tariff; (b) harmonizing policies and promoting regional projects in all major economic and social sectors, bearing in mind the need to balance the uneven development between member States; and (c) harmonizating monetary and financial policies. Over the years some progress has been made, as borne out by the many decisions and actions taken by the groupings' member States to introduce free trade in locally produced agricultural and industrial products as well as encourage development of production capacities in these sectors, to introduce trade facilitation measures such as computerized customs and statistical instruments, to establish free movement of persons, to improve road and communication networks between the capitals of member States and other measures to improve rail, maritime, river and air transport networks, and to establish monetary cooperation instruments such as clearing arrangements with the goal of creating single monetary zones.

7. The accumulated experience, however, shows that intra-African cooperation has generally proved to be very difficult and that performance has more often than not fallen well short of expectations and declared goals.[5] Despite many cooperative arrangements, intra-African trade flows as well as investment and financial flows continue to be dismal, and joint undertakings for the collective building of infrastructure, and of institutional, human and productive capacities, are too few to contribute meaningfully to strengthening and expanding trade and economic integration. The main impediments were a legacy of the past and included differences among countries in levels of development, linguistic groups and political systems; uncoordinated macroeconomic policies, narrow markets, and non-complementary and weak production systems, with attendant low quality and standards of certain industrial products acting as a disincentive; non-convertibility of most national currencies; fears about unequal distribution of the costs and benefits of integration; frequently over ambitious time-frames for the implementation of programmes, with failure to meet them resulting in the erosion of confidence; poor inter-State transport and communications infrastructures and linkages; proliferation of intergovernmental institutions for cooperation and integration; and the handicap constituted by the fact that peace and stability of subregions remained relatively fragile.

Table 1
Membership of African countries in major subregional, regional and interregional economic cooperation and integration organizations

Algeria	AEC, OAU, UMA, NAM, G-15, LAS, OIC	Madagascar	AEC, COMESA, OIC, NAM, G-77
Angola	AEC, COMESA, SADC, NAM, G-77	Malawi	AEC, COMESA, SADC, NAM, G-77
Benin	AEC, UEMOA, ECOWAS, CE, NBA, NAM, G-77, OIC	Mali	AEC, UEMOA, ECOWAS, CILSS, LGA, NBA, OMVS, NAM, G-77, OIC
Botswana	AEC, SADC, SACU, NAM, G-77	Mauritania	AEC, UMA, ECOWAS, SADC, CILSS, OMVS, CAEU, ACM, NAM, G-77, OIC, LAS
Burkina Faso	AEC, UEMOA, ECOWAS, CE, CILSS, LGA, NBA, NAM, G-77, OIC	Mauritius	AEC, COMESA, IOC, NAM, G-77
Burundi	AEC, ECCAS, CEPGL, COMESA, KBO, NAM, G-77	Morocco	UMA, NAM, G-77, OIC, LAS
Cameroon	AEC, UDEAC, ECCAS, NBA, LCBC, NAM, G-77, OIC	Mozambique	AEC, COMESA, SADC, NAM, G-77
Cape Verde	AEC, ECOWAS, NAM, G-77	Namibia	AEC, COMESA, SADC, SACU, NAM, G-77
Central African Republic	AEC, UDEAC, ECCAS, LCBC, NAM, G-77	Niger	AEC, UEMOA, ECOWAS, CE, CILSS, LGA, NBA, LCBC, NAM, G-77, OIC
Chad	AEC, CILSS, UDEAC, ECCAS, NBA, LCBC, NAM, G-77, OIC	Nigeria	AEC, ECOWAS, NBA, LCBC, NAM, G-15, G-77, OIC
Comoros	AEC, COMESA, IOC, NAM, G-77, OIC	Rwanda	AEC, ECCAS, CEPGL, COMESA, KBO, NAM, G-77
Congo	AEC, UDEAC, ECCAS, NAM, G-77	Sao Tome & Principe	AEC, ECCAS, NAM, G-77
Côte d'Ivoire	AEC, UEMOA, ECOWAS, CE, NBA, NAM, G-77	Senegal	AEC, UEMOA, ECOWAS, CILSS, OMVS, OMVG, NAM, G-15, G-77, OIC
Djibouti	AEC, IGADD, NAM, G-77, OIC, LAS	Seychelles	AEC, IOC, NAM, G-77
Egypt	AEC, CAEU, ACM, NAM, G-15, G-77, OIC, LAS, GATT Protocol, Tripartite Agreement	Sierra Leone	AEC, ECOWAS, MRU, NAM, G-77, OIC
Eq. Guinea	AEC, UDEAC, ECCAS, NAM, G-77	Somalia	AEC, CAEU, NAM, G-77, OIC, LAS
Eritrea	COMESA, IGADD	South Africa	SACU, SADC
Ethiopia	AEC, COMESA, IGADD, NAM, G-77	Sudan	AEC, COMESA, IGADD, CAEU, NAM, G-77, OIC, LAS
Gabon	AEC, UDEAC, ECCAS, NAM, G-77, OIC	Swaziland	AEC, COMESA, SADC, SACU, NAM, G-77
Gambia	AEC, ECOWAS, CILSS, OMVG, NAM, G-77, OIC	Togo	AEC, UEMOA, ECOWAS, CE, NAM, G-77
Ghana	AEC, ECOWAS, NAM, G-77	Tunisia	AEC, UMA, NAM, G-77, OIC, LAS, GATT Protocol
Guinea	AEC, ECOWAS, MRU, NBA, OMVG, NAM, G-77, OIC	Uganda	AEC, COMESA, EAC, IGADD, KBO, NAM, G-77
Guinea Bissau	AEC, ECOWAS, OMVG, NAM, G-77, OIC	U.R. of Tanzania	AEC, COMESA, EAC, SADC, KBO, NAM, G-77
Kenya	AEC, COMESA, EAC, IGADD, NAM, G-77	Zaire	AEC, ECCAS, CEPGL, COMESA, NAM, G-77

Lesotho	AEC, COMESA, SACU, NAM, G-77	Zambia	AEC, COMESA, SADC, NAM, G-77
Liberia	AEC, ECOWAS, MRU, NAM, G-77	Zimbabwe	AEC, COMESA, SADC, NAM, G-15, G-77
Libyan Arab J.	AEC, UMA, CAEU, ACM, NAM, G-77, OIC, LAS		

Note: For definition of acronyms, see Abbreviations (p.4).

8. Furthermore, despite the adoption and ratification of treaties (including protocols and conventions) and an impressive array of decisions taken and programmes created by governing organs of integration groupings, many of these have not been implemented at the national level; some have had their implementation postponed or delayed, often several times; and for those which are being implemented, implementation has been slow and has proceeded without any spectacular success. It is not uncommon to find in integration groupings that many of the protocols and conventions adopted have not yet entered into force owing to insufficient number of ratification; that protocols and conventions which have entered into force have done so with the minimum number of ratification; or even that protocols and conventions with the required ratification have not been implemented. The experience of the Economic Community of West African States (ECOWAS) in this respect is illustrative of the problem: by 1991 around 23 out of a total of 25 legal texts had been ratified, but implementation of most of them in individual ECOWAS member States was delayed. One example is the ECOWAS subregional trade liberalization scheme, which was adopted in 1981 but launched 10 years later in 1990. Similarly, the defence protocol, adopted in 1981 and subsequently ratified, has not yet been implemented.

9. This state of affairs is due in large measure to the fact that the protocols and conventions adopted are not directly applicable in member States; that is, they are not binding on member States until they have been ratified in accordance with domestic law. The seriousness of the problem was such that ECOWAS found it necessary to revise its original treaty and adopt a new one, which could improve the Community's capacity to make and implement decisions and programmes. (It is worth noting that a very similar adjustment for the same reasons was made by CARICOM (see chapter III).) The implementation problem is also highlighted by the inadequacy of material and financial resources available to subregional institutions (executive secretariats and community development funds), due mainly to late payment or non-payment by member States of budgetary contributions. There is not one subregional organization which is not facing a budget crisis. A case in point is the Economic Community of Central African States (ECCAS), whose operations were substantially reduced owing to an insufficient budget and the staff of whose executive secretariat have on several occasions gone on strike because their salaries had not been paid.

10. Furthermore, intra-African economic integration was undermined by the serious economic decline that most countries of the different subregions experienced in the 1980s, resulting in a decline in per capita income, sharp reductions in capacity utilization, particularly in the industrial sector, and serious financial and balance-of-payments constraints arising from shortfalls in commodity export prices and from a heavy debt burden. Political conflicts, especially in West and Central Africa, and natural disasters such as drought and encroaching desertification, particularly in North, East and Southern Africa, added to the factors undermining the supply capacities of many countries in the region. These situations, in turn, reduced the capacity of subregions to maintain social and economic infrastructure and support subregional economic integration and cooperation initiatives.

11. Nevertheless, since 1990 African countries and their groupings have increasingly focused attention on strengthening institutional capacity and the effectiveness of integration programmes by addressing deficiencies which have emerged over the years. Measures taken have variously included (a) extending the scope of cooperation to the formation of viable economic spaces, increasing participation of enterprises and cooperation among them and their associations, increasing popular participation, and promoting the political dimension of cooperation which provides for the promotion of good

neighbourliness, regional peace and stability, good governance and respect for human rights; (b) initial steps taken to bring about some coordination and rationalization among the institutions with overlapping membership and similar ultimate objectives; and (c) revision of treaties or adoption of new ones either to create new institutions or to strengthen existing ones and the expansion of membership of organizations. The general approach underpinning these measures remains that of regional self-reliance in support of development and economic transformation. However, in keeping with the ongoing process of liberalization, the self-reliant approach is no longer perceived as an end in itself but as a stepping stone for the better integration of African economies into the global economy, and open and outward-looking policies are thus being advocated.

12. The adoption of new treaties to create new groupings where none had existed and the revision of existing treaties or adoption of new ones to replace existing groupings have been a prominent feature. Foremost among the adoption of new treaties to create new groupings was the signing, in June 1991 by the OAU Assembly of Heads of State and Government, of the Abuja Treaty establishing the African Economic Community (AEC). The treaty entered into force in May 1994 and thereby launched a plan for the progressive creation of the AEC in six stages spread over a period not exceeding 40 years, resulting in the establishment of a pan-African common market and monetary union (article 6).[6] As of January 1996, 36 OAU States had ratified the treaty (and 15 have yet to do so).

13. At the subregional level in West Africa, the West African Economic Community (CEAO), one of the most successful organizations on the continent having a single currency, a monetary authority and a high level of intra-group trade (see table 2, statistical annex), was dissolved by member States in March 1994 subsequent to the formation of a new group, the West African Monetary and Economic Union (UEMOA). UEMOA was formed in January 1994 with the adoption of its constituent treaty by the former members of the CEAO (except Mauritania) and Togo (which was not a CEAO member). It succeeds the West African Monetary Union (UMOA), and is aimed at deepening the monetary cooperation pursued over two decades under the aegis of UMOA and supplementing it with economic integration, so as to create a subregional market promoting the free movement of goods, people, services and capital. In Eastern and Southern Africa, the East African Community (EAC) treaty, signed in November 1993 by Kenya, the United Republic of Tanzania and Uganda, entered into force in November 1994.[7] The EAC is intended to foster cooperation in various fields, including political, economic, social, cultural and security matters, as well as to resolve outstanding issues from the former community of the same name, including those relating to its assets and liabilities. Fully-fledged EAC activities did not start until March 1996, when member States agreed to the appointment of senior officers for the executive secretariat.

14. Concerning the revision of existing treaties or the adoption of new ones to replace existing groupings, there have been several important changes. The 1975 ECOWAS treaty was amended and a revised treaty was adopted in July 1993 by the ECOWAS Authority of Heads of State and Government. The revision was aimed at rejuvenating the ECOWAS integration process, which had became moribund. The revised treaty therefore maintained the objective of an integrated and functional community but incorporated new provisions aimed at infusing dynamism into the integration process (as will be discussed below).

15. The Central African Customs and Economic Union (UDEAC), founded in December 1964, was restructured into the Economic and Monetary Community of Central Africa (CEMAC) with the signing of its treaty in March 1994.[8] CEMAC will comprise an Economic Union of Central Africa based on the achievements of UDEAC, a Monetary Union of Central Africa, a Community Parliament and a Community Court of Justice. The Bangui-based UDEAC secretariat is being transformed into the executive secretariat of CEMAC to monitor and facilitate member States' implementation of the reforms and commitments assumed under CEMAC. The creation of CEMAC constitutes one aspect, namely that of institutional reinforcement, of a new approach to development being applied by the Central African States. The other aspects are the creation of a development-enabling environment, a role to be undertaken by States; a regional programme of reform (PPR) in the areas of fiscal and customs cooperation, transit transport and monetary cooperation (the programme,

developed jointly by UDEAC and the World Bank, is being implemented by UDEAC with the participation of the International Monetary Fund, the Commission of the European Union and the Government of France); and the coordination and harmonization of sectoral policies and plans in respect of agriculture and environment, industry, trade and transport.

16. The Preferential Trade Area for Eastern and Southern Africa States (PTA), created in 1981, was transformed by treaty into the Common Market for Eastern and Southern Africa (COMESA). The treaty establishing COMESA was signed by a majority of the PTA member States and Zaire (a non-PTA State) in November 1993. It entered into force in December 1994, and the PTA ceased to exit as an institution from that date. COMESA's creation was decreed by the PTA Treaty (articles 2, 3, 29), in that the "preferential trade area" should be transformed into a common market (and eventually into an economic community) 10 years after the treaty's entry into force (September 1982). COMESA embodies a new vision for growth and development whose central theme is a trade and investment bloc. Drawing on the experiences of PTA and the European Community, the following principles were adopted: COMESA will emphasize making it easier for the business community to invest and produce more efficiently and take maximum advantage of regional integration (with the role of governments focused on creating an enabling environment). It combines the concepts of "production-led" and "market-led" integration to spread industrialization, manufacturing and agro-processing to those member States which currently are not producing competitive goods of high international quality and standards, so that all States can take advantage of the widened domestic market constituted by COMESA. COMESA is based on the concept of multi-speed development through which two or more member States can agree to accelerate the implementation of specific COMESA treaty provisions or other agreements, while allowing others to join in later on a reciprocal basis; thus, cooperation programmes are pegged on the "fastest-moving member States" rather than on the "slowest-moving member States". Moreover, COMESA provides for both "enforceability" of common decisions and other obligations by each member State, and "sanctions" against any member State that deliberately and persistently refuses to comply with or implement agreed decisions.

17. The Southern African Development Coordination Conference (SADCC) was replaced by the Southern African Development Community (SADC). The declaration and treaty transforming the Conference into a Community were signed by the Heads of State and Government in August 1992. The transformation marked an important step for Southern African States in forging ahead from regional cooperation to regional integration. SADC's main objective is to intensify cooperation and regional integration with a view to achieving (a) deeper economic cooperation on the basis of balance, equity and mutual benefit; (b) common economic, political, social values and systems; and (c) strengthened regional solidarity, peace and security. This new departure is evident from various initiatives such as the incorporation of a new sector for cooperation, namely finance and investment (to be coordinated by South Africa), and the elaboration of a trade protocol. SADC will build on progress achieved under SADCC, which was established in April 1980 to reduce economic dependence on third countries and institutions, foster mutual integration and mobilize resources for regional development, including international support.

18. Under SADCC, the basis for strengthening ties and links among members was laid. The SADCC Programme of Action has been inherited by SADC; it identifies areas of cooperation and specific activities for funding and execution. The sectors covered are agriculture, food security and land; infrastructure and services; industry, trade and finance; human resources development, science and technology; mining; tourism; energy; culture and information; and recently finance and investment. Following the accession of South Africa to SADC, the finance sector was accorded to that country (and detached from industry, trade and finance). The approach to cooperation in these sectors was entirely project-based and important progress was recorded, especially in the high-priority areas of transport, energy and agriculture. For example, as a direct consequence of SADC activities, the subregion has a much improved transport system between at least four landlocked member States (Zambia, Zimbabwe, Malawi and Swaziland) and Mozambique ports. The subregion has surplus capacity in terms of installed electric power, and efforts are being made to ensure that electricity reaches all deficit and fast-growing areas. Moreover, a Food Security Early Warning System, comprising regional

and national units, was set up and gives the subregion capacity to respond at short notice to first signs of drought.

19. The strengthening and expansion of the scope of cooperation and membership, including new modalities and initiatives to address perceived deficiencies, more often than not has ensued from the treaty changes discussed above. One important trend is the adoption/adaptation/adjustment by subregional groupings and the AEC of trade integration programmes for the formation of viable subregional economic spaces that could eventually form a continental economic space (details are given below). This trend is consistent with and responds to the global trend towards the formation of large economic spaces to create competitiveness and ensure market security.

20. Subregional peace, stability and security have assumed greater importance in Africa as many subregions have experienced insecurity and disruptions caused by frequent border closures, border skirmishes, and the alleged complicity of neighbouring States in foreign invasions and/or internal uprisings. The unfortunate occurrence of political upheavals and inter-State conflicts has vitiated development efforts, including subregional and regional integration. In the Mano River Union (MRU), for instance, a civil war broke out in 1989 in a member State with spillover effects into neighbouring countries which *inter alia* paralysed the MRU. Thus the member States, the larger community that is ECOWAS and donor agencies/governments have had to divert attention and development resources to arresting the war and restoring peace. The Economic Community of the Great Lakes Countries (CEPGL) with its Gisenyi-based secretariat has seen its operations crippled by the civil strife in Rwanda and the continuing problems in this area. Within the Arab Maghreb Union (UMA), member States' internal difficulties have impeded further progress towards the declared objective of the formation of a subregional market (within which the free movement of persons, goods, services and capital will be progressively established, and economic and social policies coordinated and harmonized), even though member States have taken a comprehensive set of institutional regulatory and policy decisions that constitute the basic framework for UMA integration.[9] For example, the objective of intra-UMA free trade by 1995 has not being realized.

21. These difficulties have brought into sharp focus the fact that a peaceful and stable political environment is required within which economic cooperation and integration can operate and prosper, the two being inseparable. While cognizant of the fact that the defence of national sovereignty and territorial integrity is the exclusive preserve of each nation State, most if not all of the basically economic integration groupings have found it necessary to introduce the safeguarding of peace and security within and among States as an indispensable aspect of cooperation and to develop mechanisms to uphold the policy of good neighbourliness. There have been several initiatives in this direction. First, the OAU established in 1993 a mechanism for conflict prevention, management and resolution aimed at quickly facilitating effective and pre-emptive responses to potential conflicts by way of diplomatic prevention of conflicts, the management of conflict through peace-keeping.[10] This mechanism will eventually form part of the African Economic Community which, for its part, provides for the creation of a Pan-African Parliament (article 14). Second, the revised ECOWAS treaty has a whole chapter devoted to political cooperation and subregional security which sets the framework for enhancing wider participation of the peoples in the integration process, and for ensuring subregional peace and security, including improvement of means for subregional conflict resolution. The ECOWAS programme is based on the experience gained from the setting up of the ECOWAS Standing Mediation Committee, which launched the ECOWAS Monitoring Group (ECOMOG) that has been striving to help restore peace and stability in Liberia. ECOMOG has the distinction of being the first example of a subregional peace-keeping force created within the framework of a subregional integration grouping of developing countries. Third, SADC member States have been discussing since 1994 the formation of an association of Southern African States to coordinate joint conflict resolution and peace-keeping actions.

22. Efforts to improve the scope for implementing integration decisions and programmes at the national level have started.[11] The Abuja Treaty and the revised ECOWAS treaty introduced new provisions in this regard. For example, article 10 of the Abuja Treaty empowers the AEC to take decisions which are

legally binding on or have direct applicability in member States; and article 82 gives the AEC the leeway to supplement or, where necessary, replace the annual regular budget of the Community by the Community's own resources. Article 9 of the revised ECOWAS treaty confers upon the ECOWAS Authority (the supreme policy organ) full power to take decisions which would be binding on Community institutions as well as on member States. Furthermore, article 72 provides for the enactment of a Community levy to generate financial resources for the Community and reduce its dependence on contributions from member States; the levy will be a percentage of the total value of import duty derivable from goods imported from third countries. These provisions provide AEC and ECOWAS with supranational attributes, since they suggest, for example, that the two intergovernmental organizations be endowed with the necessary legal capacity to take decisions which are legally binding on or have direct applicability in member States and to enforce, if necessary, the application of decisions; and that the organizations are able to secure sources of revenue that are independent of budgetary appropriations from member States. COMESA addresses the problem by embracing the principle of variable-speed geometry and linking non-compliance by member States with the threat of sanctions. These are fundamental changes which could inspire other groupings to follow suit, yet they pose difficulties because they affect national sovereignty, about which most African countries are highly sensitive.

23. Addressing the problems of coordination and rationalization of programmes and activities of multiple integration groupings within a particular subregion with overlapping objectives and functions is a constant concern. In this regard, the African groupings and others as well could learn from the experience of the South Pacific Organizations Coordination Committee, discussed in chapter II. In Africa the most promising region-wide plan for rationalizing intergovernmental institutions, but also one which is very difficult to implement, would take effect when the African Economic Community is set up. This is because this body would be established on the basis of only four or five subregional economic communities covering the continent, thus entailing a major rationalization and realignment among the existing ones in order to arrive at the four or five groupings. These subregional pillars of the AEC would be formed during the first three stages of the plan for its establishment (Abuja Treaty article 6); this covers a period of over 21 years, which will be devoted to strengthening, coordinating and harmonizing the programmes and activities of various subregional groupings.[12] One of the potential subregional pillars is apparent - the UMA (for North Africa) - as it is the sole subregional entity at present (UMA membership, however, does not cover the entire North African subregion since both Sudan and Egypt are not members). In the other subregions, the situation is not yet clear.

24. In West Africa, various initiatives and plans for the coordination and harmonization of programmes and activities of existing groupings as well as eventually of the groupings themselves have been proposed. To that end, ECOWAS countries incorporated into the revised ECOWAS treaty a provision that ECOWAS shall be the sole economic community in West Africa and serve as the focal point for all intra-regional integration activities (article 2). The parallel existence of ECOWAS, CEAO and MRU in West Africa had resulted to some extent in overlapping functions and duplication of activities. Moreover, it polarized the subregion into English-speaking and French-speaking groupings, often acting as a deterrent to cooperation. These problems continue to affect subregional integration. Although, as noted above, CEAO was dissolved UEMOA was created by the former CEAO member States. The preamble to its treaty declares that it supports ECOWAS objectives, but the organic relationships between the two institutions remain to be defined. In addition, MRU is being revived as a mechanism for determining subregional development priorities and coordinating and managing external aid following the termination of conflicts in its area of influence. It is thus clear that even though ECOWAS is supposedly the sole integration entity in the subregion, UEMOA and MRU will continue to operate alongside each other, and this does not augur well for subregional integration nor for regional integration envisaged under the AEC if there is no close coordination and cooperation between the three groups.

25. A similar situation of overlapping integration groupings exist in Central Africa with its three integration groupings, namely ECCAS, CEMAC/UDEAC and CEPGL (the smallest in terms of membership). ECCAS aims to set up a customs union, CEMAC/UDEAC an economic and monetary union, and CEPGL a customs

union and monetary cooperation. These objectives are largely similar and the membership of ECCAS includes members of CEMAC and CEPGL, as well as Sao Tome and Principe. Some rationalization and/or coordination between ECCAS, CEMAC and CEPGL is necessary therefore in order to avoid duplication of programmes and activities and to contribute to the evolution of a subregional pillar for the AEC. It is especially evident from the continued non-payment of member States' assessed contributions to all three organizations that while there is political support from member States, in practice financing both organizations is a double or triple burden that is difficult to bear in times of economic crises and limited fiscal resources.[13] The need for closer cooperation and coordination is recognized, so that since 1988 the three groupings have been convening regular meetings at least once a month to coordinate and harmonize their sectoral development cooperation programmes.

26. In Eastern and Southern Africa and the Indian Ocean, six integration institutions have been set up which if ranked from the smallest to the largest in terms of membership are EAC, the Indian Ocean Commission (IOC), the 30 Southern African Customs Union (SACU), SADC and COMESA. COMESA membership covers the three countries of EAC, three out of the five countries of IOC, three out of the five countries of SACU and ten of the twelve countries in SADC. The six organizations have mandates to promote subregional economic integration, including the integration of their markets, but given their overlapping membership and same ultimate objectives, these organizations will need to go through a process of rationalization if the objectives they seek are to be realized. COMESA and SADC in particular have been examining this issue indepth since 1992. This examination has led to the conclusion that the two organizations will continue to exist separately but will hold a joint summit of Heads of State and Government to adopt decisions and to act as a mechanism for the harmonization, coordination and rationalisation of cooperation activities. The effectiveness of this approach remains to be appraised after several such summits have been convened. The coordination and rationalization of programmes and activities between SADC and SACU, between COMESA and EAC and between COMESA-SADC on the one hand and IOC on the other remains to be broached, discussed and defined. These imply that the rationalization and coordination of intergovernmental organizations in the Eastern and Southern African and Indian Ocean subregion is a particularly pressing priority. It is even more important in the context of the evolution of a subregional pillar for the continental community that is AEC.

27. As far as the expansion of membership is concerned the following can be noted. Zaire, which was not a member of the former PTA, joined other PTA member States in signing the treaty creating COMESA in November 1993. At the same time, the following countries were admitted to PTA (which continued to function until the COMESA Treaty was ratified): Eritrea, Madagascar and Seychelles). South Africa and Mauritius requested admission to SADC, and were admitted as its eleventh and twelfth members respectively in 1994 and 1995. It can be noted with regard to Mauritius that since it is one of the major emerging exporters in the region, joining SADC was a deliberate strategy for securing larger markets for its exports. The accession of South Africa was a major boost for the newly created SADC. In view of its dominant economic position in the region,[14] which it is well placed to further consolidate, South Africa is expected to play a lead role in the subregional integration process, although this will not be easy. At the same time, the country may not participate fully in integration programmes since the Government's major priority is a fundamental restructuring of many aspects of the national economy in order to respond to the high expectations of the majority of the country's peoples. Further, SADC would have to take into account the multifaceted relationships currently existing between South Africa and four of the SADC countries (Botswana, Lesotho, Namibia and Swaziland) within the framework of SACU. SADC will need to incorporate the flexibility that would allow the special SACU relationship to be maintained. It may be noted with regard to SACU that Namibia, after gaining its independence, elected to joined SACU and maintain the relations that had existed when it was incorporated within South Africa.

28. The Eastern and Southern African and Indian Ocean subregion has witnessed a flurry of integration initiatives in the 1990s. Development pertaining to existing subregional groupings has already been mentioned. Mention could also be made of the two other initiatives. One is the Cross-

Border Initiative (CBI) for Eastern and Southern Africa and Indian Ocean countries.[15] It was launched in 1992 under the co-sponsorship of the African Development Bank, the Commission of the European Communities, the International Monetary Fund and the World Bank, in collaboration with the secretariats of the Indian Ocean Commission (IOC), COMESA and SADC. It constitutes an innovative approach to promoting regional integration encompassing the following features: (a) adoption and implementation of a common programme of action with specific measures to be implemented which are aimed at liberalizing and facilitating trade, facilitating cross-border investment and payments, and improving national institutions that support the Initiative; (b) identification of the corresponding implementing agencies for these measures (national governments, regional organizations (IOC, COMESA and SADC) and the private sector); (c) implementation of the measures within a given time-frame consisting of a short term of 12 months or a medium term of up to three years; (d) coupling of the implementation of the common programme and specific measures with financial support from the donor agencies; and (e) regular monitoring of progress achieved at the national, subregional and international levels (involving all relevant actors).

29. At the second ministerial meeting of the Initiative in March 1995, participating countries reaffirmed their commitment to the initiative and reported substantial progress with regard to trade reform, particularly the elimination of trade licensing and other non-tariff barriers, liberalization of payments on the current account and designing more liberal and transparent investment regimes. The meeting also endorsed a number of proposals, including a proposed "road map" for the harmonization of trade policies regarding third countries, especially the elimination of tariffs on intraregional trade by 1998 and adoption of a common external tariff by 1998; and the harmonization of other policies regarding investment incentives, transit regulations, taxation, customs administration and company law. The implementation of these programmes would take into account similar programmes of the existing organizations.

30. Lastly, an initiative is emerging in the Indian Ocean Rim which is receiving preliminary consideration by countries of the Rim, including several in Africa (see chapter IV for details).

I.2 COOPERATION IN TRADE

31. Over the last decade African countries have lost international competitiveness and very few of them have succeeded in diversifying their production bases and in becoming exporters of manufactured goods. The structure of Africa's production and exports is dominated by primary commodities; in 1992 around 83.7 per cent of total African exports was accounted for by primary commodities (Standard International Trade Classification (SITC): 0 to 4 plus 68). Moreover, the continent's share of total world exports, which had increased from 3.9 to 4.8 per cent between 1970 and 1980, dropped precipitously to 1.9 per cent in 1992 (table 1, statistical annex). The decline in the value of African merchandise exports in particular reflects to a large degree the persistent drop in the prices of primary products constituting the bulk of African exports. The situation is bleak; and moreover, the future of African exports to the markets of developed countries is not bright, given the emerging international trading system under the Uruguay Round Agreements within which African countries will conduct their foreign trade for the decades to come.

32. The former GATT secretariat has estimated that the full implementation of the Uruguay Round market access conditions for trade in goods by 2005 will boost world income by about US$ 510 billion annually, and that as much as 61 per cent of the annual increases will accrue to the developed market economy countries (United States, European Union, Japan) and 23 per cent to developing countries and economies in transition.[16] It is unlikely that African countries will benefit substantially from the lowering of tariffs and other trade barriers in the short to medium term. Also, as the trade of African countries is conducted under preferential arrangements both within the framework of the Lomé Conventions and within that of the Generalized System of Preferences (GSP), the removal or reduction of tariffs on the main markets of export interest to Africa, namely the European Union, Japan and the United

States, will lead to a lowering of preferential margins with attendant negative consequences for African exports.[17] The losses incurred are aggravated by the fact that Africa's production and export capacity and competitiveness are quite limited at present.

33. It emerges from the foregoing analysis, among others, that strategies need to be adopted and implemented that aim at reducing Africa's dependence on primary commodity exports and at stimulating export growth, including through the search for new markets. In looking for alternative markets, the possibility of exploiting opportunities offered by markets in the South, including in the region itself, is one avenue. Recent trends provide positive indications in this area, coupled with the fact that trade among developing countries generally is increasing (table 1, statistical annex). Furthermore, Africa's trade with the world (both exports and imports) has been growing since 1986. This trade growth affects all destinations (and origins), including trade with developing countries and trade among the African countries themselves.

34. First, recorded intra-African trade expanded the most between 1990 and 1992 with an annual growth rate of 9.5 per cent, while that for trade with the world was less than 2.0 per cent for exports and less than 1.0 per cent for imports. It raised the value of intra-African trade to US$ 5.2 billion in 1992, up from US$ 3.9 billion in 1990. This led to a strong increase in the share of intraregional trade in total African trade; in terms of exports, the share rose from 5.9 per cent in 1990 to 7.5 per cent in 1992 and, in terms of imports, it rose from 4.8 to 6.3 per cent for the same period. The dynamism of intraregional trade is not reflected in intra-subregional trade which is conducted among members of subregional integration groupings and which has shown only a modest expansion (table 2, statistical appendix). The share of intra-group trade in total group exports between 1990 and 1993 rose slightly for UMA, ECOWAS and ECCAS and stagnated in other African groupings.

35. Second, Africa's trade with other developing regions has been increasing since 1986 (table 1, statistical appendix). Exports from Africa to other developing countries (i.e total African exports to the South less exports to Africa) increased from US$ 4.5 billion in 1986 to US$ 5.3 billion in 1991 and US$ 4.7 billion in 1992; and imports rose from US$ 9.5 billion to US$ 14.9 billion for the same period (table 1, statistical annex). In terms of each region, total African exports to developing America dropped substantially between 1986 and 1990, but had recovered by 1992. In contrast, Africa's exports to Asia increased by about 39.5 per cent between 1986 and 1990, raising the value of trade to US$ 3.6 billion, and it has since fluctuated around this value. In respect of imports, Africa's trade with developing America stagnated during the period reviewed while trade with Asia expanded. These figures show that at the present time Africa's trade with other developing countries in terms of both exports and imports is conducted mainly with Asian countries.

36. Owing to the expansion in intra-African trade and in the region's trade with other developing regions, Africa's trade with developing countries as a whole has been steadily increasing since 1986 (table 1, statistical appendix). By 1992 the share of developing countries as a destination for African exports had recovered to 14.2 per cent, after falling from 16 to 13 per cent between 1986 and 1990; and the share of developing countries as a source of African imports was 27.7 per cent in 1991 and 24.2 per cent in 1992, as compared with 20.4 per cent in 1986. The value of such trade also increased between 1986 and 1992, with total African exports to developing countries increasing from US$ 7.4 billion to US$ 10 billion, and total African imports from developing countries soaring from US$ 12.3 billion to US$ 20.1 billion.

37. The growth in intra-African trade notwithstanding, such trade is currently underdeveloped compared with that of other regions. In terms of exports in 1992, for example, the share of intraregional trade in total trade was 39.5 per cent for Asia and 21.4 per cent for developing America. A similar situation applies to the intra-trade of subregional integration groupings. Also, African countries have yet to develop significant trade relations with other developing countries. Africa's exports to developing America and Asia accounted respectively for 1.1 per cent and 5.4 per cent of the continent's global exports in 1990; and these shares amounted to 1.7 and

5.0 per cent in 1992. Africa's imports from developing America represented 2.4 per cent of its global imports in 1990 and 2.3 per cent in 1992, while for Asia it was much higher - 15.7 per cent in 1990 and 15.2 in 1992.

38. A number of factors contribute to holding back Africa's trade performance in developing country markets, including within the continent itself. Limited progress in preferential trade liberalization has contributed to holding back intraregional and intra-group trade growth. In ECOWAS, for example, trade liberalization for industrial products effectively started in January 1990, although it was envisaged that it would begin in 1981. The delay in ratification and implementation of the scheme arose, among other factors, from differences among member States concerning restrictive criteria governing rules of origin (51 per cent national ownership) and fears about the potential adverse fiscal impact of liberalization on member States. Similar delays in implementation of approved preferential trade liberalization programmes for industrial products were experienced by ECCAS and UMA. Other groupings which succeeded in implementing their programmes such as COMESA (under PTA) and UDEAC (through the "taxe unique") experienced an expansion in intra-group trade in the initial stages which later stagnated and/or declined. Further expansion of intra-group trade was inhibited by complex non-tariff barriers. Preferential trade liberalization has been slow because tariffs serve a double purpose: they are instruments of protection and a source of fiscal income for governments (this problem applies equally to Africa's trade with other developing countries).

39. In addition, intra-African trade is hampered by transport bottlenecks, financial problems and structural rigidities. Transportation routes and lines of communications for intra-African trade and Africa's trade with other developing regions are limited, and this constitutes a serious impediment to the expansion of trade (see section I.4(b)). The lack of and poor state of transport and communication networks in particular hampers the development of partnership among buyers and sellers (entrepreneurs). In terms of financial problems, the scarcity of foreign exchange in particular places serious limitations on import capacities. Also, trade financing for trade among developing countries is not readily available (see section I.3). The trade information gap is another cause of the persistently low level of Africa's performance in trade among developing countries. Another important barrier is problems on the supply side and particularly the lack of product diversification. The majority of African countries specialize in the production of primary commodities and most of the locally produced manufactured goods are often absorbed by domestic markets, and those that are exported face stiff competition from products originating in developed countries (and newly industrializing countries).

40. Yet there is room for African countries to advantageously compete in developing country markets, where highly sophisticated and expensive products from developed countries meet consumers' less and less. The comparative advantage of developing countries may lie in their ability to produce products appropriate to their needs, owing to similarities in levels of development and patterns of demand. Recognizing the underlying potential, African countries have taken actions for the development of trade among themselves and with other developing countries. In respect of intra-African trade, most of the subregional arrangements (ECOWAS, UEMOA, MRU, COMESA, SADC, CEMAC/UDEAC) and the regional entity, AEC, have adopted new or revised trade programmes that attempt to improve upon existing schemes. Most trade programmes comprise two aspects, namely a trade liberalization programme for the formation of wider economic space, coupled with trade promotion. The most ambitious new programme is the proposal within the Abuja Treaty (article 5) for the formation of a continental free-trade area and customs union, as a prelude to the formation of a pan-African common market. The pan-African free-trade area and customs union are to be achieved by means of coordination and harmonization of the different subregional integration groupings' programmes for free trade and customs union. The subregional free-trade areas and customs union are to be set up within 23 years following the entry into force of the Abuja Treaty, i.e. before 2017, which would mean that the continental free-trade area and customs union are to be set up at the latest by 2019. While these are the broad outlines of the customs union programmes that took effect with the entry into force of the Abuja Treaty, the actual launching of

the initiative is contingent upon the finalization and adoption of the relevant technical protocols.

41. At the subregional level, new trade integration programmes have been adopted by ECOWAS, UEMOA, CEMAC and COMESA; SADC is currently discussing one; and UMA, SACU, CEPGL and IOC are either implementing existing programmes or revising them. CEPGL and IOC pursue trade cooperation and expansion objectives by way of trade promotion programmes rather than trade integration programmes. The implementation of the CEPGL programme, however, has been curtailed owing to the civil strife in the subregion. In IOC the implementation of its trade programme is progressing slowly without any spectacular success, in part because the scope for intra-group trade is limited. In this light, it may be appropriate for IOC and CEPGL to coordinate and harmonize their non-functional trade programmes with the COMESA programme and also exploit the wider market opportunities. In respect of SACU, the BSLN countries (Botswana, Swaziland, Lesotho, Namibia) and South Africa have been negotiating a restructuring of the present customs union arrangement, and it is conceivable that the revised arrangement may be linked to the trade integration programme being developed by SADC. In SADC, member States are elaborating a trade protocol which could possibly call for the creation of a SADC free-trade area. In Southern Africa, therefore, three different subregional economic spaces are being proposed respectively by SACU, SADC and COMESA and as these would obviously overlap, they would need to be coordinated and rationalized. In respect of UMA, a trade integration programme was adopted to establish a common market, beginning with the formation of a free-trade area by 1995. This, however, was not achieved owing, among other factors, to member States' internal difficulties.

42. COMESA foresees a large trade and investment bloc, to be formed by achieving the following elements of integration (which were not present in PTA): full free-trade area, customs union, free movement of capital and finance and a common investment procedure, a payments union and free movement of persons. The economic space which would be developed under COMESA would build on and draw on the 12 years of achievements under its predecessor, PTA. These accomplishments in the area of trade development include trade liberalization which has resulted in the reduction of tariffs in some cases by as much as 70 per cent, and the organization of trade fairs resulting in trade creation; and capacity building for subregional integration, including the PTA Clearing House, the Eastern and Southern African Trade and Development Bank, the PTA Re-Insurance Company, the Trade Information Network and the Road Customs Transit Declaration Document, to name but a few.

43. The economic space which CEMAC proposes encompasses an Economic Union of Central Africa that will be built upon the achievements of its predecessor, UDEAC, and a Monetary Union of Central Africa. On monetary matters the Bank for Central African States (BEAC) is maintained as an autonomous institution that will continue to act as the joint Central Bank for the Central African States of the CFA franc zone. It will manage the money in the context of the Monetary Union of Central Africa. In the economic union the priority sectors are human resources development, transport, agriculture, energy, environmental protection and industry.

44. As regards the customs union, a major revision was undertaken of the fiscal and customs arrangement existing under UDEAC in the framework of a regional programme of reform (PPR). The revisions included the replacement of all indirect taxes on imports by a tax (taxe sur le chiffre d'affaires - TAC) for each member State, and the abolition of the single tax (taxe unique - TU) and its replacement by a single preferential tariff (tarif préférentiel généralisé - TPG) applicable on the factory value of goods originating in the Union and designated as a "UDEAC product". The level of the tariff will be progressively lowered to attain free trade within a period of five years, as follows: the tariff will be levied at 20 per cent of the common external tariff in the first year of reform, 10 per cent in the third year and zero per cent in the fifth year. The preferential tariff is aimed at increasing intra-subregional trade and investment exchanges. The level of the common external tariff (tarif extérieur commun - TEC) was lowered to encourage enterprises to increase production and widen the taxable base eroded by fraud and black-market trade, which had been caused by the very high level of the previous common external tariff. For purposes of application of the common external

tariff, products are classified into four categories having different tariff levels as follows: (i) basic necessities (5 per cent), (ii) raw materials and equipment (15 per cent), (iii) intermediate goods (35 per cent) and current consumer goods (50 per cent in the first year and 35 per cent in the sixth year). These measures will interact with the national structural adjustment measures of member States and together foster a trade and investment enabling climate in the subregion.

45. The West African Monetary and Economic Union (UEMOA) was formed in January 1994 by the members of the West African Monetary Union (UMOA) as a successor to UMOA. The treaty creating UEMOA proposes the formation of an economic space comprising a common market and, in support of it, a common financial market based on the achievements of UMOA (articles 4, 62 and 76 to 102). The novelty of UEMOA, therefore, is the attempt to put together under a single umbrella institution the financial cooperation that had existed under UMOA and the economic-cum-trade cooperation that had been carried out by members under CEAO. UEMOA's features will include a free-trade area, a common external tariff (a portion of which will be directed to the Union as autonomous source of financing in accordance with article 54 of the enabling treaty), common competition policies, and free movement and establishment of persons and capital. The process begins with the imposition of a standstill on the introduction of new custom duties and other trade barriers, upon the entry into force of the UEMOA treaty. The subsequent modalities and schedules for attaining the common economic space is left to the grouping's policy organ to determine.

46. Accordingly in January 1996, the second UEMOA Council meeting ratified a preferential trade area plan within which UEMOA-originating products (as approved by the UEMOA Council and having 60 per cent local content or 40 per cent value added) will benefit from a preferential community tax (TPC); the preference will be in the range of 30 per cent. States' loss in fiscal revenue will be compensated by a community solidarity levy of 0.5 per cent on customs revenue from third-country imports. Ministers also agreed on a multilateral surveillance mechanism for macroeconomic policies of member States. Last, the UEMOA treaty requires that the trade integration measures taken by UEMOA, in conformity with GATT article XXIV(5)(a), should not be more restrictive than those existing prior to the creation of the Union. In terms of monetary matters it is recalled that UEMOA encompasses West African countries in the CFA franc zone. Hence, the single monetary institution created under UMOA, namely the West African Central Bank (BCEAO), will continue to perform its functions as the joint Central Bank for the member States, but will be independent of UEMOA. Similarly, the West African Development Bank (BOAD) (see box 2) will continue with its functions but as an autonomous institution of UEMOA.

47. In ECOWAS, a trade liberalization programme has been implemented since 1 January 1990. This required all non-tariff barriers to intra-ECOWAS trade in ECOWAS-originating goods to be removed completely by all member States over a period of four years. The rate at which these barriers were to be removed was left to each individual member State to determine. Also on 1 January 1990, member States ceased to levy customs duties or taxes of equivalent effect on unprocessed goods and handicraft products originating within ECOWAS. With regard to industrial products, these have been divided into priority and non-priority groups. The elimination of tariff barriers for these products is more gradual and the rate depends on the category to which both the product and member States belong. The rate of reduction is faster for the priority industrial products, and the less developed member States have been accorded a slower rate of tariff reduction, i.e. eight years for priority industrial products and ten years for non-priority industrial products. To benefit from the preferences, the industrial product and the enterprise manufacturing it have to pass through a selection and approval procedure laid down by the ECOWAS Council. The trade programme is tied to a compensation scheme funded by countries exporting industrial products. Each member State suffering a loss of fiscal revenue as a result of the implementation of the trade liberalization scheme will be compensated. The calculation of the amount of losses to be compensated is undertaken in respect of each member State on the basis of the total losses incurred through the importation of ECOWAS-originating industrial products.

48. In 1993 the revised ECOWAS treaty established new parameters and timetables regarding the liberalization of intra-subregional trade. Its articles 3, 35, 54 and 55 stipulate that an economic and monetary union will be created with 15 years from 1 January 1990 according to the following schedule: by the year 2000 a customs union will be installed within which Community-originating goods shall be traded freely, and a common external tariff on imported goods originating from third countries shall be applied; and by the year 2005 (five years after the formation of a customs union), an economic and monetary union shall be established through of (a) the adoption of a common policy in all major fields of social and economic activity, (b) the total elimination of all obstacles to the free movement of people, goods, capital and services and to the right of entry, residence and establishment, and (c) the harmonization of monetary, financial and fiscal policies, accompanied by the setting up a West Africa monetary union, a single subregional Central Bank and a single West African currency.

49. In respect of trade promotion actions, many seminars and meetings have been organized at the regional level which have urged African countries to accord priority to diversification and processing of their raw materials, to the organization of intra-African and south-south trade fairs and business and investment forums, to the speedy implementation of the Pan-African Trade Information System (PANAFTIS) and its linkage with other trade information networks in developing countries, and to the expansion of existing and future trade directories and their wide dissemination among developing countries. Also, the first Afro-Arab Trade Fair was held in Tunis, Tunisia in October 1993 under the aegis of the OAU, the League of Arab States and the Government of Tunisia. The fair, which is to be held on a regular basis, is aimed at increasing Arab-African exchanges through better and mutual knowledge of markets and products. A total number of 33 member States of the OAU and the LAS participated in the first fair. The second Afro-Arab Trade Fair took place in South Africa in October 1995, and a third is being planned. A similar fair is being proposed for Africa and South-East Asia as a possible follow-up activity to the Tokyo International Conference on African Development (TICAD).

50. All subregional integration groupings implement a trade promotion programme alongside their trade liberalization programmes. Elements of such trade promotion programmes include preparation of supply and demand surveys of specific products to identify and exploit trade opportunities, organization of buyer/seller meetings to match buyers and sellers, setting up of trade information networks, dissemination of business-oriented newsletters, preparation of trade directories and organization of subregional trade fairs.

51. A key component in business transactions and thus for successful expansion of trade is the availability of relevant trade information. A company (enterprise) can increase its efficiency and competitiveness if it has access to the appropriate business information. African groupings have introduced a number of initiatives in trade information cooperation, all of which would preferably be linked in the future to a regional information network (namely PANAFTIS). COMESA, for example, operates two systems. One is the subregion-wide trade information network (TINET), designed to identify intra-PTA trade and investment opportunities, provide the member States' business community with up-to-date and accurate information on intra-group trading opportunities and assist them in taking advantage of these opportunities. TINET has been installed in practically all member State with the TINET central unit located at the COMESA Secretariat (Lusaka). Computer and software for accessing TINET are provided free to member States. TINET databases cover information on four main areas, namely import and export statistics, profiles of importers and exporters, information on tariffs and other trade control measures, and information on tenders. However, the number of users so far is relatively small - only about 5,000 business men and women in the entire subregion. Thus, there is a need to make TINET more meaningful and enable it to have a major impact by giving it more publicity and ensuring more faster updating of data.

52. ASYCUDA/EUROTRACE are other information systems, both based at the COMESA Secretariat. ASYCUDA is an computerized system for customs data (designed by UNCTAD) to speed up clearance of goods at customs areas and allow better management of government finances arising from those areas. An

auxiliary effect of ASYCUDA is the generation of regular and recent foreign trade statistics, which could be made available to member States and the business community. ASYCUDA is operational in more than a half of COMESA member States. (In actual fact, ASYCUDA started in ECOWAS and continues to be implemented there, and in other African countries). The EUROTRACE component is software introduced with assistance from the European Union's EUROSTAT statistics office. It helps in processing and analysing international trade statistics and making them available to member States.

I.3 COOPERATION IN MONETARY AND FINANCIAL MATTERS

I.3(a) Single monetary zones

53. Over the past 25 years in Africa, and accompanying the development of integration groupings, progress has been made in developing monetary cooperative arrangements. A major theme of monetary cooperation efforts is the creation of single monetary zones as envisaged in ECOWAS and COMESA, for instance. Though various plans and activities are being drafted or implemented in most of the subregional integration groupings for example (see section I.1), progress have been painfully slow with the exception of the CFA franc zone in West and Central Africa (covering 14 countries and 2 subregional central banks) and the Rand zone in Southern Africa.

54. Monetary cooperation in the CFA franc zone is undergoing revision following the currency's devaluation in 1994,[18] as is cooperation among members of the Rand zone following the political change in South Africa and the ongoing negotiations on a revision of the Southern African Customs Union. Undoubtedly, the CFA franc zone has facilitated monetary and financial cooperation among the countries involved and strengthened their economic and other ties with France. The very nature of the CFA franc zone, however, impeded subregional integration in at least two respects. First, the high value of the CFA franc in the past and its convertibility (bolstered by trade patterns) had favoured imports from France and encouraged black-market trade between CFA and non-CFA franc zone countries (with non-convertible currencies). This acted as a disincentive to intra-subregional trade flows and cooperation. The devaluation of the CFA franc has somewhat altered the established practice as it brought about some realignment/rapprochement with other subregional currencies in West Africa. After the devaluation, the price of imported goods for CFA franc zone countries has risen while the price of their exports has fallen. This, in turn, encourages the replacement of imports with local production which would stimulate new productive activities and more trade with other countries in the subregion (as both sources of imports and new markets for exports). The devaluation of the CFA franc could therefore have a positive impact on subregional integration in West and Central Africa. Second, the existence of the CFA zone was at variance with the objective of setting up a single monetary zone in West Africa with a single currency and central bank. The CFA franc zone countries with their single currency and subregional central banks have already attained this objective and are thus unlikely to consider an alternative mechanism. Indeed, the formation of UEMOA after the dissolution of CEAO, involving only CFA franc zone countries is aimed at strengthening the monetary cooperation achieved within the CFA franc zone framework and augmenting it with modalities for a customs union and common markets. In this respect, therefore, the CFA franc zone needs careful appraisal as to its role in supporting subregional integration in West and Central Africa.

I.3(b) Clearing and payments arrangements

55. Monetary cooperation among African countries is facilitated by three clearing and payments arrangements - the West African Clearing House (WACH) for ECOWAS countries, the Clearing House for ECCAS and the Clearing House for COMESA. The clearing houses expedite monetary transfers between member States by using the national currencies of the subregion concerned; each signatory Central Bank agrees to grant to the other a total credit line in its own currency. The signatory central banks guarantee to the banking systems of the other signatory central banks at such declared for value, the convertibility of in-transit remittances and holdings of cost items eligible for clearing. Some of the clearing arrangements are regarded as interim steps towards the

attainment of a single monetary zone, as is perceived by ECOWAS regarding WACH and COMESA regarding its clearing facility.

56. The performance of African multilateral clearing arrangements has been declining against the background of the general liberalization of economies, and this trend has led to a review of the functions of these facilities.[19] In addition, the African facilities account for very modest volumes of trade and clearing. For instance, in the COMESA clearing house (formerly the PTA Clearing House), following a steady expansion up until 1989, the volume of channelled transactions decreased from US$ 263 million in 1990 to US$ 192 million, indicating that the facility was underutilized. The clearing house had a low share of net settlements in foreign exchange of 31 per cent in 1992, in comparison with a ratio of 55 per cent in 1987. Some of the causes of low utilization include lack of information about understanding of the clearing house's operations and the commodities available for exchange in each member State, and the insistence by some member monetary authorities on payments in hard currency for some of their commodities and transactions (airport taxes and road transit charges).

57. As part of measures to strengthen the clearing house, COMESA successfully introduced UAPTA traveller's cheques in August 1988. Most COMESA member States joined the scheme and the cheques have been permanently in use. An UNCTAD secretariat report shows that in the first four years of operation, sales of the cheques amounted to UAPTAs 38.4 million (about US$ 52 million) while their purchases totalled UAPTAs 34.7 million (about US$ 47 million).[20] In 1993 member States approved the establishment of a reserve fund to provide short-term loans to countries which experience difficulties in settling their clearing balances. The initial capital of the fund will be UAPTAs 100 million, of which half will be provided by member States and the other half is to be mobilized from external sources. The fund has not been launched, however, owing to difficulties in mobilizing the required capital.

58. WACH is confronted with a large accumulation of outstanding debts amongst member countries, so that creditor countries have not authorized further exports to be channelled through the facility. Clearing of the arrears therefore remains a major concern. Nevertheless, WACH was changed into the West African Monetary Agency (WAMA), with effect from 8 March 1996. WAMA, while continuing to perform the functions of the clearing house, will also support the promotion of intra-subregional trade and foreign exchange savings in the utilization of the subregion's external reserves, promote the use of the subregion's national currencies for intra-subregional trade and other transactions until a single monetary zone is created, and assume responsibility for all issues of ECOWAS monetary cooperation. In pursuit of these objectives, WAMA will assist member States in harmonizing and coordinating their monetary and fiscal policies as well as their structural adjustment programmes, take responsibility for the control, coordination and implementation of the ECOWAS monetary cooperation programme, promote the implementation by member States of macroeconomic policies allowing for market-determined exchange and interest rates, and reinforce monetary cooperation and consultation between member States. The enabling protocol for WAMA was adopted by the governors of the central banks and signed at the 1993 ECOWAS summit. It entered into force only recently (March 1996), however, because of member States tardiness in ratifying it.

59. In the ECCAS Clearing House, transactions were at low levels despite revitalization efforts. Up to 1991 the volume of transactions channelled though the clearing arrangement never exceeded the level of US$ 2 million. The share of intra-group imports directed through the facility remained at the insignificant level of less than 2 per cent and almost all transactions channelled through the facility were settled in hard currency.

I.3(c) Subregional development banks and funds

60. Subregional and regional development banks and funds are another aspect of African monetary and financial cooperation. These have been set up primarily to support cooperation among member countries for national and regional development. Although their operations have not received much publicity and recognition among the international community, the subregional development banks and funds play a particularly important role in furnishing

much needed capital for multinational development projects. Nevertheless, the operations of many of these financial institutions have been constrained in particular by the lack of financial resources owing to delays in payments of assessed contributions by member States, non-repayments of loans disbursed and lending by banks for mainly national (rather than regional) projects. Box 2 shows the main features of these banks.

Box 2
Subregional development banks in Africa

The West African Development Bank, also known as Banque Ouest Africaine de Développement (BOAD), comprises countries of the West African Monetary and Economic Union (UEMOA). Its capital was subscribed by Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo and the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). The objective of the Bank is to promote the development of its member countries and to achieve the economic integration of West Africa. By September 1990, BOAD had approved 128 operations amounting to Franc CFA (FCFA) 117.6 billion. On a sectoral basis, FCFA 47.8 billion were intended for rural development and basic infrastructure, FCFA 41.9 billion for modern infrastructure and energy, FCFA 15.9 billion for industry and other productive activities, FCFA 9.1 billion for lines of credit and FCFA 2.9 billion for acquisition of shareholdings.

The Central African States Development Bank, or the Banque de Développement des Etats d'Afrique centrale (BDEAC), was created in December 1975 by the four countries of the former Central African Customs and Economic Union (UDEAC), namely Cameroon, Central African Republic, Congo and Gabon, to promote the economic and social development of member countries, notably by financing multinational projects and projects of economic integration. The bank is also called upon by its statutes to support States and national financing institutions in their efforts to mobilize financial resources and the financing of projects of major importance for the economies of member countries. As of June 1994, the capital of the BDEAC amounted to FCFA 41.9 billion. The bank was later joined by Chad and Equatorial Guinea.

The East African Development Bank (EADB) was created in June 1967 by the former East African Community formed by Kenya, Uganda and the United Republic of Tanzania. The bank is the sole survivor of the common institutions of the EAC. The authorized capital stock of the bank amounts to SDR 40 million. The main objectives of the bank are (i) to provide financial assistance, and (ii) to promote the development of the member States in such fields as industry, tourism, agriculture, infrastructure such as transport and telecommunications, and similar or related fields of development.

The Banque de Développement des Etats des Grands Lacs (BDEGL) was set up by the Communaute Economique des Etats des Grands Lacs (CEPGL), comprising Burundi, Rwanda and Zaire. It has been operational since 1980. Its objective is to contribute to the economic and social development of member States, individually or collectively, either by taking part in the financing of their development projects or by facilitating their achievement through covering measures such guarantees and productive loans for the financing of economically and financially viable projects.

The COMESA Trade and Development Bank began operating in early 1986 (as the PTA Bank), providing pre-shipment finance directly to regional borrowers. In the three years from August 1989 to July 1992, the bank completed a total of 18 separate transactions with six member countries relating to reshipment loans and confirmations of letters of credit. Funds total US$ 52 million, representing less than 2 per cent of the annual value of intra-COMESA trade. The bank plans to develop an export credit guarantee fund to support regional exporters who lack the security to obtain a bank loan.

Source: "State of South-South Cooperation", report of the UN Secretary-General's (A/50/340).

61. The large majority of development funds are located in West Africa and they are also members of the Association des Institutions Régionales et sous-Régionales de Financement du Développement en Afrique de l'Ouest. The Association was created by the following institutions: the African Development Bank, the West African Development Bank (BOAD), the ECOWAS Fund for

Cooperation, Compensation and Development, Fonds d'Entraide et de Garantie des Emprunts du Conseil de l'Entente, Fonds de Solidarité Africain, Fonds Africain de Garantie et de Coopération Economique, and Fonds de Solidarité et d'Intervention pour le Développement de la CEAO (FOSIDEC/CEAO). Through the Association the member financial institutions maintain close cooperation and coordination of their operations and policies, including the exchange of experiences, studies and personnel, coordination and evaluation of projects and studies, and organization of joint missions for the elaboration of development projects, and participate in joint financing of subregional development projects and joint mobilization of finance for regional projects accepted by member States.

62. As an example, mention may be made of the ECOWAS Fund for Cooperation, Compensation and Development (FCCD), created by a Protocol signed on 5 November 1976. The Fund's aims are (i) to provide compensation and other forms of assistance to member States which have suffered losses as a result of the application of the provisions of the ECOWAS treaty; (ii) to provide grants for financing national or community research and development activities; (iii) to grant loans for feasibility studies and development projects in member States; (iv) to guarantee foreign investments made in member States in respect of enterprises established in pursuance of the provisions of the treaty on the harmonization of industrial policies; and (v) to provide means to facilitate the sustained mobilization of internal and external financial resources for the member States and the Community. As at 31 December 1992, the Fund had disbursed loans amounting to over US$ 101 million for projects, including several regional ones, for telecommunications, road infrastructure, industry development and rural development. Transportation and rural development projects are often financed jointly with the African Development Bank.

63. The Nigeria Trust Fund (NTF) is another example. It was established in the African Development Bank by an agreement signed between the African Development Bank and the Nigerian Government on 26 February 1976. It assists the development effort of African Development Bank members, particularly those in more straitened circumstances, by extending loans on concessional terms.

64. There are two regional level banks of an international nature. One is the African Development Bank (ADB), which was created in 1963 and started operations on 1 July 1966. Its purpose is to contribute to the economic development and social progress of its regional members individually and jointly by *inter alia* (i) mobilizing and increasing in Africa, and outside Africa, resources for the financing of investment projects and programmes, and (ii) providing such technical assistance as may be needed in Africa for study, preparation, financing and execution of development projects or programmes. As at the end of 1994, the bank had 50 regional African member countries and 25 non-regional countries. The authorized capital at the end of 1994 was SDR 16.2 billion, subscribed by regional countries at 53.3 per cent and by non-regional members at 36.7 percent. The bank's agreement provides that the proportion to total voting power between the two groups of countries should be 2:1. The bank supports regional integration through its multinational projects. Its lending for such projects declined, however, from 3.5 per cent of total lending in 1988 to about 0.2 per cent in 1992. At the end of 1992 around US$ 74.4 million had been given to multi-regional projects involving countries from more than one subregion.[21]

65. The other bank is the African Export-Import Bank (AFREXIM Bank), set up in 1993 by 113 parties involving 42 governments and central banks, 62 private African financial institutions such as commercial banks and insurance companies and 9 non-African commercial and financial institutions and insurance companies; it started operations on 1 September 1994. The bank has an initial authorized share capital of US$ 750 million - to be completed over eight years - divided into ordinary shares of US$ 10,000, each ranking *pari passu* in all respects. The bank's objective is to facilitate, promote and expanding intra- and extra-African trade by carrying out the following functions: (i) extend credit to eligible African exporters in the form of pre- and post-shipment finance; (ii) extend indirect short-term credit and, where appropriate, medium-term credit to African exporters and importers of African goods, through the intermediary of banks and other African institutions; (iii) promoting and financing intra-African trade; (iv) promoting and financing the

export of non-traditional African goods and services; (v) providing finance to export-generating African imports, with preference given to imports of African origin; (vi) providing insurance and guarantee services covering commercial and non-commercial risks associated with African exports; and (viii) conducting market research and providing other auxiliary services for expanding the international trade of African countries.

66. The types of financing facilities offered by the AFREXIM Bank include short-term trade transactions (pre-shipment export advances, post-shipment acceptances and advances), letters of credit opening/confirmation, guarantee facilities and project-related financing. These facilities are extended through eligible financial institutions designated as the bank's trade finance intermediaries, and these may include central banks, export trading companies or export houses, commercial and merchant banks, national export credit agencies, export-import Banks, regional financial institutions and insurance companies. Under certain circumstances, however, the bank may lend directly to exporters. The financing ratio varies according to the type of facility: for pre-export, it is 70 per cent of the value of the underlying export contract; for post-export it is up to 80 per cent of the value of the underlying export contract; for letters of credit confirmation or refinancing, it is up to 100 per cent of the invoice value; and for project-related finance, it is up to 100 per cent of the invoice value of the equipment or raw material being imported.

67. Mention may also be made of ECOBANK Transnational Incorporated. ECOBANK is a private multinational financial institutional set up by ECOWAS member States in 1985 and it started operations in 1987. ECOBANK does not engage in direct banking operations; it supervises the activities of operation units it has created or acquired with the aim of providing banking, economic, financial and development services in West Africa and elsewhere. For example, the company has established independent branches that act as commercial or development banks, such as ECOBANK Côte d'Ivoire, ECOBANK Ghana, ECOBANK Togo, and ECOBANK Nigeria. Other functions of ECOBANK include the promotion and financing of ECOWAS intra-trade and the provision of technical assistance in project development and execution. ECOBANK's authorized capital is US$ 100 million, the bulk of which is held by the private sector of ECOWAS member States, with 5 per cent participation by the ECOWAS Fund.

68. Lastly, several African countries participate in a number of interregional financial institutions for development that provide assistance to African countries. These include the Arab Fund for Economic and Social Development (AFESD) and the Organization of the Petroleum Exporting Countries Fund for International Development (OPEC Fund). AFESD began its operations on 1 January 1974 to participate in the financing of economic and social development projects in the Arab States and countries members of the League of Arab States. It has 21 effective members, among which 9 are African countries (Algeria, Djibouti, Egypt, Libyan Arab Jamahiriya, Mauritania, Morocco, Somalia, Sudan and Tunisia). The OPEC Fund started its operations in August 1976 "to reinforce financial cooperation between OPEC member countries and other developing countries by providing financial support to assist the latter countries on appropriate terms in their economic and social development efforts". As of the end of 1994, 13 countries (including several oil-exporting African countries) were members of the Fund: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. Between 1976 and the end of 1990 a total of US$ 1.7 billion was committed for 323 project loans in 77 countries, US$ 724 million for 185 balance-of-payments support loans in 63 countries and US$ 119 million for 19 programme loans in 15 countries. An aggregate of US$ 2.3 billion was distributed in 85 countries as follows: 44 in Africa, 20 in Asia and 21 in Latin America and the Caribbean.

I.3(d) Insurance

69. A sufficient number of risks, with similar characteristics and a geographical spread, comprising the basis of the insurance mechanism, often cannot be found within the limitations of a company's business or within the borders of a country. This has lent an international character to insurance and has prompted the establishment of wider formal frameworks of cooperation, including within the context of intra-developing country cooperation. These

cover subregional and regional insurance organizations for cooperation, such as the African Insurance Organization (AIO), which fosters an exchange of information among members to define areas for cooperation, chart common approaches and encourage new contacts. Similar organizations in other regions include the East Asian Insurance Conference (EAIC) for East Asia, the Federación Interamericana de Empresas de Seguros (FIDES) for Latin America and the General Arab Insurance Federation (GAIF) for Arab countries. These organizations have launched numerous initiatives leading to greater cooperation, such as among supervisory authorities. The Association of African Supervisory Authorities was established in 1989 during the African Insurance Organization Conference in Yaoundé, Cameroon. Similarly, the Latin America has a regional association of insurance commissioners, and Asia has the Association of ASEAN Insurance Commissioners. The exchange of information and experiences in insurance legislation, harmonization of legislation, supervision and training are among the key areas of cooperation by these supervisory associations. Cooperation mechanisms on an interregional basis also exist, such as the Third World Insurance Congress (TWIC) and the Federation of Afro-Asian Insurers and Reinsurers (FAIR). Third World Insurance Congress meetings take place alternately in each developing continent and are attended by many insurers, reinsurers, brokers and other insurance-related trades from developing as well as developed countries.

70. At the interregional level, the Association of Insurance Supervisory Authorities of Developing Countries (AISDAC) was established at the second Third World Insurance Congress meeting in Buenos Aires. At the international level, the International Association of Insurance Supervisors was set up in June 1993 as an independent forum for international meetings of insurance supervisors. It promotes awareness of common interests by stimulating liaison and cooperation among supervisory authorities, arranging and facilitating the exchange of views and knowledge, and collating and disseminating technical and statistical information. The supervisory authorities of the following developing countries are members of the International Association of Insurance Supervisors: the Bahamas, Brazil, Colombia, Egypt, Ethiopia, Fiji, Ghana, Malawi, Malaysia, Malta, the Philippines, Solomon Islands, Thailand, Tunisia, Turkey and Uganda.

71. The most wide-reaching regional insurance agreement was concluded among the french-speaking countries of West Africa. The Conférence Interafricaine des Marchés d'Assurances (CIMA) was established by a treaty (Traité instituant une organisation integrée de l'industrie des assurances dans les Etats africains) signed at Yaoundé in July 1992. CIMA's objectives are: (a) to reinforce and strengthen cooperation in the field of insurance so as to enable markets to cover agricultural risks and those related to trade with policies adapted to African realities; (b) to promote the establishment of facilities which will enable insurance and reinsurance concerns of member countries to exchange business; (c) to make appropriate arrangements to enable the local investment generated by insurance and reinsurance operations, with due regard to technical requirements such as security, liquidity, diversity and return; (d) to continue the common policy of training of executives and technical staff in insurance, for the benefit of the companies and the public administration of member countries; (e) to rationalize the management of human resources in companies and administrations by introducing specialization and continuous training; (f) to establish common structures for defining and introducing the political orientations and decisions relating to the aforementioned areas with a view, firstly, to facilitating the sound and balanced development of insurance companies and secondly, promoting the establishment throughout the member countries of an enlarged and integrated market that creates balanced conditions from the technical, economic and financial point of view and, thirdly, introducing new financial instruments to enhance the return on the investments of insurance and reinsurance companies and other institutional investors, including the establishment of financial markets in their respective monetary areas; (g) to continue the policy of harmonization and unification of legal and regulatory provisions relating to insurance and reinsurance operations, supervision of insurance concerns, and all other objectives that may contribute to the full development of the insurance industry, including management tools and loss prevention measures in the member countries; and (h) to support with financial, material and human resources the common institutions which will be established for the promotion of cooperation in insurance and reinsurance matters.

72. To comply with the harmonization and unification requirements mentioned above, the Conference adopted a unified code of legislation and established a common supervisory body for insurance, thereby harmonizing the methods of national insurance supervision. The treaty establishes an integrated insurance industry in the African States of Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Gabon, Mali, Niger, Senegal and Togo (with two other countries to accede later on). In November 1991, these countries enacted a new African Insurance Code and established a common scale for the indemnification of traffic accident victims. Motor tariffs were liberalized, each company establishing its own motor rates, with maxima and minima to be declared to the supervisory body. While the advantages of such a treaty are obvious, African insurers have voiced concern that it may allow foreign insurance companies to have access to various African markets by establishing a subsidiary in any one of the member countries. It has been agreed that a foreign insurer would need the specific consent of the country (or countries) concerned in order to operate in countries other than those in which the insurer has been authorized to do so.

73. In respect of developing country reinsurers, the benefits of greater cooperation and exchange of business among them have often been emphasized, especially in Africa. Numerous subregional and regional pools, several subregional reinsurance companies and the two regional reinsurers, Africa Re and Asian Re, are a practical illustration of such cooperation. Regarding reinsurance companies, mention may be made of CICA Re (reinsurance company formed by the Conférence internationale des contrôleurs d'assurances africains) among the french-speaking countries of Africa, and ZEP/COMESA Re for COMESA. Similar companies in other regions include Arab Re for Arab countries, Arab Union Re in the Syrian Arab Republic and the Libyan Arab Jamahiriya, the private sector Nuevo Mundo in Panama and Asean Re in the ASEAN region. As regards pools, mention may be made of the Africa Aviation Pool and the Africa Oil and Energy Pool managed by Africa Re, the Fire Pool of East Africa managed by Kenya Re, the Africa Fire Pool managed by CICA Re, the Third World Pool managed by Nigeria Re, the WAICA (West African Insurance Companies Association) Pool, the Pool de Co-réassurance des pays sans littoral established by the West African land-locked countries (Burkina Faso, Chad, Mali, Niger), and the Organization of Eastern and Southern Africa Insurers (OESAI) pool. Pools in other regions include the Arab Fire, Marine and Aviation Pools managed by Arab Re, the Pool managed by Trin Re in Port of Spain, Trinidad, and the Eco Pool, formed between the three original members of ECO (Islamic Republic of Iran, Pakistan and Turkey) and managed by Milli Re (a reinsurance company established in Istanbul, Turkey). ECO has converted the Eco Pool into ECO Re, a genuine reinsurance company. Lastly, the FAIR (Federation of Afro-Asian Insurers and Reinsurers) Pool is an important interregional pool, and it is also managed by Milli Re.

74. Increased bilateral exchange among insurers and reinsurers of developing countries is another way to supplement efforts aimed at increasing premium volume up to full capacity. Business lines of developing countries may often match and have similar characteristics. While bilateral exchanges have not received much attention and support, they are in fact taking place on a substantial scale. It has been estimated that, in Africa alone, the aggregate of bilateral exchanges exceeds the sums involved in formal and institutionalized exchanges.[22] In view of the potential for bilateral exchange, three African Reinsurance Exchange Meetings, sponsored by UNDP, UNCTAD and the African Insurance Organization, were arranged in Cairo, Egypt (1988), Harare, Zimbabwe (1990) and Tunis, Tunisia (1992). Their aim was to encourage business among African insurers and reinsurers and to ease somewhat the problems arising from the lack of hard currency. Such exchanges would also improve the spread of risks and ultimately lead to more stable underwriting results. However, administrative factors and prejudice have often hindered the further expansion of the bilateral exchange of reinsurance business. Not enough information is exchanged about the characteristics of the markets or the nature of the risks. In this connection it has been pointed out that "we tend to distrust each other to the extent that the average African, Asian or other third world insurance or reinsurance official would prefer to place his business in the international markets rather than with any of his colleagues in the developing markets even where the necessary capacity exists."[23] It has been further maintained that "African companies do not seem to be keen to exchange business with each other. When they do,

the story goes that African reinsurers are paid last, after all others. So, many have been discouraged from accepting African business altogether in order not to maximize their uncollectible account. Is it not possible to treat each other as other international reinsurers and settle balances in the same manner - not sooner, not later?"[24] Such statements imply that the security perception among reinsurers in some developing countries generally and in Africa in particular is at a very low level.

75. The inability to settle balances with each other because of exchange control regulations is stated to be one of the main hurdles in expansion of exchanges. The African Insurance Organization and Africa Re have been working on the concept of an African Reinsurance Clearing House, which should provide a mechanism for settling balances. Hard currencies would only be needed for settling the outstanding aggregate. A study undertaken by an AIO subcommittee found that the existing clearing facilities (for example those of ECOWAS and COMESA) were not really suitable for insurance and reinsurance transactions. To adjust those mechanisms would require political resolve by the highest authorities of participating countries and possibly involve legislation on their respective modalities. The subcommittee concluded that this would be a time-consuming and costly exercise whose chances of success would be by no means certain. The implementation of the idea has therefore been suspended for the time being. While a clearing house remains the African industry's ultimate objective, the subcommittee recommended that those concerned should not wait for it to be achieved but should go ahead with bilateral exchanges. It decided that the facilities enjoyed by Africa Re in the matter of transfer of funds from one country to another should be utilized more efficiently to promote exchange of business. For the last few years, Africa Re has been underwriting an Auto-Fac slip line on behalf of over 40 African companies, and it has been decided to enlarge the scope of this arrangement. At present, the member companies provide a capacity of about US$ 6 million, and with the US$ 1.5 million capacity of Africa Re, a total capacity of US$ 7.5 million is achieved. The business is retroceded to the participating companies after the necessary reinsurance. To this extent, the arrangement works as a pool. The premium underwritten has grown to around US$ 4.5 million in the last few years, and the net underwriting surplus has been around 15 per cent of the premium underwritten. This surplus ultimately goes to the member companies. In connection with bilateral exchanges, since 1987 Maghreb countries held an annual meeting for the exchange of business within the framework of the Rendez-vous de Carthage. Only Maghreb countries and brokers participated, and it was reported that this regular event had resulted in an increased exchange of business amongst participating companies. The meeting was discontinued in the aftermath of the Gulf war.

76. At the African Reinsurance Exchange Meeting held in Tunisia (October 1992), it was decided that, with the aim of accelerating bilateral exchange between African professional reinsurers and insurers, an African Reinsurance Exchange be constituted, with Africa Re as the nucleus and the manager. Member companies of the African Insurance Organization will be eligible for membership. Designated shares of treaties and facultative business on risks of the African region will be ceded in priority to cessions outside the continent. The business accepted by the Exchange will be retroceded to members on the basis of the volume of business of their cessions and capacity. Retrocessions received would have to be fully retained for the net account of that member. All participants would make an initial deposit in convertible funds. The Exchange would retain to the credit of each member 25 per cent of the disclosed net surplus (on the basis of a five-year accounting) of the closed year until such time as the amount so retained equalled 50 per cent of the member's underwriting capacity in the Exchange. A Technical Committee would supervise various aspects of membership and operations. The agreement has, however, not yet become operational.

77. As regards subregional and regional integration groupings, many of them have catered for cooperation in the development of the insurance and reinsurance market as referred to previously regarding COMESA/PTA in Africa, and ASEAN and ECO in Asia. For insurers, economic integration may ultimately lead to increased competition and would enable companies to tap larger markets. The insurance sector was included in the negotiations on a number of recent integration arrangements (NAFTA, MERCOSUR) or reinforcement of existing institutions (ASEAN, COMESA). These arrangements can also assist in

the harmonization of laws and regulations, which is identified as a prerequisite for the efficient functioning of cooperation in the development of insurance. The Maghreb countries members of the Arab Maghreb Union have entered into negotiations for the harmonization of legislation, cooperation among companies in the region and the creation of a regional organization of companies. One of the first regional achievements was the pooling of aviation risks for common placement in the international market, resulting in a substantial reduction in insurance costs for the national carriers of the negotiating countries. The activities of the integration arrangements are particularly relevant taking into account the changes being made by these arrangements generally to respond to the results of the Uruguay Round (which included insurance in the negotiations on services).

78. Finally, regional insurance training institutions play a pivotal role in the training of technical and managerial personnel. Institutes such as the West African Insurance Institute and the Institut Africain des Assurances in Africa have capably performed such functions. In other regions, similar training institutions include the Insurance Institute for Asia and the Pacific in Asia, the Instituto Superior Technológico en Seguros in Latin America, the Academy of Insurance for Central America and the Caribbean, and, at the international level, the Institut International des Assurances. In recent years, many national insurance training facilities have been established in all developing regions, mainly devoted to the teaching of basic insurance principles. Active regional cooperation would allow for more sophisticated training activities, which may be beyond the reach of individual developing countries because of their cost and the small number of persons concerned. Cooperation in respect of training, particularly involving the regional training institutions, has faced serious financing problems. Dependence upon contributions from governments is difficult in a time of increasing public deficits. Managers of insurance concerns have to realize the vital importance of trained personnel for the competitiveness of their companies and make efforts to raise the necessary finance. In addition, there is a lack of coordination between various training institutes in developing countries. At a seminar on human resources development in the field of insurance, held at Lisbon in 1990, ideas for the establishment of an international network of insurance training institutions were advanced. The main purpose of such a network would be to help disseminate information on curricula and training courses provided by the various centres and offer details on admission possibilities, grants and traineeships for foreign students. The network should also provide training for trainers, give technical assistance and organize regional courses. At the same time, national training institutes should play a more prominent role in arranging higher-level training on a regional basis. Workshops could be arranged for principal managers from a region with common problems, where case studies are analyzed and discussed and where guidance would be provided on how to deal with specific questions. Experience and ideas regarding curricula development could be exchanged, and learning material could be swapped, copied and improved. Teachers from developing countries who give courses in a speciality area could lecture at several national institutes in special intensive training programmes.

I.3(e) Development of capital markets

79. In the area of capital markets, the establishment and expansion of stock exchanges is needed to attract international finance that could supplement domestic capital markets for financing development. There are at present around 14 operative African stock markets, with the one in South Africa the most important by far in terms of market capitalization (over US$ 240 billion). The other stock markets are located in Egypt, Tunisia, Morocco (North Africa), Ghana, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Côte d'Ivoire, Swaziland, Uganda (sub-Saharan Africa) and Mauritius. Many of these markets are becoming attractive for foreign investors with the continued liberalization of exchange controls and state control in African countries (such as privatization of companies in mining, telecommunications and transport). Plans to create a stock exchange have been revealed by Angola, Cameroon, Madagascar and Mozambique. The emergence of capital markets in Africa has been supported by high expectations among international investors regarding the potential of these markets. In 1994, for example, the exchanges in Nigeria and Côte d'Ivoire ranked among the top world performers after registering index gains of respectively 139.9 per cent and 115.0 per cent.

However, development of stock exchanges continues to be adversely affected by a number of factors, including excessive exchange controls and taxes, scarce market liquidity and insufficient information and protection for investors.

80. There is recognition of the need for strategic alliances to help smaller exchanges achieve critical mass, exchange information and strengthen ties among member exchanges so as to promote their individual and collective growth. One such alliance is the African Stock Exchange Association (ASEA). The idea of a single African stock exchange was proposed, but was considered to be premature, by an ASEA conference in Mauritius (October, 1995). At the subregional level, States members of UEMOA have been discussing the establishment of a subregional stock exchange in Abidjan.

I.4 COOPERATION IN OTHER SECTORS

I.4(a) Enterprise

81. The creation of national and multinational enterprises, promotion of cooperation among them and the mobilization of their participation in economic integration processes are a priority. Emphasis is being placed on enterprises as the prime agents for promoting subregional industrial development. Also, following general liberalization in the investment climate and ongoing subregional liberalization of trade, more effort is being made to entice the enterprise community to exploit emerging trade and investment opportunities.

82. In ECOWAS, for instance, an objective of industrial development is the promotion of business cooperation and complementarity between industrial enterprises established in the various member States and the rehabilitation of enterprises in difficulties. Various actions have been taken to promote this objective. One is the European-West African industrial and investment forum which is organized every two years jointly by ECOWAS and the European Union. During the course of the forum, the promoters of industrial projects in West Africa meet with potential partners from Europe and other African countries that have technical and/or financial resources and are interested in being associated in the development of the projects. These contacts could then led to the establishment of joint-venture industrial projects such as those between Astek (Ghana) and Tetra Pak (Sweden) to improve Astek's product (juice) packaging while increasing output; between Agrifa (Senegal) and S.A. Gauthier (France) to produce high-quality peanut paste and market it in Senegal, West Africa and Europe; between Alicerce Sarl (Cape Verde) and Savosul (Portugal) to produce soap locally and replace imported soap; and between Nigeria Foundries Limited (Nigeria) and Bradley and Fosters Limited (United Kingdom) to expand and diversify the former's production line into the production of high chromium alloy castings and supplies for local cement companies in a partial import substitution venture.[25] (A similar business/industrial forum is organized on a regular basis between the European Union and Central African countries members of ECCAS to promote private sector initiatives between the two groups.) In May 1995, the first ECOWAS Trade Fair was hosted in Dakar (Senegal) with over 400 private businesses participating. The objective of the fair was to promote the sale of local products hence its theme, "Let's consume ECOWAS". (Similarly, other groupings such as COMESA periodically hold trade fairs and buyers' and sellers' meetings to promote business contacts and contracts between enterprises of their member States.)

83. The creation of the West African Industrial Associations' Federation (Fédération des Associations d'Industriels de l'Afrique de l'Ouest) is another enterprise promotion initiative. The federation's main goal is to promote cooperation between existing industrial enterprises in the subregion. In addition, it has observer status with ECOWAS and, in this capacity, enables industrialists of the subregion to contribute to the inception and implementation of ECOWAS industrial policies. This function helps alleviate a major deficiency in subregional industrial cooperation, namely the lack of support from local entrepreneurs and industrialists, who have tended to perceive subregional industrial cooperation activities with neighbouring countries as competing with local production and hence as a menace. Other measures include the signing of a protocol on the statute of ECOWAS enterprises, and the coordination activities of the Industrial Development Committee of the West African Intergovernmental Organization's Association

(Comité du Développement Industriel de l'Association des OIG de l'Afrique de l'Ouest). It may also be noted that the preferences given to industrial products within the ECOWAS trade liberalization programme are designed to encourage enterprises to increase production and trade in those products.

84. Similar cooperation activities in support of enterprise are being carried out by most other subregional groupings. In COMESA, activities in support of the business community include the formulation and adoption of a charter for multinational enterprises to facilitate cross-border investments, periodic organization of investment forums to promote investment projects, and organization of COMESA trade fairs and from time to time specialized trade fairs, and buyer/seller meetings. SADC now invites the representatives of the business communities to participate in the group's annual consultative conferences and especially in sectoral meetings for trade and industrial cooperation and development.

85. Other institutions and programmes have been set up at the regional level to encourage and mobilize private and public sector cooperation and participation in cross-border trade and investment activities. These include the Association of African Trading Enterprises (ASATRADE), the African Business Round Table, subregional federations of Chambers of Commerce and Industry as in COMESA, national and subregional business councils as in SADC, and the Federation of Women Entrepreneurs.

I.4(b) Transport and communications

86. In Africa, infrastructural bottlenecks constitute major impediments to the development of States and to subregional and regional integration between them. OAU assessments by OAU have indicated that, with a few exceptions, existing transport and communications facilities providing services within and between subregions are either obsolete and dilapidated or in many instances virtually non-existent. This deficiency is being addressed through measures taken at various levels; the magnitude of the problem, however, is such that its resolution is a long-term undertaking.

87. Road networks are estimated to account for 80 per cent of freight and passenger movements on both inter-city and intra-city transport services. Yet most intra- and inter-subregional road infrastructure is deteriorating and poorly maintained. In some cases, these roads (especially unpaved ones) are impassable owing to lack of routine maintenance and rehabilitation; and in many other cases, road links do not exist. An ongoing priority is therefore the development of intra- and inter-subregional road infrastructure by way of completing missing segments, rehabilitating deteriorating infrastructure and carrying out routine maintenance. A similar situation applies to rail transport as most of the lines (except for a few links such as the Tazara) were constructed in the early part of the century and the tracks are therefore ageing - requiring realignment, refurbishing and upgrading of the signal equipment. The situation, as with roads, is aggravated by the lack of regular maintenance. Yet African railways are needed for facilitating the mass movement of passengers across frontiers and haulage of heavy industrial and bulk cargoes. Thus, action has been undertaken by the Union of African Railways, in cooperation with national railway authorities, to restructure African railways in order to commercialize their activities. These cooperative efforts cover areas such as rehabilitation and modernization of railways, rolling stock, equipment, telecommunications and signalling. At the national level, authorities have cooperated in human resources development, and exchange of information, studies, equipment and spare parts.

88. Air transport is essential for faster passenger movement and carriage of lightweight manufactured products. The sector in Africa is characterized by lack of trained manpower, inefficient management and lack of cooperation between member States in training and maintenance, although a few such centres exist in the region as in Addis Ababa (Ethiopia). Moreover, various initiatives by subregional groupings have so far been unsuccessful in encouraging the exchange of traffic rights, joint operations of airlines (an exception being that of Air Afrique a multinational airline owned by several West African States), joint maintenance and purchase of spare parts and equipment, and improvement in the management of the air transport sector. However, in view of the deregulation and liberalization sweeping world airline

companies, especially in the United States and Europe, African airlines, which are small in comparison risk being marginalized and may even disappear unless they cooperate with one another.

89. Modes of maritime transport are important in moving passengers and cargoes between coastal States and overseas. Ocean shipping is the predominant mode for the foreign trade of African countries. The latter, however, generate less than 7 per cent of world seaborne trade (composed mainly of raw materials, minerals and crude oil) and African fleet capacity is very limited and moves less than 5 per cent of Africa-bound ocean freight (dry and bulk). The limitation is due to the high capital requirement for ship and tanker procurement and a dearth of personnel and local ship repair facilities. Also, regional programmes for coastal shipping services are lacking. Although initiatives to address this deficiency have been generated most of them suffer from a lack of funding. An example is that of the West and Central African Coastal Shipping Service project conceived by ECOWAS and CEMAC/UDEAC, together with the Ministerial Conference of West and Central African States on Maritime Transport (MINCOMAR). It is intended to regularly service the range of ports from Dakar (Senegal) to Luanda (Angola), with a moderate standard of comfort for passengers and catering for the intra-regional freight market and transshipment to deep-sea operators. Financial difficulties, however, prevent the launching of the project. MINCOMAR itself is an attempt at the policy level by African countries to find cooperative solutions to shipping problems through subregional and regional organizations. Similar organizations for maritime policy coordination in developing regions include JUNAC (Junta del Acuerdo de Cartagena), COCATRAM (Comisión Centroaméricana de Transporte Maritimo) in Latin America, ISCOS (Intergovernmental Standing Committee on Shipping) in Africa, and IOMAC (Indian Ocean Maritime Affairs Cooperation) or ASEAN in Asia. The success of these institutions has, however, been mixed. While some of them have made considerable progress in coordinating policies, others have not been successful and their efforts have remained at the level of general declarations that have led neither to a harmonization of policies nor to cooperation arrangements in the field of shipping operations. Given the weaknesses in policy coordination, the maritime cooperative initiatives mentioned above were not necessarily the result of general integration processes, but rather of an insight into the economic and commercial necessities of shipping markets.[26]

90. Cooperation regarding port development has been pursued by a number of port authorities in respect of port restructuring, commercialization and privatization. The ports of West and Central Africa cooperate in implementing projects for port equipment maintenance, computerization and analytical accounting. In East and Southern Africa, the ports under their umbrella organization have implemented a project on the protection of the marine environment (in cooperation with the International Maritime Organization). North African ports are being assisted by their umbrella organization in introducing modern methods of port/shipping documents' transmission for traffic facilitation (see box 3).

91. Inland waterways transportation is another important mode of transport in Africa. However, there is underutilization of the inland waterways linking several countries, such as the rivers Nile, Niger and Zaire and the lakes Victoria and Tanganyika, owing to lack of coordination between countries, inadequate crafts and servicing facilities, and poor scheduling, among others.

92. Finally, multimodal transport is being developed to provide cost-effective linkages between the modes, particularly as regards the facilitation of trade and completeness of service from sea ports and rail terminals to the hinterland and land-locked countries.

93. Regional communications facilities in Africa have achieved some major results in some subregions, for example in West Africa and in Southern Africa. Groupings such as ECOWAS and SADC have made substantial progress in setting up communication facilities and links between member States (see below). However, much remains to be done in terms of developing links where none exist and in rehabilitating and maintaining existing facilities. Progress has also been made through the implementation of the Pan-African Telecommunications Network (PANAFTEL) and the Regional African Satellite Communications System

(RASCOM). As with transportation facilities, the quality of services provided is dependent on availability of funds and skilled manpower, and where these are not available in adequate amounts, as is the case in many countries, communication services are undermined.

94. All subregional groupings have elaborated programmes for the development of intra-subregional transport and communication infrastructure facilities and networks. Only a few of them, however, can claim to have achieved some measure of success in actually implementing these programmes. ECOWAS, for example, has implemented over 90 per cent of a subregional programme called INTELCOM comprising inter-State communications links. It included, for instance, the construction of microwave telephone, telex and television links between several ECOWAS States. Also, a special fund for telecommunications development has been set up. Regarding land transport, ECOWAS has completed over 90 per cent of a trans-coastal highway programme and over 80 per cent of the trans-Sahalien highway programme, which are contributing to supporting inter-State trade growth and opening up landlocked States. SADC has also progressed in the implementation of its transport and communications programmes. The implementation of its transport programme, for instance, has improved the transport system between four land-locked member States (Zambia, Zimbabwe, Malawi and Swaziland) and Mozambique ports; and the trans-Kalahari road between Botswana and Namibia will facilitate access to the sea through Namibia for the whole subregion. In addition, telecommunications exchanges between and among most member States are in place. Before the microwave linkages were installed, the subregion could only communicate with itself by routing telephone calls through Lisbon, London or Cape Town.

95. Transport and communications programmes and projects for the development of national, subregional and regional networks have also been implemented under the Second United Nations Transport and Communications Decade in Africa (UNTACDA II). In general, the emphasis in UNTACDA II is on the building of subregional and regional networks. For instance, under UNTACDA II, the following priorities for cooperation in shipping were chosen by the African Ministers of Transport: joint ventures in shipping services; cargo sharing arrangements; multinational shipping consortia in liner and bulk trade; multinational shipbuilding and ship repairing enterprises; harmonization of national shipping policies in a subregional framework; improvement of aids to navigation and ship-to-shore communications; prevention and combating of marine pollution; promotion of marine insurance institutions; and harmonization of documentation and procedures to facilitate maritime trade.

96. Cooperation among African countries for infrastructural development also continues through various subregional and regional organizations dealing with individual modes of transport and communications. These include the Pan-African Telecommunications Union (PATU) in telecommunications, the Pan-African Postal Union (PATU) in postal services, the North African Port Management Association, the Port Management Association for Eastern and Southern Africa (PMAESA) and the Port Management Association for Western and Central Africa (PMAWCA), the Ministerial Conference of West and Central African States on Maritime Transport (MINCOMAR) in management of ports and shipping services, and the Union of African Rail Ways (UAR) in railways.

I.4(c) River and lake basin development organizations

97. Box 1 mentions the following river and lake basin development organizations in Africa: the Niger Basin Authority (NBA), the Organization for the Development of the Senegal River (OMVS), the Gambia River Development Organization (OMVG), the Lake Chad Basin Commission (LCBC), the Liptako-Gourma Integrated Development Authority (LGA) and the Organization for the Management and Development of the Kagera River Basin (KBO). These organizations provide coordinating services for their member States, carry out feasibility studies, elaborate development plans, mobilize the required funds from member States and from international donor countries and agencies, and undertake projects of a regional nature for the development and management of the resources shared by two or several riparian member States. Projects include the construction of dams for power generation, for salinity control or for hydro-agricultural development to contribute to the food self-sufficiency of the population concerned. Since most of these organizations' development projects

Box 3
Cooperation among developing countries in the field of ports

A positive development in terms of cooperation among developing countries in the field of ports has been the active participation of national port authorities in regional and international port associations. Some of the regional and international associations are the Eastern Caribbean Ports Association, the Gulf Port Management Association, the Port Management Association of Eastern and Southern Africa, the Port Management Association of Western and Southern Africa, the South Pacific Ports Association, the Federation of Arab Seaports, Union d'Administration Portuaire du Nord de l'Afrique, Association Iberoamericana de Puertos y Costas, the International Association of Ports and Harbors and the American Association of Port Authorities. Not only is a forum for the exchange of information on institutional, managerial and technical aspects provided, but also relations are established that provide the potential for further cooperation in various fields mentioned below.

First, training in a subregion with a limited population in each port can be centralized in one port which would benefit all ports. Training courses can be developed and delivered centrally or instructors from the centre can travel to ports in the region to conduct courses. The UNCTAD secretariat, for example, has been actively promoting this concept through the development of national and subregional training capacity with its TRAINMAR (Maritime Management Training) programme. Regional TRAINMAR centres exist in Côte d'Ivoire, Nicaragua, Guadeloupe, Uruguay, Malaysia and Morocco, with additional centres planned for Peru, Fiji and Viet Nam.

Second, port organizations could set up a roster of experts who could be utilized on a cost-plus basis by others, for example the United Nations or commercial parties, for managing other ports. These experts, who are well aware of conditions in developing countries, could cover cargo handling, equipment management, environmental protection, liability questions, cost accounting, port statistics and port pricing, among others. An example of this exchange of expertise was the recent UNDP/UNCTAD Port Management Rehabilitation project for Somalia, where a team of managers from Indian ports were involved in the running and management of the ports of Mogadishu and Kismayu. Another example, on a more commercial basis, was the awarding of a contract to a private container terminal operator from the Philippines to manage and operate a terminal in Argentina. This same operator is seeking similar contracts in China and Pakistan.

Third, pooling or sharing of port equipment can provide mutual savings. For example, dredging costs can be doubled if mobilization costs are high. However, through the coordination of a subregion's dredging needs on an annual basis, the cost of dredging contracts can be reduced for all by agreeing to share the initial mobilization and demobilization costs. Service vessels used for maintaining navigational aids can be shared. As an example, port authorities in Mauritania and Guinea entered into an agreement with Senegal for the rental of their buoy tender.

Fourth, to benefit from the advantages of containerization and economies of scale, countries in a subregion could jointly develop a container terminal as a hub or transshipment port for the subregion. The volume of cargo for the subregion would justify the development of the terminal and the use of larger vessels, thus reducing transport costs and also providing more frequent service. Containers could then be transferred by ro-ro feeder vessels to other ports in the region; this would reduce infrastructure and equipment needs in those ports. If containers are not appropriate for feedering, cargo could be transferred from the containers and placed on pallets for onward shipping.

are carried out with external financial support, when this funding was drying up in the 1980s, many of the organizations had to undergo extensive evaluation and adjustment of their institutional and development programmes. While the problem of funding persists, it is expected that the changes effected could make the organizations more efficient in their operations and more effective in project delivery and the mobilization of the necessary funds.

98. OMVS promoted the construction of a dam at Manantali (Mali) to produce hydroelectricity and another one at Diama (Senegal) to arrest salification of water and irrigate around 400,000 hectares of land. In continuation of this development programme, the member States agreed at a ministerial meeting in January 1996 to seek financing for its navigation phase, which is aimed at clearing river channels to permit year-round navigation along waterways. LCBC projects include the planning and management of the water resources of the Lake Chad Basin, the development of sustainable hydro-agriculture in the Basin and the demarcation of the Basin's international frontiers. In OMVG, a ministerial meeting in February 1996 agreed to a development programme including the construction of a bridge over the Gambia river. In KBO, development activities have been adversely affected by political conflicts in the subregion. KBO had been promoting the development of a number of projects such as the construction of a 80-megawatt hydroelectric dam at Rusumo Falls on the Rwanda-Tanzania border to produce electricity for irrigation purposes; the construction of a 2,000-kilometre railway network between the four member countries and a 914-kilometre road construction project; the establishment of telecommunications networks between member States; the building of a regional documentation centre; and the implementation of a tsetse fly control programme. The Liptako-Gourma project fosters joint development of the region bordering the Niger River from Tombouctou to the Nigerian border, including the construction of roads for mining development. The Mano River Union, besides its customs union programme, has promoted the building of a multi-purpose dam for the production of power, and for flood control, irrigation, navigation and fishing. Other specialized institutions include the Intergovernmental Authority on Drought and Development (IGADD), the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS) and the Council of the Entente States (CE).

Chapter II
ASIA AND THE PACIFIC

II.1 INTEGRATION AND COOPERATION GROUPINGS AND INITIATIVES

99. The Asia-Pacific region, for the purpose of this report, is demarcated into West Asia and Central, South and East Asia and the Pacific. Although each region has its own distinctive experiences, there is almost universal agreement among Asia-Pacific States that subregional and regional economic integration and interregional cooperation are fundamental to the effective mobilization of the region's potential resources to promote development and structural change.

II.1(a) West Asia

100. In West Asia, the institutional framework for regional cooperation and the efficacy with which institutions have worked in achieving their objectives have been affected by changing political conditions and external events. In addition, joint economic action among West Asian States historically has evolved within the framework of the League of Arab States' (LAS) pact, conventions, resolutions and institutional structures (the LAS is an interregional organization). West Asian Arab countries have experimented in this area with varying degrees of enthusiasm and success since the establishment of the League in 1945, including membership of cooperation institutions (see table 2). Historically also, joint cooperation among West Asian States has been more pronounced in the areas of trade liberalization and expansion, and aid and labour flows, although other areas have been gaining in importance (water, environment and population).

101. Until the early 1970s, cooperation efforts had a limited impact on economic cooperation generally and on intraregional trade (trade cooperation is analyzed in section II.2). A number of factors inhibited the advancement of cooperation efforts. The overall approach to regional cooperation was often too ambitious and comprehensive with respect to both objectives and geographical scope. Proposals generally lacked the flexibility to allow for the wide differences in the situations of the various countries and for changing circumstances. These proposals were offered on a full acceptance or rejection basis. Because the would-be contracting parties did not have the option to accept only those parts of the proposals for which they were ready, the effectiveness of the agreements concluded has not been encouraging. An example, in this respect is the Arab Common Market, the membership and effectiveness of which have remained limited three decades after its inception. Another drawback of these earlier efforts lay in the fact that since the decisions adopted by the institutional machinery were not binding on member countries, implementation problems arose.

102. Earlier experience also relied heavily on intergovernmental action, reflecting the dominant economic and social philosophy prevailing at the time in the regionally more active countries (Egypt, Iraq and the Syrian Arab Republic). Regional cooperation was basically viewed, and pursued, as a matter between governments with a limited role, if any, for the private sector. Moreover, these efforts lacked grass-roots support. While they reflected the prevailing thinking and trends in regional cooperation at the time, which assigned a leading role to preferential trade liberalization and governmental action, options were also limited by inadequate financial resources. The adjustment of oil prices in the 1970s and the subsequent accumulation of substantial financial resources have helped change alter possibilities. Increased attention began to be directed to promoting cooperation in production, the establishment of necessary key institutions and the enactment of supporting legislation. It should be noted, however, that this has not led to abandoning the pursuit of the earlier goal of trade liberalization and freedom of capital movement. This is evidenced by the introduction in the early 1980s of a new convention for facilitating and developing trade between Arab States, to replace the 1953 Trade Convention, and of the Unified Agreement for the Investment of Arab Capital, to supersede the various agreements adopted previously.

103. The subsequent phase in Arab cooperation and integration has been characterized by a number of features, increasingly visible since the mid-1970s, some of the more significant of which are examined below.

104. One of these features has been the continued and growing support for subregional economic integration, which led to the of the Cooperation Council for the Arab States of the Gulf (GCC) in 1981 and the Arab Cooperation Council (ACC), eight years later, in February 1989.

Table 2
Membership of Asian countries in major subregional, regional and interregional economic cooperation and integration organizations

Afghanistan	ECO, NAM, G-77	Malaysia	ASEAN, NAM, G-15, G-77
Bahrain	GCC, NAM, G-77	Maldives	SAARC, NAM, G-77
Bangladesh	Bangkok Agreement, SAARC, NAM, G-77	Mongolia	NAM, G-77
Bhutan	SAARC, NAM, G-77	Nepal	SAARC, NAM, G-77
Brunei Darussalam	ASEAN, NAM, G-77	Myanmar	NAM, G-77
Cambodia	Mekong Committee, NAM, G-77	Oman	GCC, NAM, G-77
China	*	Pakistan	SAARC, NAM, G-77
PDR of Korea	NAM, G-77	Palestinian Authority	CAEU, NAM
Cyprus	NAM, G-77	Philippines	ASEAN, NAM, G-77
India	Bangkok Agreement, SAARC, NAM, G-15, G-77	Qatar	GCC, NAM, G-77
Indonesia	ASEAN, NAM, G-15, G-77	Republic of Korea	Bangkok Agreement, G-77
Iran, (Islamic Republic of)	ECO, NAM, G-77	Saudi Arabia	GCC, NAM, G-77
Iraq	CAEU, ACM, NAM, G-77	Singapore	ASEAN, NAM, G-77
Jordan	CAEU, ACM, NAM, G-77	Sri Lanka	Bangkok Agreement, SAARC, NAM, G-77
Kuwait	CAEU, GCC, NAM, G-77	Syrian Arab Republic	CAEU, ACM, NAM, G-77
Lao PDR	Bangkok Agreement, Mekong Committee, NAM, G-77	Thailand	ASEAN, Mekong Committee, NAM, G-77
Lebanon	NAM, G-77	United Arab Emirates	CAEU, GCC, NAM, G-77
Libyan Arab Jamahiriya	CAEU, ACM, NAM, G-77	Viet Nam	Mekong Committee, NAM
Malaysia	ASEAN, NAM, G-15, G-77	Yemen	CAEU, ACM, NAM, G-77
Maldives	SAARC, NAM, G-77		

Note: For definition of acronyms, see Abbreviations (p.4).
*China is an associate member of G-77 and is in the process of becoming a member of the Bangkok Agreement

105. The Cooperation Council for the Arab States of the Gulf (GCC) represented a new and unique experiment in West Asian economic relations, being the first major cooperative arrangement conceived outside the framework of the League of Arab States and the Council of Arab Economic Unity. It is also the only one of its kind among West Asian States that is fully operational. The creation of the GCC was primarily in response to preoccupations specific to the GCC countries, including political, defence and economic considerations. Nonetheless, its implications for the other countries of the region cannot be overemphasized since; the GCC countries

wield substantial economic and financial power as aid donors and markets for goods, services and labour. To that extent, their economic policies and conditions have considerable impact on the other countries in the region and for many other developing countries as well.

106. The Unified Economic Agreement, approved in March 1993, establishes the framework for economic concertation among GCC member States in coordinating and unifying their economic, fiscal, monetary and industrial policies with the aim of creating an integrated common market in the longterm. It specifically provided for (a) elimination of customs duties and the establishment of a common external tariff; (b) coordination of trade policies and import procurement policies; (c) free movement of labour and capital; (d) coordination of oil policy and industrialization; (e) coordination of technology, training and manpower policies; (f) cooperation in transport and communications; and (g) coordination of financial, monetary and banking policies, including common investment policies.

107. Implementation of the Unified Economic Agreement has followed several tracks, mostly related directly or indirectly to facilitating trade. Steps have been taken to secure freedom of movement for persons, goods and means of transport, which are accorded national treatment. Efforts have focused on linking infrastructural projects to reflect the interdependence of Council member States. Tariffs on agricultural and animal products, and on natural resources and industrial products of national origin, were abolished in 1989. Producers were allowed to export directly to any member State without having to go through a local agent. Seagoing vessels owned by a member State or its citizens were given national treatment too. However, the unification of tariff schedules in respect of the outside world as a first step towards the creation of a common market has made only limited progress, despite the various efforts made. Regarding industrial cooperation, the GCC countries established a number of joint ventures, especially in petrochemicals and fertilizers as well as in marketing operations. Saudi Arabia's Basic Industries Corporation (SABIC) established several such ventures with other GCC countries to produce and market petrochemicals, fertilizers, plastics, aluminium and so forth. Several projects have been launched in the area of finance, such as the fund to support any GCC currency under pressure (the fund is equally subscribed to by the GCC monetary agencies), and a preliminary agreement to introduce a new currency grid similar to the European Monetary System. The GCC countries have also embarked on coordination of pricing policies and joint marketing of crude oil.

108. The Arab Cooperation Council (ACC), formed by Egypt, Iraq, Jordan and Yemen, suffered an early demise. Its activities were frozen as a result of the Gulf crisis/war and it ceased to exist following Egypt's subsequent withdrawal from it. The agreement establishing the ACC States that its ultimate aim is to achieve the highest level of coordination, cooperation, integration and solidarity among its member States, principally by forming a common market. This objective evokes the experience of the Arab Common Market, which has existed since 1964, but has had very little success. Three ACC members (Egypt, Iraq and Jordan) were among its four founding members. The ACC agreement benefited in some ways from earlier experience in joint Arab economic cooperation. This was apparent in the ACC's adoption of a flexible and gradualistic approach, its reliance on coordination at sectoral level and among national development plans, and an expressed desire to involve the private sector more actively in its activities. Also stressed was the importance of taking into consideration the levels of development and economic conditions and circumstances prevailing in member States. Furthermore, the ACC did not elaborate on the means to be used in attaining the declared objectives, stating only that this would be achieved through plans and practical measures, including new legislation, and modification and unification of existing legislation.

109. A second significant feature of regional cooperation in West Asia after mid-1970s has been the increased acceptance and involvement of the private sector as an important factor in the cooperative process. Arguments advocating a more active role for the private sector steadily gained ground. The third feature has been the emergence of a consensus that joint ventures represent a promising vehicle for promoting regional cooperation. A survey of Arab multinational enterprises shows that the establishment of such

enterprises has received increased emphasis in recent years and more are being established.[27] These enterprises are engaged primarily in three sectors: (a) the industrial sector, which includes the Arab Potash Company, the Arab Shipbuilding and Repair Yard, Jordan Paper and Cardboard Factories Company Limited, the Arab Mining Company, the Arab Company for Drug Industries and Medical Appliances, the Arab Drilling and Workover Company, the Saudi-Bahraini Cement Company and the Gulf Aluminium Rolling Mill Company; (b) the banking sector, such as the Gulf International Bank, Jordan-Gulf Bank S.A., the Arab Banking Corporation, the Kuwait Asia Bank and the Arab Jordan Investment Bank; and (c) in financing and services sectors, such as the Arab Union Reinsurance Company, the Arab Investment Company, the Arab Petroleum Investments Corporation, Gulf Air and Compagnie algéro-libyenne de transport maritime. Many of the enterprises have been established under the auspices of subregional cooperation organizations and, as regards their capital holdings, many are owned by States or by Arab public-sector entities, and at times by international, regional or subregional financial agencies. Some enterprises enjoy privileges and immunities granted them by their member States.

110. A fourth significant feature of West Asian cooperation has been the relatively freer flow of capital and the relatively freer movement of labour and skilled personnel. This is illustrated by the large influx of capital from the surplus to the deficit West Asian countries (and other developing countries as well) and of labour in the opposite direction (details are given in sections II.3(b) and II.3(d), respectively). A fifth feature has been the stepping up of institution building, with the establishment of a number of key institutions such as the Arab Fund for Economic and Social Development, the Arab Monetary Fund and the Inter-Arab Investment Guarantee Corporation as well as the subregional groupings mentioned above.

111. Finally, the post mid-1970s period witnessed a very strong impact of political factors on cooperation efforts, positive in some instances but often negative as in the case of the Gulf crisis and war. The latter, as already noted, was instrumental in the early demise of the newly created Arab Cooperation Council and in the rupturing of relations among countries. Conversely, the ongoing peace process in the Middle East facilitated the convening of an economic summit in Casablanca in November 1994. The summit, which was attended by political and business leaders from the Middle East and North Africa, ended with the adoption of a declaration pledging governments to build the foundations of an interregional economic community based on free movement of goods, services and labour, to establish a tourist board and to study the establishment of a development bank. The countries concerned have been meeting to delineate means of implementing the declaration. A second summit was convened in October 1995, and progress on the issues raised in the declaration was reviewed. In this process, the international donor institutions, donor governments and development organizations have introduced various projects to support the launching of this initiative, primarily as an integral aspect of the ongoing peace process. For example, the Government of Switzerland established the Swiss Trade Initiative Middle East North Africa (STIMENA) to assist countries of the region in increasing external trade and development; the initiative started its operations in 1995.

II.1(b) Central, South and East Asia and the Pacific

112. In Central, South and East Asia (the South Pacific subregion is examined separately), the pace of cooperation was relatively slow during the early post-war decades owing perhaps to the emphasis given to consolidating, integrating and developing national economies. By the middle of the 1960s and early 1970s, countries in the region had begun to realize the need for greater economic interaction with their neighbours as their production base broadened and became more diversified. Import substitution, though easy in its initial phases, became more difficult and inefficient as it progressed further and it became imperative that market expansion be sought, whether within or outside the region. One of the principal economic motivations for regional cooperation, therefore, was the need to overcome the limitations generated by import substitution. The advantage of regional cooperation was that it made these countries' economies reasonably open without the risk of severe balance-of-payments problems. It was thus viewed as the middle path between complete self-reliance and total openness of the economy. Accordingly, countries

created or acceded to subregional and regional development institutions (see table 2).

113. The main foundation for regional cooperation was laid by the Kabul Declaration on Asian Economic Cooperation and Development, adopted by the Council of Ministers for Asian Economic Cooperation in 1970. It urged the countries of the region to evolve and implement regional cooperation programmes in the areas of trade and monetary cooperation as well as other sectors. This acted as the catalyst for several regional ventures.

114. Starting in the late 1970s and continuing up to the present time, the phenomenal economic growth of this region - particularly of South-East Asia - has led to diversifying needs of different countries and growing intra-regional trade and investment. The process of differentiation taking place in the region has now progressed considerably and provides greater complementarity, which allows greater interdependence and cooperation among the countries. Taking into account the dynamism sweeping across the region and the presence of countries at varying levels of economic development, opportunities for the promotion of economic and technical cooperation developing countries are considerable if the synergies can be collectively harnessed. Indeed, countries have imparted renewed impetus to their mutual economic cooperation, especially relating to trade and investment (as well as transfer of technology).[28] This is having a major influence on sustaining the growth of intra-regional trade, for example (as will be detailed in section II.2(b)). It is also stimulating the appearance of "growth zones" involving border regions of neighbouring countries (see section II.1(c)), and encouraging the formulation of entirely new cooperation proposals (some of which have yet to materialize). The latter include (a) the Government of Malaysia's proposal to form the East Asian Economic Caucus (EAEC); (b) the Government of Mongolia's proposal for closer ties among the north-east Asian countries; and (c) the agreement in March 1995 by a summit meeting of the Heads of State of Kiribati, the Marshall Islands, Nauru and Tuvalu (the smaller island member States of the South Pacific Forum) to launch a subregional arrangement that would promote the joint development of air transportation, shipping and trade as well cooperation in immigration matters (easing of visa requirements) and the protection of their airspace.

115. A large part of the renewed impetus being given to joint cooperation initiatives is within established subregional economic integration groupings and programmes. In many of the integration groupings, the modalities of operations have been modified to improve the latter's effectiveness and efficiency, as the survey below illustrates (developments related to trade programmes are examined in section II.2(b) below).

116. In Central Asia the Regional Cooperation for Development (RCD) was created in 1964 by Pakistan, the Islamic Republic of Iran and Turkey with the goal of establishing closer economic, technical and cultural cooperation. It aspired to establish industrial projects and promote standards, trade, tourism, transport (including the building of road and rail links), communications and cultural affairs. It achieved little in economic terms despite excellent political relations among the three members. Only a few of the development projects approved were ever implemented and brought to completion. The creation of a preferential trading area remained under discussion for five years at the ministerial level but never materialized. The lack of substantial progress led to the revival of the RCD in 1985 as the Economic Cooperation Organization (ECO).

117. Under ECO the introduction of a preferential trade system was announced in July 1987, and the establishment of a joint reinsurance company was announced in September of the same year. This company was created and is operational. The launching of the trade liberalization programme languished until 1991 (see following section). A significant boost to the Central Asian integration process resulted from the break-up of the former Soviet Union and the emergence of six independent republics in Central Asia. This event provided an opportunity for expanding ECO as the new Central Asian republics turned to their neighbours for alternative markets and expertise. At the same time, the new membership of ECO benefited the founding members in so far as it afforded them new opportunities for development. Thus, at the extraordinary meeting of the Council of Ministers in Islamabad in 1992, the

Treaty of Istanbul was amended to admit to membership of ECO six Central Asian republics - Azerbaijan, Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Afghanistan became the tenth member of ECO, which now encompasses a population of around 310 million and an area of 8 million square kilometres. With this new membership, ECO is pursuing cooperation along various lines, but especially in trade, transport, agriculture, and industry. Cooperation activities conform to the Quetta Plan of Action and the Istanbul Declaration, which were approved by ECO following two high-level meetings, and which provide for extensive cooperation in different economic sectors. Implementation of these programmes, however, has been undermined by continued political strife in several member States. Nevertheless, in May 1996 a meeting of Heads of State reached agreement on reviving ECO and placing more emphasis on the development of transport links, including the possibility of launching a joint airline and a joint shipping line.

118. In South Asia the South Asian Association for Regional Cooperation (SAARC) was formed in 1985 by seven countries of the subregion. The dominant areas of cooperation in SAARC are agriculture and forestry, health and population activities, meteorology, rural development, telecommunications, transport, science and technology, postal services, sports, arts and culture, women in the development process, and drug trafficking and abuse. Poverty alleviation was recently identified as another priority. Implementation of programmes in most sectors is proceeding normally. SAARC's most recent initiative, and one which could affect the long-term viability of the grouping, is the adoption of an agreement to establish the SAARC Preferential Trading Arrangement (see section II.2).

119. In South-East Asia the Association of South-East Asian Nations (ASEAN) was established in August 1967 to accelerate economic growth, social progress and cultural development in the region through cooperative efforts; to promote regional peace and stability; to promote active collaboration and mutual assistance in matters of common interest; to provide mutual assistance in training and research; to maintain close cooperation with existing international and regional organizations with similar aims and purposes; and jointly to conduct a dialogue with their major economic partners on issues of common concern. ASEAN also assigned an important role to cooperation efforts in the private sector, and works closely with chambers of commerce and industry, as well as with a number of technical working groups, and industrial and commodity clubs. Hence, an ASEAN Chamber of Commerce and Industry was formed which promotes cooperation among member chambers and their various organizations in pursuing business activities and contacts. In addition, ASEAN has established several subsidiaries to pursue specialized activities (such as the ASEAN Insurance Council).

120. ASEAN's efforts culminated in the adoption of the ASEAN Free Trade Area (see section II.2(b)) and major institutional changes: the restructuring of the ASEAN machinery for economic cooperation through the abolition of the five ASEAN economic committees and the institutionalization of the Senior Economic Officials Meeting to oversee all aspects of economic cooperation; the completion of the restructuring of the ASEAN secretariat, with the restructured secretariat becoming operational in January 1993; and the formation in 1994 of the ASEAN Regional Forum to promote regional security. The Forum comprises the ASEAN member States, the Lao People's Democratic Republic, Cambodia, Viet Nam, Myanmar and several developed and developing countries. ASEAN membership is likely to increase in the near future. Viet Nam and the Lao PDR have had observer status with ASEAN since 1992. Viet Nam has applied for full membership, and Cambodia observer status. Both applications were endorsed at an ASEAN ministerial meeting in July 1995.

121. A grouping which has undergone major changes is the Mekong River Commission (see also box 4). Under the sponsorship of the Economic Commission for Asia and the Far East (a predecessor of ESCAP), the four lower Mekong riparian countries (Cambodia, Laos, Thailand and Viet Nam) created in 1957 the Committee for Coordination of Investigations of the Lower Mekong Basin and signed a cooperation pact regarding the development of water and related resources of the Lower Mekong Basin. This geographical area was appropriate for subregional economic cooperation because of its potential for the development of physical infrastructure projects. The advantages of subregional cooperation in developing the Mekong River to improve living

standards in the subregion, which is one of the poorest in the Asia-Pacific region, was recognized. Subsequently, the joint declaration on principles of utilization of the waters of the Lower Mekong Basin was signed in 1975. After Cambodia ceased participation in the Committee, the Interim Committee was set up by the three remaining countries. It worked with the member countries on the development of the Mekong's water resources for agriculture, energy and fisheries, as well as in flood control and navigation. Support for its activities, both technical and financial, came from the member countries and international sources, including Australia, Canada, France, Japan, the Netherlands, Sweden, the European Community and UNDP. In the early 1990s, the People's Republic of China expressed interest in sharing information on the Mekong River, and in participating in the activities of the Interim Mekong Committee and its secretariat.[29]

Box 4
Agreement on Cooperation for Sustainable Development of the Mekong River Basin

In 1990, Cambodia expressed interest in rejoining the Committee. There was, however, disagreement among the riparian countries on the continuing applicability of the then existing arrangement. Consequently, in 1992 the Mekong Working Group was established comprising the representatives of the four riparian States of the Lower Mekong. With UNDP support the Working Group had five meetings to prepare a draft agreement. On 5 April 1995, the Agreement on Cooperation for the Sustainable Development of the Mekong River Basin was signed in Chiang Rai, Thailand, by the Deputy Prime Minister of Cambodia, and the Foreign Ministers of the Lao PDR, Thailand and Viet Nam. The new Agreement, which superseded the 1957 Statute and the 1975 Declaration on the Principles of Water Usage, has primarily established a new principle governing water usage in the Lower Mekong Basin. Under the Agreement, only inter-basin water transfer projects of individual member States that involve diverting water from the Mekong mainstream in the dry season are subject to approval by other member States. Members are not allowed to veto the other countries' projects. It is important to note that the 1975 arrangement required the prior consent of all members for all projects affecting water availability in the mainstream.

The Agreement consists of 6 chapters and 42 articles. Not only does it incorporate the principles of international water law, but it is also intended to establish sustainable development as its objective, taking into consideration environmental, social, cultural and economic concerns. Thus, the Agreement reaffirms the cooperation of the four riparian countries regarding sustainable development in the basin, and their desire to promote interdependent regional cooperation. The riparian countries, through this Agreement, established a permanent joint organizational structure, and proclaimed their full commitment to abide by and implement the objectives, principles and institutional framework set out therein. The main topics addressed in the Agreement are the Basin Development Plan, environmental protection and ecological balance, sovereign equality and territorial integrity, reasonable and equitable utilization of Mekong water resources, maintenance of flows on the mainstream, prevention and cessation of harmful effects, responsibility for damage, freedom of navigation and emergency situations.

The Agreement also sets out the permanent institutional framework. It establishes the Mekong River Commission as an international legal entity with a three-tier organizational structure, namely the Council, the Joint Committee and the Secretariat. The Council consists of member from each participating State at Ministerial and Cabinet level who is empowered to make policy decisions on behalf of his or her government. Chairmanship of the Council will rotate annually on the basis of the alphabetical listing of the member States, and it will convene at least one regular session each year. Its primary functions are to make policies and decisions relative to the implementation of the Agreement and, if necessary, address and resolve such issues, differences or disputes under the Agreement as are referred to it. The Joint Committee consists of one member from each participating State at no less than Head of Department level. Chairmanship will also rotate annually, but in reverse alphabetical listing order. It will convene at least two regular sessions each year. The Joint Committee is the technical member country arm of the Mekong River Commission and its functions include implementing the policies and decisions of the Council; formulating the Basin

122. The Mekong secretariat oversaw the implementation of policies and projects and served as a repository of physical data and studies conducted for the development of the Lower Mekong Basin. The Secretariat's programme included (i) policy analysis and a planning component, which dealt with strategic studies and basin-wide planning; (ii) a technical support component, including data collection and information systems, remote sensing, mapping and environmental monitoring; and (iii) a resources development component, comprising water resources and hydropower, agriculture, irrigation, watershed and forestry, fisheries, river works, transport and human resource development (training activities include workshops on national water laws and institutions, adaptation to the impact of global climate change on Mekong water resources and the legal and institutional aspects of water resources development). In 1991, an Environment Unit was established within the Technical Support Division to ensure a systematic and consistent approach to environmental issues, to serve as a clearing house for information, and to liaise with national Mekong committees and government agencies regarding environmental matters. The Mekong Committee's major accomplishments during the last five years has been in flood warnings, resettlement aid, navigation development, and in the construction of the Lao-Thai-Australia Mitraphab (Friendship) bridge across the Mekong River. The Mekong secretariat had initiated studies and prepared preliminary engineering designs for the bridge.

123. In the South Pacific regional cooperation is particularly important for the island developing countries in view of their geographical isolation from the main economic centres and narrow economic potential. These countries have sought to cooperate more effectively with one other to exploit possibilities for and advantages in regional cooperation in a wide range of areas such as trade, investment, transport, energy and telecommunications. Largely as a consequence of this, there has emerged a "regional voice" on issues of importance to the island countries of the South Pacific. Among the many instances where this has been the case are the South Pacific Nuclear Free Zone Treaty, the Ban on Driftnet Fishing in the Region, and regional positions taken at the United Nations Conference on Environment and Development and other international conferences. In addition, the island countries together with interested developed countries, especially those with close political ties to the subregion, have established a number of regional organizations for cooperation on a wide range of issues. The island countries' membership in such organizations is shown in table 3. The involvement of interested developed countries as full-fledged (and sometimes, founding) members of regional organizations is a feature of cooperation in Oceania that is not present to the same extent in other subregions and regions.

124. The South Pacific Commission (SPC) is by far the oldest of these organizations. Established in 1947 by the Canberra Agreement (6 February 1947), the Commission comprises the United States, the United Kingdom, France, Australia, New Zealand and 22 Pacific island countries and territories.[30] Its purpose is to support the social and economic development of its island country members through the provision of technical assistance. Since the late 1960s and early 1970s, seven other Pacific island regional organizations have been established. Like the Commission, they operate in the technical assistance field but with narrower and more specific mandates. Over the years, the Commission has relinquished and/or farmed out some of its functions and activities to these latter-day specialist agencies. The Commission's current work is mainly in the field of human resource development, including health, community training, development planning, statistics, demography, rural development, youth and women, as well as in fisheries research, inshore fisheries development and tropical agriculture.

125. In 1971 several countries in the region established the South Pacific Forum (SPF), an annual meeting of Heads of Government of independent and self-governing territories which gives its members the opportunity for informal discussions of regional political issues and ways of strengthening their economic development through joint cooperation. The SPF is served by the South Pacific Forum Secretariat, formerly the South Pacific Bureau for Economic Cooperation (SPEC), which was set up in 1972. The SPF secretariat, in addition to servicing annual SPF meetings and following up on decisions taken, assists member States in developing collective responses to a wide range of regional issues, including in the areas of economic development, trade, energy, telecommunications, disaster relief, legal, political, security

and such matters as the Forum may direct. The secretariat also assumes the role of aid-coordinating agency for subregional projects which fall under its mandates. The SPF now has 15 member countries (and includes Australia and New Zealand, which are founding members).

Table 3
Membership of countries in Oceania in major subregional, regional and interregional economic cooperation and integration organizations

Cook Islands	SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP	Papua New Guinea	MSG, SPC, SPF, FFA, SOPAC, SPREP, NAM, G-77
Federated States of Micronesia	SPC, SPF, FFA, PIDP, SOPAC, SPREP, G-77	Samoa	SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP, G-77
Fiji	SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP, G-77	Solomon Islands	MSG, SPC, SPF, FFA, SOPAC, SPREP, USP, G-77
Kiribati	SPC, SPF, PIDP, SOPAC, SPREP, USP	Tonga	SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP, G-77
Marshall Islands	SPC, SPF, FFA, PIDP, SOPAC, USP, G-77	Tuvalu	SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP
Nauru	SPC, SPF, FFA, PIDP, SPREP, USP	Vanuatu	MSG, SPC, SPF, FFA, PIDP, SOPAC, SPREP, USP, NAM, G-77
Niue	SPC, SPF, FFA, PIDP, SPREP, USP		

Note: For definition of acronyms, see Abbreviation (p.4).

126. Other organizations have been established to give emphasis to specific areas of economic development or to advance regional cooperation through other fora. In some cases they have come into existence in direct response to decisions taken by the SPF. The following are organizations which report to the annual meetings of the Forum and which are members of the South Pacific Organizations Coordination Committee (see next paragraph): the Forum Fisheries Agency (FFA), the South Pacific Applied Geoscience Commission (SOPAC), the University of the South Pacific (USP), the Pacific Islands Development Programme (PIDP), the South Pacific Regional Environment Programme (SPREP) and the Tourism Council of the South Pacific (TCSP) and the South Pacific Forum Secretariat. The work of each of these institutions is briefly outlined in box 5. The smaller islands of Kiribati, the Marshall Islands, Nauru and Tuvalu have agreed to form a subregional entity to cater for their special interests.

127. Given the number of cooperation organizations, concern arose among member countries about the possibility of duplication and the need to ensure that both members, contributions and external donor funding are used effectively. In the early 1980s, consideration was given to the formation of a single regional organization, and when this did not prove possible the SPF directed that the various cooperation organizations meet regularly and establish mechanisms for ensuring effective coordination. This led to the creation of the South Pacific Organizations Coordination Committee, for which the SPF secretariat acts as the secretariat. The Committee meets annually, on the basis of equality, with the chairmanship alternating between the participating organizations. For these organizations with overlapping membership, the Committee provides an opportunity to become aware of each other's programmes and to consider ways and means by which these work programmes and decisions taken by their governing authorities can be implemented effectively and with minimum duplication. The Committee also helps to avoid unproductive competition for scarce aid resource.

Box 5
Specialized agencies members of the South Pacific Organizations Coordination committee

The Forum Fisheries Agency (FFA) was established in 1979 by 12 SPF countries to promote cooperation on matters of conservation and optimum utilization of and coastal states' sovereign rights over, the region's living marine resources. FFA membership has now increased to 16. FFA functions include accumulating detailed and up-to-date information on all aspects of living marine resources in the region; evaluating and analysing data to provide clear, timely, concise, complete and accurate advice to member States; developing and maintaining a communications network for the dissemination of information to member States; and implementing policies and programmes which have been approved by its governing body, the Forum Fisheries Committee. The FFA and its member States have made significant advances in their various areas of work. Perhaps the greatest achievement in access negotiation was the conclusion of the Multilateral Treaty on Fisheries with the United States, which was signed on 2 April 1987 and entered into force on 15 June 1988. In respect of fisheries management, the Convention for the Prohibition of Fishing with Long Driftnets in the South Pacific was concluded in November 1989. The Convention prohibits nationals and vessels which are parties it from engaging in driftnet activities in the Convention area, described as lying within 10 degrees N and 50 degrees S latitude and 130 degrees E and 120 degrees W longitude, including all waters under the fisheries jurisdiction of any party to the Convention. Concerning surveillance and enforcement, the FFA established a Regional Register of Foreign Fishing Vessels. This is an innovative and cost-effective means of registering and controlling distant-water fishing nations, vessels operating in the region, which ensures a high degree of compliance by foreign fishing vessels. A vessel must have good standing on the Register to be licensed to fish in the exclusive economic zones (EEZs) of members.

The South Pacific Applied Geoscience Commission (SOPAC) started in 1972 as a United Nations project, jointly sponsored by ESCAP and UNDP. It was then known as the Committee for Cooperation of Joint Prospecting for Mineral Resources in South Pacific Offshore Areas (CCOP/SOPAC). In 1984 the Pacific island countries covered by the project decided to change the legal status of CCOP/SOPAC to that of a fully fledged intergovernmental organization, and to change the name to the South Pacific Applied Geoscience Commission (whilst retaining the acronym SOPAC). The organization's main objective is to assist island member States through the application of geoscience to the management and development of their non-living marine resources. Thus SOPAC's work programme covers investigating mineral and other non-living resource potential in its members' coastal, nearshore and offshore areas; building up an inventory of geological data to assist with resources assessment, coastal development and hazard evaluation; coordinating marine geological and geophysical studies being carried out in the region; and training of nationals.

The University of the South Pacific (USP) was set up in Suva, Fiji, in 1969 through an initial grant from the Government of the United Kingdom for the period 1969-1972. It consists of the Laucala Campus in Fiji and the Alafua Campus in Western Samoa (which officially became a part of USP in 1977). The university has a number of other buildings and centres, which are not part of either campus, including university centres, housing offices, tutorial studios, classrooms and libraries in 10 of the 11 countries of the region.

The Pacific Islands Development Programme (PIDP) of the East-West Centre in Honolulu was established to help meet the special development needs of the Pacific Islands region through cooperative research, education and training. PIDP conducts specific research and training activities based on the issues and problems prioritized by the Pacific Islands Conference of Leaders, which meets every three years. These meetings provide an opportunity for the leaders to meet in an informal setting, discuss their development goals and problems, and share with one another their ideas and experiences. The first meeting of this kind was held in March 1980. PIDP activities are organized in response to the issues and priorities established by the Pacific Islands Conference and by its Standing Committee, which oversees PIDP. PIDP brings together academic resources from throughout the East-West Centre, regional and international organizations, and Pacific Island governments to plan and conducts its activities.

The South Pacific Regional Environment Programme (SPREP) is described in detail in section II.4(d).

128. In 1988 Papua New Guinea, the Solomon Islands and Vanuatu founded the Melanesian Spearhead Group (MSG) to promote Melanesian cultures and values, exchanges and peaceful resolution of disputes. The MSG represented a new departure in cooperation among Pacific island countries in that its members intended to undertake "integration" oriented activities. Thus, MSG States operate a free-trade agreement and have agreed on close operation in the development of a single regional framework of law and practices to regulate the forestry industry, which is a major source of foreign exchange for the three countries (agreement has also been reached between the MSG States and Australia, Fiji and New Zealand to work towards a common code of conduct governing logging of indigenous forests and to increase monitoring of logging and exports of timber); joint efforts to waive visa restrictions for all categories of visitors from the three countries; examination of the possibility of merging the individual national airlines, which have not been profitable in recent years; examination of the feasibility of drawing up a subregional investment code; and examination of options for the holding of an annual Melanesian Arts Festival to promote cultural cooperation and awareness among member States as well as tourism.

129. Most of the Asia-Pacific economic cooperation arrangements have evolved independently of each other. There has been some inter-subregional cooperation between these arrangements has taken place but the scope of cooperation is rather limited, as for example between ASEAN and the SPF secretariat in the field of shipping. This could be attributed to a number of the following factors: most subregional groupings are relatively young; cooperation within subregional groupings, by and large, still has much scope for expansion (such as in the development of intra-group trade); and subregional groupings have no significant relations with one other (ASEAN economies have relatively little trade with SAARC countries and the latter have even less trade with the Pacific island countries).[31] While overall the scope of inter-subregional cooperation is indeed rather limited, the potential of such cooperation for facilitating the expansion of intraregional trade and investment is acknowledged. Thus, to improve cooperation the first consultative meeting among the Executive Heads of the subregional organizations was held in Bangkok in February 1994, at the initiative of ESCAP. That meeting suggested that such interaction should be institutionalized in the form of annual consultations. Thus, the second consultative meeting was hosted by the ASEAN secretariat in January 1995. As a result of these consultations, the following areas for cooperation have been proposed on a priority basis: trade and investment, transport and communications, human resources development, and energy, together with promoting awareness of poverty and measures to alleviate it.

II.1(c) Subregional growth zones

130. An innovative form of economic cooperation generally and in investment and trade in particular which seems to have been implemented most successfully in the Asia-Pacific region is the creation of "subregional growth zones". These zones have major unique characteristics that distinguish them from other, more formal organizations for economic cooperation. They involve border areas of neighbouring countries that possess complementarities which could be exploited for mutual benefit. The growth zones have various permutations, namely growth triangle, quadrangle and polygon, depending on the number of participating countries. Typically, cooperation in the zones involves surplus capital from relatively advanced economies complementing surplus skilled labour (and other natural resources such as land) in neighbouring economies to generate production of exportables at competitive prices. The area concerned therefore emerges as a single investment and trading zone. The flow of new investment and trade creation are also expected to bring about development of the border regions, which more often than not tend to be underdeveloped. Some of the growth zones have evolved as a result of market forces and close cultural ties with no government involvement, and others have been launched by governments. In all cases so far, no permanent secretariats have been set up to manage the growth zones; rather, the governments concerned and their business communities jointly and individually determine and implement measures for developing the zones. The growth zones have a greater potential for promoting cross-border investment, trade and general development because they make good business sense and hence are supported by local and interested international businesses, they have strong

commitment and the support of participating governments (directly or indirectly);[32] and several proposed zones have received strong support from funding agencies, particularly UNDP and the Asian Development Bank.

131. Two subregional growth zones have been implemented in the region so far, and both have been successful. These are the ASEAN southern growth triangle involving Singapore, the State of Johor in Malaysia and Indonesia; and the southern China growth triangle involving Hong Kong, southern China and Taiwan Province of China. The southern China growth triangle is the earliest subregional growth zone implemented in the Asia-Pacific region and is also the largest. It evolved soon after the adoption of the "open door" policies in the coastal areas of China. It has little government involvement in that there was no formal intergovernmental agreement on the establishment of the zone, which covers the provinces of Fujian, Guangdong and Taiwan Province of China together with the territory of Hong Kong. Hong Kong and Taiwan Province of China, by virtue of their status as newly industrializing economies, form the base of the southern China growth triangle, providing the major stimulus for the growth diffusion process within the triangle. The participating economies have a high degree of complementarity, with the Chinese coastal provinces having an abundance of land and labour while the two newly industrializing economies are wellendowed with capital, technology, entrepreneurship and infrastructure. The growth triangle thus has the advantage of close interaction among some of the most dynamic and fast-growing economies of the region.

132. By comparison with the southern China growth zone, the ASEAN southern growth triangle is much smaller and has a greater degree of government involvement. It was established in 1989 following an agreement between the governments of Indonesia, Malaysia and Singapore. Although the triangle includes the whole of Singapore, only some parts of Indonesia (the island of Batam initially) and Malaysia (Johor) are involved. It covers an area of 20,000 square kilometres and has a population of 5 million. As a newly industrialized economy, Singapore forms the base of the triangle and acts as the main stimulus for growth diffusion to the hinterland of Johor and Batam. The scarcity of land and labour in Singapore provides the "borrowed space" rationale for the establishment of the growth triangle. Foreign multinational companies and local enterprises in Singapore relocate manufacturing functions to take advantage of the more abundant labour and land resources while retaining in Singapore the less labour-dependent functions to take advantage of Singapore's better developed infrastructure, financial and human resources. While the growth triangle has been created largely by market forces, it has required massive public investments in infrastructure in Batam, which have been partly funded by Singapore. These developments have resulted in massive foreign development investment inflows from Singapore and other countries and have accelerated the industrial development of Johor and Batam (including industrial parks and factories), along with the development of tourism and other services. In Batam, total foreign investment totalled US$ 1.6 billion by the end of 1993, over half of which was from Singapore. Taken as a whole, the ASEAN southern growth triangle produces a synergy which exceeds the potential of each participating economy individually and accelerates the overall development of the region within the triangle.

133. Progress in the two existing subregional growth zones has encouraged other initiatives, one in North-East Asia and three more in South-East Asia. These are the Tumen River Development Programme, the Mekong River subregional development projects, the ASEAN northern growth triangle and the ASEAN eastern growth triangle. The Tumen River Area Development Programme, initiated by UNDP, sets out a framework for economic cooperation in North-East Asia among the Democratic People's Republic of Korea, Japan, Mongolia, the People's Republic of China, the Republic of Korea and the Russian Federation. Given the geographical composition of the programme, this initiative could be perceived as a case of North-South cooperation.

134. The Mekong River development programme comprises Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam and the Yunnan Province of China. As this geographical area forms a natural economic area centred on the Mekong River, its assets are often complementary. The programme would encourage greater trade and economic cooperation within the framework of existing relations among the countries concerned. To this end,

the six participating countries agreed to set up a subregional trade working committee to harmonize customs procedures and regularize cross-border trade, as well as to work out mechanisms for financing payments. They also decided to set up a forum of investment promotion agencies, and a network of chambers of commerce and industry. No attempt is made to lay the basis for any formal grouping since one already exists, namely the Mekong River Commission (discussed previously), and the activities of the former would be implemented in coordination with those of the latter.

135. The ASEAN northern growth triangle consists of northern Sumatra and Aceh in Indonesia, the States of Perak, Penang, Kedah and Perlis in northern Malaysia, and Songkhla, Satun, Yala, Narathiwat and Pattani in Thailand. The Indonesia part of the triangle is by far the largest, consisting of 127.1 thousand square kilometres or 70.5 per cent of the area and 13.7 million people or 64.5 per cent of the population, out of a total area of 180.1 thousand square kilometres and a total population of 21.8 million. The geographical features of the ASEAN northern growth triangle provide compelling reasons for undertaking cooperative efforts in order to realize its economic potential. The surrounding seas consist of the Gulf of Thailand on the eastern coast of Thailand, bordering Songkhla, Pattani and Narathiwat, the Strait of Malacca, which forms the coastline of the four Malaysian States, the Andaman Sea on the eastern coast of Aceh, and the Indian Ocean on the western coast of northern Sumatra. These seas provide important shipping routes between east and west and among the coastal areas of the region and for offshore oil and gas, as well as scenic sites for tourism. Apart from common seas, the triangle area shares common mountain ranges, including extinct and active volcanoes, soil systems and a hot and humid climate ideal for tropical agriculture with a variety of food and commercial crops, livestock, horticulture and a huge reservoir of marine and forest resources. The subregion is also well endowed with mineral resources, including tin, oil and natural gas. The gas field in Lhokseeumawe, in Aceh (Indonesia), is one of the largest in the region.

136. The only mechanism governing the ASEAN northern growth triangle will be a two-tier body comprising a trilateral council of businessmen and a nine-member intergovernmental committee. The focus of the triangle will be on power and infrastructure. Malaysian investors will be involved in an industrial estate planned near Hat Yai, in Songkhla, Thailand, while Malaysia's Sikap Power is involved in a gas power project on the outskirts on Medan. Thailand is also planning a joint power-generation project in the Malaysian border State of Perlis.

137. There are several other proposals for subregional growth zones which are still at the early planning stages. First, there is the ASEAN eastern growth triangle plan to link the southern Philippines island of Mindanao with western Sulawesi in Indonesia and eastern Malaysia (Sabah and Sarawak). Second, following the example of South-East and North-East Asia, a case is being made for a Bay-of-Bengal based zone, which could comprise the coastal areas of southern India, Nicobar Island, and coastal areas of Bangladesh, Myanmar, Thailand, northern Indonesia and northern Sri Lanka. The main focus of development would be transportation, tourism, fisheries and industries. Third, another potential area for a growth zone comprises parts of eastern India (Bihar and West Bengal), parts of eastern Nepal and parts of north-west Bangladesh. Other examples involving cross-border trade and investment flows that have emerged or are being considered include the bilateral trade agreement between China and the Republic of Korea, the Baht Zone in the border area of Thailand, the Lao PDR, Cambodia and Viet Nam, the Yellow Sea Economic Zone (part of China, the Democratic People's Republic of Korea, the Republic of Korea and Japan), and the Japan Sea Economic Zone (coastal areas of northern China, the Asian part of Russia, the Democratic People's Republic of Korea, the Republic of Korea and Japan).

II.2 COOPERATION IN TRADE

II.2(a) West Asia

138. In West Asia the promotion of intraregional trade is a permanent priority and hence trade liberalization has occupied a prominent position in regional cooperation efforts. Some multilateral arrangements were concluded under the aegis of the League of Arab States and the Council of Arab Economic Unity, one of which is the 1981 Convention for Facilitating and Developing Trade between Arab States, which replaced the 1953 Convention. The Convention represented an important step forward in the liberalization of intra-Arab trade by stressing the link between trade liberalization and economic integration. It was ratified by 12 Arab States and entered into force in November 1982. Its main provisions include (a) duty-free entry for agricultural and animal products, semi-manufactured goods and all products of joint ventures; (b) gradual tariff exemption for manufactured goods; (c) protection of domestic goods; (d) granting preferences to other Arab States under bilateral/multilateral agreements; and (e) special preferential treatment for the least-developed Arab States.

139. Despite promotional efforts, intraregional trade has remained a small fraction of the trade of the region, generally not exceeding 11 percent of the total (tables 3-7, statistical appendix). Participation in intraregional trade has varied widely between the group of major oil exporters and the other countries of the Economic and Social commission for West Asia (ESCWA) countries, and among individual countries (table 8, statistical appendix). The divergence between the two groups is pronounced in exports and imports. The overwhelming dominance of the major oil exporters is evident in both intraregional exports and imports, with Saudi Arabia's share in intraregional exports exceeding one-third in recent years. In 1992, around 84 per cent of intraregional exports and 74 per cent of intraregional imports were accounted for by the GCC countries. The picture would differ markedly if oil trade and re-exports were excluded. With regard to non-oil trade, the extent of participation of countries such as Lebanon and Jordan should become more pronounced. These deficit economies rely heavily on the regional market to sell their produce (fruits and vegetables, miscellaneous manufactures). Also, the share of intraregional trade in total trade would improve dramatically if fuel trade was also excluded. In 1985, for instance, this share went up to 23 per cent for the ESCWA region as a whole, compared with 7.1 per cent of total exports, including fuel. At the country level, the importance of the region as a market for non-fuel exports is more pronounced for Oman, Qatar and the United Arab Emirates (essentially re-exports) and for Jordan and Lebanon. In contrast, the region's importance as a source of non-fuel imports for member countries is quite limited, with respect both to coverage and size. In 1985, this share did not exceed 2 percent, revealing the extent of the region's dependence on the outside world for manufactured goods and foodstuffs.

140. Another aspect of the skewness of intraregional trade is illustrated in tables 9 and 10 (statistical appendix). The geographical scope of individual country's regional trade appears to be generally very narrow and highly concentrated, implying weak trade relations. Bilateral relations and traditional markets, more than multilateral action, appear to determine the pattern of regional trade flows. As tables 8 and 9 clearly show, trade tends to concentrate on a very limited number of partners, with the bulk of it accounted for by one partner, and the member States of the Gulf Cooperation Council, with some exceptions, are each other's main trade partners. The latter phenomenon is not explained by the existence of complementarities, but rather by the dominance of re-exports in mutual trade and by the export of oil for refining purposes.

141. On average, 63 per cent of all regional exports in 1992 were destined for the leading market of individual countries, while the cumulative share for the first two markets stood at 80 per cent, and for the leading three markets at 91 per cent of intraregional exports. The situation is replicated in the case of imports, thus confirming the high geographical concentration of intraregional trade.

142. The region constitutes an important market for re-exports from the GCC countries, which also supply crude oil for some of the refineries where domestic oil resources are insufficient (Bahrain, Jordan and Yemen) or non-existent (Lebanon). The flow of regionally produced petrochemicals, fertilizers, cement and aluminium into the GCC and other countries in the region has been increasing, although the bulk of these products continues to be marketed outside the region. For non-GCC countries, the region provides a major outlet for exports of manufactured goods and of agricultural products, mainly fruit and vegetables. These flows have been important for Lebanon and Jordan, which depend largely on the region for the supply of crude oil for their refineries. Yemen relies on its neighbouring countries for the supply of staple commodities and manufactured goods. The regional market assumes special significance as an outlet for member countries' exports of those manufactured goods for which access the wider international markets is more difficult as a result of protectionism (textiles and leather goods), or quality and specifications requirements, transportation costs and/or bottlenecks, and the bulky nature of the goods (cement, bottled mineral water, rubber and plastic products, iron and steel structures). The regional market also serves as a testing ground for new product lines and potential exports.

143. While only a small portion of the region's fuel exports are consumed within the region, their share in intraregional exports continued to be predominant despite its having declined from around three-fifths in 1980 to two-fifths of the total in 1987. The structure of intraregional trade did not change significantly during the 1980s, although some shifts in concentration occurred (table 11, statistical appendix). In 1980, fuels dominated intraregional trade, accounting for about 60 per cent of the total, followed by manufactured goods other than machinery (14 per cent), machinery essentially re-exports (11 per cent) and goods items (less than 10 per cent). In 1987, the share of fuels shrank by one-fifth to 40 per cent, albeit remaining the most important. This fall in relative importance of fuels was offset by a rise in the share of food items and petrochemicals, while manufactured goods retained their share at one-fourth of the total. Exports of chemicals gained ground at the intraregional level and their share tripled to around one-tenth of the total in 1987. This reflected a rise in absorptive capacity for petrochemicals and fertilizers. Also falling into this category are products such as soaps, detergents and cleansing powders, paints and varnishes, pharmaceutical and medicinal equipment, the production and export of which at the regional level, have improved since the early 1980s.

144. Intraregional trade is of major significance in some product categories (table 12, statistical appendix). Oil aside, the region absorbed more than 68 per cent of its food exports in 1980, 64 per cent of those of machinery and transport equipment (essentially re-exports) and an equal share of other manufactured goods, one-fourth of its exports of ores and metals and 14 per cent of its exports of chemicals. In 1987, the region lost considerable ground as an outlet in all major export categories. The share of food was halved, though remaining substantial, to about one-third of the total, while about one-tenth of its exports of chemicals, machinery and other manufactured goods was absorbed within the regional market. The region is more important as an outlet for its non-oil exports than as a source for goods, in terms of both quantity and type of products. Thus, with the exception of fuels, around half of which originate from within, the region supplies very small shares of the remaining import categories. This, among other things, serves to reflect minor achievements in locating alternative outlets for the region's goods, such as the other developing countries and the developed market-economies, while at the same time confirming the region's dependence on outside sources.

145. The trade of the ESCWA region with other developing countries has grown significantly in absolute terms since the mid-1980s. The value of exports increased from an average of US$ 15.2 billion in 1985-1987 to US$ 24.2 billion in 1990-1992 (table 4, statistical appendix). Similarly, the value of imports increased from an average of US$ 8.9 billion to US$ 13.5 billion over the same period (table 6, statistical appendix). In relative terms, however, the share of developing countries in exports has remained stable at around 23 percent of the total (table 5, statistical appendix), whereas for imports it rose from 12.7 per cent in 1985 to 16.3 per cent in 1992 (table 7, statistical appendix), pointing to the region's increased dependence on other developing countries as a source of imports without a corresponding achievement with

respect to marketing of exports. However, exports are expected to increase once arrangements and facilities for exporting gas from the Gulf to India become operational. Although detailed information on the composition of the region's exports to other developing countries is not available, the indications are that it consists essentially of oil and derivatives, as well as other raw materials such as phosphates. Moreover, the bulk of these exports originate in a limited number of countries, notably Saudi Arabia, Kuwait and the United Arab Emirates (table 15, statistical appendix).

146. The fact that intra-ESCWA trade has not accounted for a more significant share of the region's aggregate trade may be attributed to a number of interrelated trade-limiting economic and institutional factors. The region's potential to supply the range of products imported from other countries is limited by the narrowness of its production base and the overall competitiveness of its member countries' productive structures, reflecting the failure to develop within a regional perspective. Furthermore, the economies of the region have been traditionally linked to those of the industrialized countries by specializing in the production of primary commodities and maintaining trade structures dominated by exports of raw materials and imports of manufactured goods, mainly to and from those countries. This is particularly true of manufacturing industries, which have emerged along import-substitution lines, sustained by protection, to cater to the home market and/or to rapidly growing markets of other countries in the region, notably the GCC countries and Iraq.

147. Aside from oil, the bulk of which is consumed outside the region, a significant portion of the region's exports consists of primary products (cotton and phosphates), which also find their markets in the industrialized countries outside the region. The pattern of industrialization which has emerged in the region has not been helpful in generating significant demand for its raw materials or in meeting the needs of the region in terms of machinery and capital equipment. Joint Arab investments have not been successful in creating tradeable products, as they have tended to focus on services such as tourism, real ėstate, financial investments and production for the domestic market. Furthermore, the more recent drive to establish export-oriented and technology- and capital-intensive industries (such as petrochemicals) has not been very helpful. These industries tend to rely totally or excessively on the industrialized countries for the acquisition of technology, management and marketing of output, and on part of an industrial chain that begins and ends outside the region, with minor links to industries in the region.

148. The low level of intraregional trade may also be linked to differences in levels of development and fears of possible "polarization" of benefits; differences in socio-economic systems and trade regimes, giving rise to the prevalence of and/or preference for bilateral trade arrangements over multilateral ones; and the maintenance of various forms of non-tariff barriers, despite an overall commitment to the liberalization of intraregional trade. Obstacles of an institutional nature, including inadequate trade-financing and insurance arrangements, transport bottlenecks, lack of harmonization of customs nomenclature and trade formalities, differences in trade-handling modalities (state trading versus private sector) and more favourable and long-standing trade relations with suppliers outside the region, have also not been favourable to the development of intraregional trade. Unlike the non-oil- exporting (deficit) West Asian countries, where similarities in production patterns prevail, in the oil-exporting countries adequate foreign exchange supplies and an outward-looking approach favour importation on a competitive basis, usually importation of extraregional goods. In addition, shortcomings in regional trade agreements continue to be an obstacle to the expansion of intraregional trade. These include inconsistency between economic relations and political motivations leading to the setting of overambitious targets, absence of workable solutions to long-standing problems, lack of flexibility in implementation of certain parts of provisions (either full adherence or rejection basis) and the non-binding nature of agreements. Beyond this inherent inflexibility, insufficient support generated beyond the immediate circles that promote such arrangements limit the extent of support. Intraregional trade liberalization has been essentially political and centralized, with little, if any, involvement of private sector representatives.

149. While political considerations have worked both for and against intraregional trade and regional cooperation, their overall impact has adversely affected the process and frustrated many initiatives. Unstable political relations have had adverse effects on intraregional trade, mainly through their direct impact on the smooth flow of trade, as well as indirectly through their effects on investment decisions. A crucial issue is, therefore, how to insulate cooperation efforts from the vicissitudes of political relations. One way is to avoid hasty commitments inspired by momentary considerations and affiliations. Another is to ensure that sufficient economic interest and momentum are generated so as to reduce the chances of revoking agreements and commitments. Economic cooperation and trade expansion efforts are more likely to succeed in an environment of economic growth and stable political relations.

II.2(b) Central, South and East Asia and the Pacific

150. Trade liberalization in this region is affected by the process of multilateral liberalization. A study[33] by the Economic and Social Commission for Asia and the Pacific (ESCAP) states as follows: "GATT secretariat's estimate of the overall impact of the Uruguay Round is that the level of world merchandise trade would be about 12 per cent higher in the year 2005 that it otherwise would be, an increase of US$ 745 billion (in 1992 dollars) over the level if trade grows at its average level of 4.1 per cent for the period 1980-1991. The largest increases in trade are estimated to occur in the areas of clothing (60 per cent), textiles (34 per cent), agricultural, forestry and fisheries products (20 per cent) and processed food beverages (19 per cent). As exports of developing ESCAP countries were 17 per cent of world's total exports in 1993, the proportionate benefit to them could even be of the order of about US$ 127 billion. As its exports growth rate is almost double the world average, its percentage share in world trade by 2005 would be about 20 per cent. Therefore, out of the estimated global gain of US$ 745 billion, ESCAP developing economies will get a share of at least US$ 150 billion. If the former GATT secretariat's estimates of gains to world trade from the Uruguay Round are correct, ESCAP developing economies including members of the three regional trading arrangements will reap substantial benefits from the Uruguay Round liberalization. Trade benefits from ECO/PPT and SAPTA will be completely insignificant compared to the estimated US$ 150 billion gain from Uruguay Round agreements. Even for ASEAN countries, trade benefits from AFTA will be much smaller than from the Uruguay Round, but these benefits will reinforce each other as free trade in the subregion would make ASEAN countries more competitive at world level. Of course, if ECO/PPT and SAPTA were to become significant forces for intra-subregional trade expansion, the beneficial forces of trade liberalization at the global level and forces trade at the subregional level would have a synergetic effect".

151. The potential for intraregional investment and trade growth, especially in South and East Asia, is considerable.[34] The data on intra-Asian trade are significant (table 1, statistical appendix; note that although this table shows the trade performance of the Asian region as a whole, the trade performance of South-East Asia and China is probably dominant). In 1986 intra-Asian trade accounted for over 30 per cent of the region's total trade (both exports and imports); by 1992, the share for both exports and imports had increased to about 40 per cent. The rise in current values terms has also been significant, with intra-Asian trade rising from US$ 94.2 billion in 1986 to US$ 276.6 billion in 1992. This evolution has been fuelled by sustained high levels of trade growth, which for intra-Asian trade averaged around 15.4 per cent annually between 1986 and 1992. The Asian countries, therefore, are exporting more to one other than to any other region and are also increasing their imports from one other. This is resulting in the steady regionalization of trade among developing countries and the dominance of Asia. As an exporter, Asia accounted for a substantial 78 per cent of total trade among developing countries in 1986; the share rose to 86 per cent in 1992. Basically, similar figures are obtained for Asia as an importer. This striking performance is due in part to the increasing interaction of Japanese foreign direct investment and involvement in the subregion,[35] but mainly to the superior economic performance of the newly industrialized economies of South-East Asia (such as Hong Kong, Malaysia, Singapore, Taiwan Province of China and Thailand) and China. These are countries that have also emerged as important producers of manufactures which, since 1970, have assumed an

increasingly important share of trade among developing countries, rising to over 60 per cent by 1992.[36]

152. Asia's trade with other developing countries has not kept pace with its intraregional trade growth. In terms of value, Asia's exports to and imports from other developing countries have been growing since 1986, with exports expanding more rapidly than imports (though well below the growth of intraregional trade). Asia's trade with non-Asian developing countries between 1986 and 1992 grew annually by about 6.4 per cent for exports and by about 6.1 per cent for imports (computations from table 1, statistical appendix). Yet as intraregional trade expanded by twice as much, the share of Asia's trade with non-Asian developing countries actually declined from about 17 to 10 per cent for exports and from 8 to 5 per cent for imports over the period in question. For Asian countries, therefore, interregional trade remains to be fully developed. In this regard, some of the Asian countries - and Malaysia in particular - have launched various initiatives. Mention may be made of the governmental Malaysia South-South Association (MASSA) and its investment arm, MASSCORP.[37] MASSA and MASSCORP were set up in the early 1990s as part of an intensification of efforts in Malaysia to strength economic ties with other developing countries. The primary aim of these two bodies is to build investment linkages with other developing countries. MASSCORP has invested in Chile, China and Viet Nam.

153. As with Asia's trade with other developing countries, the intratrade of established integration groupings has not been as vibrant as overall intraregional trade. With the exception of ASEAN, the share of intra-trade in ECO, the Bangkok Agreement and SAARC has largely stagnated and remains below 5 per cent of total trade (see table 2, statistical appendix). In the case of ASEAN, the share of its intra-trade in the group's total trade is quite significant - 20.0 per cent in 1993 - but this feat is related less to ASEAN the grouping and more to general trade relations arising from growing economic growth and complementarity (see below). Various factors contribute to holding back intra-group trade expansion, including deficiencies in preferential trade liberalization programmes of subregional organizations which slow down and limit the extent of intra-group trade liberalization, so that volumes traded are modest in comparison with the total volume of trade in the region. More important, the share of intra-group trade in total trade in most groupings, including ASEAN, has not changed significantly in the last decade. Yet, the potential for intra-group trade expansion is recognized not only for the development of subregional trade but also for overall external trade as well. Thus, most of the existing subregional integration groupings have been revising and/or updating their trade and investment development programmes. Also, a number of subregional integration alliances have emerged or are being proposed, as mentioned above, as well as the APEC (Asia Pacific Economic Cooperation) process involving both developed and developing countries. Most of these alliances focus their attention on intra-group trade and investment liberalization, and some are moving to arrangements typical of free-trade areas. Others, like the subregional "growth zones", have emerged to exploit the potential for trade and investment among border areas of neighbouring countries.

154. In the Economic Cooperation Organization the idea of a preferential tariff arrangement that was launched in 1987 never died, and the ECO Protocol on Preferential Tariffs (ECO/PPT) was signed in May 1991 by Pakistan, the Islamic Republic of Iran and Turkey (the three original members) "to enable the steady expansion of trade within the region on an overall reciprocal and mutually advantageous basis, while keeping in mind the principle of item-by-item approach". Its basic features are as follows: there is a 10 per cent tariff reduction; the Islamic Republic of Iran and Pakistan offered 15 products at the 4-digit level for preferential treatment, and Turkey offered about 100 commodities at the 8-digit level; there is a safeguard clause; the Protocol was concluded between the three founding members, but other members can join in; the Protocol is for a four-year period but provides for automatic renewal every two years; the rules of origin require that at least 50 per cent of the value of goods should originate in the exporting country in order to qualify for preferential treatment; and a Committee on Preferential Tariffs consisting of the representatives of the three countries was created to supervise the implementation of the Protocol. The Protocol has been ratified by all three countries and has become operational. However, it has not been

sufficiently promoted so as to ensure that adequate benefits are derived from it, and it is not being helped by the currently low level of intra-ECO trade. In 1992, trade between the three original ECO members and Afghanistan accounted for about 4.4 per cent of their aggregate total trade; in 1993, the share is estimated to have dropped to 1.4 per cent (table 2, statistical appendix). Also, the margins of preference given are quite insignificant and cover less than 5 per cent of the countries' bilateral trade volumes.

155. The member States of the South Asian Association for Regional Cooperation have 20 per cent of the world's population, but only 2 per cent its gross domestic product, and together they account for only 0.8 per cent of world exports. But SAARC has the potential for economic dynamism which is being buttressed by the recent changes in economic policy, with greater emphasis on liberalization, deregulation and privatization, especially in India, Pakistan, Sri Lanka and Bangladesh. In April 1993, SAARC members agreed in principle to the South Asian Preferential Trading Arrangement (SAPTA). SAPTA, like ECO/PPT, provides for product-by-product coverage, with the reduction of tariffs in several successive rounds, and periodic reviews. It also provides for special and preferential treatment of the least developed countries, of which there are four in the region (Nepal, Bhutan, Bangladesh and Maldives). The Agreement sets out safeguard measures and rules of origin which state that the total value of the materials or parts originating from non-contracting States should not exceed 50 per cent of the f.o.b. value of the products for these to be eligible for preferential treatment. The Agreement has not yet started its operations and if it follows the product-by-product approach, it is unlikely to make any significant difference to the existing low level of intra-SAARC trade (between 1990 and 1993, this trade constituted on average about 3.4 per cent of total SAARC trade per annum). A bold, across-the-board preferential trade arrangement, with a special agreement on transit trade, would have made a much greater impact. It is also important to note that intra-subregional trade volumes in exports are much higher than in imports because in the case of the latter, a large percentage is financed by development assistance. This discrepancy therefore points to the need develop adequate export financing capability. Other reasons for the low volumes of subregional trade are the lack of information, an inadequate transit and transport network, restrictive trade policies and the general absence of concerted political relations amongst SAARC countries.

156. In the Association of South-East Asian Nations, an economic cooperation programme was launched in 1976 and became operational in 1977 as the ASEAN Preferential Trading Arrangement (PTA). Brunei Darussalam acceded to the ASEAN PTA in 1987. Progress under the ASEAN PTA, however, was modest for a number of reasons, including low PTA coverage of intra-ASEAN trade (only 1 to 2 per cent); low depth of preferences; red tape, especially concerning the unfavourable rules of origin; non-tariff barriers and quota restrictions; disputes over product classification and valuation; and the fact that many approved industrial joint-venture schemes, which should have become a major source of supply, never materialized (only two urea-producing plants were established in Indonesia and Malaysia respectively and several motor vehicle and automotive parts production schemes).[38] However, these deficiencies did not hamper the growth of intra-ASEAN trade; indeed, this trade occupies a large share of the group's total trade. In 1976, at the time of the launching of the PTA, intra-ASEAN trade accounted for about 13 per cent (US$ 3,619 million) of total ASEAN exports; this share rose to around 17 per cent (US$ 11,918 million) in 1980. The expansion in intra-ASEAN trade was associated more with the changes in the prices of a few commodities such as petroleum which dominated intra-ASEAN trade, than with the PTA.[39] In the 1980s the share of intra-ASEAN trade stabilized at around 18 per cent and since 1990 it has been expanding, albeit slowly; in 1993 it stood at an estimated 20 per cent compared with 2.5 per cent for the Bangkok Agreement, 1.4 per cent for ECO, 7.6 per cent for GCC and 3.5 per cent for SAARC (table 2, statistical appendix). The fact that the relatively large share of intra-ASEAN trade has been maintained at a time of ASEAN countries, rapidly expanding foreign trade, and even though the PTA has not contributed to intra-ASEAN trade growth, implies that a certain degree of complementarity in trade relations has been achieved among the ASEAN countries. An example is Malaysia, which since 1985 has exported over 25 per cent of its global exports to other ASEAN States.[40]

157. The launching of the initiative in January 1992 to establish the ASEAN Free Trade Area (AFTA) opened a new era of cooperation. AFTA is a far more comprehensive scheme than any similar schemes in the region: about 90 per cent of intra-ASEAN traded items are included in AFTA, and there is a strict timetable for reducing tariffs to the level of 0-15 per cent within 15 years.[41] AFTA could become an authentic mechanism for preferential trade (unlike the previous PTA) and provide a major stimulus for intra-ASEAN trade growth. Moreover, the aim of ASEAN is not only to establish a larger consumer market for 330 million people but also to promote exports. The ultimate objective of AFTA is to increase ASEAN's competitive edge as a production base geared towards the world market. Notwithstanding these facts, AFTA is still is relatively modest in comparison with EU, MERCOSUR and NAFTA programmes. For instance, operational aspects such as the upward harmonization of technical standards or norms, environmental protection, intellectual property rights, factor movements and institutional arrangements are better covered in the EU, MERCOSUR and NAFTA. However, there is a trade-off between stringent binding conditions and the need to keep options open and maintain flexibility; AFTA seems to be at the optimal point in this trade-off.

158. The Bangkok Agreement (First Agreement on Trade Negotiations among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific), established under the auspices of ESCAP, is a GATT-consistent preferential trading arrangement designed to liberalize and expand trade among its developing country members through the reduction and elimination of tariff and non-tariff measures. It has been operational since July 1976 and current membership comprises Bangladesh, India, the Lao People's Democratic Republic, Papua New Guinea,[42] the Republic of Korea and Sri Lanka. A total of 747 items are currently covered under the Agreement, with tariff cuts ranging from 10 to 50 per cent. However, the total value of intra-group trade (and hence of trade in the conceded items) remains very low, accounting for a mere 2.5 per cent of total trade in 1993. Along with efforts to attract new membership and increase product coverage, the member States have decided to review the Bangkok Agreement in its entirety and adapt it to new conditions, especially the Uruguay Round of multilateral trade negotiations. A recent significant development has undoubtedly been the announcement by China in April 1994 of its intention to accede to the Bangkok Agreement, and the submission of a formal application the following month. Consultations have been initiated between the Chinese authorities and the ESCAP secretariat (which acts as the secretariat of the Agreement) regarding the procedure for China's accession, including the schedule of negotiations, and it was agreed that the exchange of tariff schedules among the Bangkok Agreement members and China would precede the firming up of the programme of negotiations. As of now, the exchange of tariff schedules has almost been completed except for the Lao PDR and Papua New Guinea. To capitalize on the momentum created by these developments, the ESCAP secretariat is making efforts to attract new members by offering them technical assistance and advice on accession to the Agreement. Potential members of the Bangkok Agreement include Mongolia, Myanmar, Nepal and Viet Nam.

159. Among the island countries of the South Pacific, the only free trade agreement is operated among the Melanesian Spearhead Group member States. This is governed by the MSG Trade Agreement, which became effective on 1 September 1994 for some of each country's major primary exports. Under the agreement, trade among the three countries is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea and beef from Vanuatu. The countries have agreed to broaden the coverage of products to be traded freely. The South Pacific Forum does not have a full-fledged trade liberalization programme, however, the SPF secretariat implements a trade development programme designed to promote island developing member States' intra- and extra-regional trade. Mechanisms employed include trade fairs, exhibitions, contact promotion exercises, trade commissioners' services (one in Australia and another in New Zealand) and a joint commercial commission between the island States and the United States. The SPF secretariat also monitors the implementation of the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). Under SPARTECA, Australia and New Zealand offer non-reciprocal duty-free or concessional access to virtually all products originating in the island developing country members of the SPF. Although this is a significant concession, the island

countries have not fully benefited from it owing to their limited range of tradeable products.

II.3 COOPERATION IN MONETARY AND FINANCIAL MATTERS

160. Cooperation in monetary and financial matters among Asia-Pacific countries encompasses trade financing, clearing and payments of trade transactions, reinsurance activities, aid flows and project financing. Several activities are very specific to a subregion. Export financing, for example, which has long been considered a key element in determining the competitiveness of regional suppliers but which has been lacking in West Asia, is a key concern in this subregion. Another unique feature of the subregion is the flow of financial aid from the oil-exporting Arab countries to other developing countries. In Central, South and East Asia the multilateral clearing and payment of trade transactions and reinsurance schemes have been the more prominent (such facilities have yet to be set up in West Asia).

II.3(a) Trade financing

161. In terms of export financing in West Asia, the lack of an effective mechanism for financing and guaranteeing exports and the inability of the existing mechanisms to meet the needs of suppliers have constituted a major weakness, which has adversely affected the development of intraregional trade. The sluggishness in this trade which has accompanied the slow growth in overall export earnings since 1986 (tables 4 and 5, statistical appendix) has contributed to focusing attention on the importance of providing adequate finance for reactivating and expanding intraregional trade. Efforts in this direction have taken two paths namely, the provision of finance and the guaranteeing of export credit related to intraregional trade. The two multinational programmes established for these activities are the Arab Trade Financing Programme (ATFP) of the Arab Monetary Fund and the Arab System of Export Credit Guarantee of the Inter-Arab Investment Guarantee Corporation.

162. The Arab Trade Financing Programme was launched by the Arab Monetary Fund in 1989 and started operations in 1991. It encourages intraregional trade through the provision of lines of credit to national agencies which are designated by member countries to provide Arab exports with pre-shipment and post-shipment export credit as well as buyers' credit. The programme's operations during 1991-1993 are summarized in table 13 (statistical appendix). The refinancing period set by the programme should not exceed 180 days; however, the Executive Director of the Programme may extend it to 365 days for certain goods which take a longer time to be sold than ordinary goods. The terms of export credit provided for perishable goods such as fruit and vegetables should not exceed 45 days. The refinancing terms for pre-shipment export credit is decided upon according to the period required for production, but that should not extend beyond the day of the shipment or not more than 365 days, whichever comes first. The programme's nominal capital is US$ 500 million and the paid-up capital is US$ 453 million. The interest rate charged by the programme is the labour plus 0.25 per cent.

163. The Arab Trade Financing Programme conducts thorough risk analysis and, as a consequence, tends to accept guarantees from certain Arab central banks, a number of national export guarantee agencies and certain commercial banks. For insurance coverage, the Programme cooperates with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). The latter provides export credit insurance for commercial and non-commercial risks, and investment insurance against country risks. It intends to enlarge the scope of trade transactions and the flow of investments among member States of the Organization of the Islamic Conference.

164. The Arab System of Export Credit Guarantee (IAIGC) was launched in 1983 by the Inter-Arab Investment Guarantee Corporation to guarantee exports against non-commercial risks; in 1986, commercial risks were added. The geographical scope of the programme is confined to the Arab countries and the aim is to promote intra-Arab trade. Only goods with at least 40 per cent value added of Arab origin and destined for inter-Arab trade are eligible under the facility. The credit guarantee period does not exceed 180 days' coverage for commercial and non-commercial risks. In order to expand its

guaranteeing operations, the Inter-Arab Investment Guarantee Corporation has opted to reinsure with Arab and international insurance firms. The coverage provided by the Corporation differs widely for different types of commercial and non-commercial risks and ranges between a minimum of 70 per cent and a maximum of 90 per cent of the transaction value. The premium also differs according to the type of risk, and according to the degree of risk in each country. Arab countries are classified into four categories: A, B, C and D according to the level of risk. The premium is also determined by the term of the credit, i.e. short-term as against long-term credit. The operations of the Inter-Arab Investment Guarantee Corporation involving investment and export credit guarantees are summarized in table 14 (statistical appendix).

165. In Central, South and East Asia a proposal for a regional Export Credit and Export Credit Guarantee Facility (ECGF) has been made,[43] as none currently exist. The Asian Development Bank, for its part, concentrates its activities on project finance and does not undertake much trade financing, unlike its sister banks in Africa and America.

II.3(b) Clearing and payments arrangements

166. There is only one operational multilateral clearing and payments arrangement at present in the entire Asia-Pacific region, namely the Asian Clearing Union (ACU). It was established in 1974 under the auspices of ESCAP and began operations the following year. It is essentially a regional clearing arrangement for assisting developing economies in the effective use of hard currencies in order to expand trade. Its membership currently comprises the central banks of Bangladesh, India, the Islamic Republic of Iran, Myanmar, Nepal, Pakistan and Sri Lanka. ACU operations have resulted in considerable savings in commission and conversion charges over the years. In 1992, the total transactions routed through ACU amounted to AMU (Asian Monetary Unit) 1.37 billion, the equivalent of US$ 1.93 billion. A currency swap arrangement was set up in late 1989 and by the end of 1992 the drawings against the facility amounted to AMU 170 million, with India, Bangladesh and Pakistan being the most active users. Attracting new membership is a recurrent challenge in ACU. Furthermore, in view of the growing current account convertibility in developing economies, the role and functions of ACU are being defined from a long-term perspective. To this end, a study entitled "The ACU: An assessment and prospects" was prepared and presented to the 22nd annual meeting of the ACU Board of Directors in August 1994. It analyzed the prospects of broadening, deepening and diversifying ACU functions. Follow-up is taking place through ACU's technical committee and the Board itself.

II.3(c) Insurance

167. Two regional reinsurance facilities in the region are the Asian Re-Insurance Corporation and the ECO Reinsurance. These aim to reduce the heavy outflow of insurance business from the region and utilize the regional acceptance capacity to its fullest (see also discussion on insurance in chapter I). The Asian Reinsurance Corporation (ARC), established in 1979, currently has the following members: Afghanistan, Bangladesh, Bhutan, China, India, Islamic Republic of Iran, Republic of Korea, Philippines, Sri Lanka and Thailand. The Corporation has demonstrated its financial viability and ability to work without financial support. However, as its capability is directly linked to its capital base, new member are highly desirable. Accordingly, in February 1995 ESCAP signed a memorandum of understanding with the Korean Reinsurance Company (KRIC) to foster cooperation between the two companies in the training of personnel and in the promotion of the Asian Re-insurance Company so as to attract new members. The ECO Reinsurance, as previously mentioned, originated as the ECO pool. Its members are the Islamic Republic of Iran, Pakistan and Turkey. Two related ECO specialized institutions are the ECO Insurance Centre and the ECO Insurance College.

II.3(d) Financial assistance

168. The provision of financial assistance, as noted earlier, is unique to West Asia. The GCC countries, especially Saudi Arabia and Kuwait, have been major donors of financial aid to developing countries, including countries in the region, during the last two decades and particularly during the period of rising oil prices. It is estimated that net disbursements by the GCC

countries to developing countries made up around 20 per cent of total financial aid received by these countries from all sources. Over the period 1974-1991, total Arab concessional aid to developing countries amounted to US$ 84.8 billion. Of this, US$ 52.5 billion went to Arab countries, while US$ 32.2 billion benefited developing countries in other regions - a ratio of about 2 to 1. The level of aid has generally been determined by the level of oil revenues. Table 16 (statistical appendix) shows that aid disbursements were highest in 1975 and 1980 - both years preceded by exceptionally large increases in oil prices and revenues.

169. The proportion of aid disbursed by GCC countries to gross national product has generally exceeded by far the 0.7 per cent target set out in the International Development Strategy and the performance of the countries of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). In particular, Saudi Arabia has consistently exceeded that target and Kuwait until recently (table 17, statistical appendix). In spite of the recent sharp retreat in aid flows, they have remained more significant than inter-Arab investment flows (table 18, statistical appendix).

170. Financial aid from the region has been mostly bilateral, averaging around 85 per cent of total aid disbursed in recent years (table 19, statistical appendix). Moreover, the bulk of this aid (over 80 per cent) has been in the form of government-to-government flows, with development finance institutions playing a relatively small role. Financial aid from those institutions, totally or mostly financed by Arab countries, amounted to US$ 33.9 billion during the period 1974-1992 (table 20). The energy sector, transport and communications, and industry and mining were the main beneficiaries in that order.

171. In respect of project financing, the Asian Development Bank is the main financing institution for ESCAP countries. Subsequent to a resolution of the first Asian Ministerial Conference on Asian Economic Cooperation in December 1963 and with the support of the ESCAP secretariat, the agreement establishing the Bank was signed in December 1965 and entered into force in December 1966.[44] On 31 December 1992, the Bank had 52 member States, 36 from the ESCAP region and 16 from outside the region. The Bank supports the promotion of economic growth in developing member States, primarily by way of providing development finance and technical assistance. On a cumulative basis from 1966 to 1992, the Bank approved total expenditure of US$ 42.7 billion for public and private sector operations; this includes US$ 42.5 billion in loans for 1,103 projects in 31 developing member States and US$ 220.6 million in equity investments. The Bank's operations emphasize support for agriculture, capital market development, transport and communications and social infrastructure. Most Bank financing is designed to support specific projects; however, the Bank also provides programme, sector and multi-project loans.

II.3(e) Investment

172. Current indicators show that intraregional trade and investment have been particularly buoyant owing to market forces and activities by local firms. Intraregional foreign direct investment (FDI) in nine Asian newly industrializing economies (China, Hong Kong, Indonesia, Malaysia, Philippines, Republic of Korea, Singapore, Taiwan Province of China and Thailand) accounted for 37 per cent (US$ 91.3 billion) of the total FDI inward stock in those economies in 1993, an increase from 25 per cent (US$ 9.4 billion) in 1980.[45] Excluding the newly industrialized economies (except Hong Kong), intraregional FDI is of growing importance in the inward investment of countries in the region. For example, the region (especially China, Indonesia and Viet Nam) accounted for 50 per cent of the Republic of Korea's approved outward FDI flows in 1993 (US$ 1.8 billion); and the ASEAN countries accounted for 35 per cent of Taiwanese FDI in 1992 (US$ 2 billion out of US$ 5.6 billion), an increase from 7 per cent in 1980 (US$ 2.9 million out of US$ 42 million). Even India has been increasing its investments into the region. It is becoming increasingly obvious that the South-East Asian subregion is the major source of investment into the region. Presumably, investment-facilitating measures within subregional groupings would add to an improvement in the investment climate and further boost intraregional investment.

173. The development of capital markets in Asia and the formation of regional alliances, as in Africa, have gained prominence in recent years. Various analyses have been made of emerging capital markets in Asia which, suffice it to say, indicate that most stock markets are still in their infancy but once fully developed can improve the mobilization of domestic and foreign savings for investment, provide alternative investment opportunities for public and private sectors, assist the privatization process, strengthen the attainment of objectives through the integration of various national markets.[46]

II.4 COOPERATION IN OTHER SECTORS

II.4(a) Transport and communications

174. Development of transport and communications is a traditional priority in the region. But the development of intraregional networks has become an even more important one lately. This is because the region's trade, which is growing at double the world rate, and the ever increasing demand for travel for tourism and business purposes give rise to a growing need to improve and expand transport and communication links both within the region and with other regions. In addition, certain positive trends in the relationship between neighbouring countries in Asia have emerged, including in respect of transport networks (see box 6). Also improving the prospects of maritime transport networks is the advent of container technology. One of the important consequences of containerization is that the cost of freight transfer between the different transport modes is considerably reduced, paving the way for multimodalism, including land-cum-sea and rail-cum-road transport systems.

175. The Asian Highway project was initiated by ESCAP in 1959 to promote and coordinate the development of international road transport so as to promote national and international trade and tourism growth, stimulate economic development and facilitate cultural exchanges among the people of the region. The Asian Highway consists of a network of international roads approximately 65,000 kilometres in length. It extends from Afghanistan and the Islamic Republic of Iran in the west to Thailand and Viet Nam in the east, and to Indonesia and the Philippines in South-East Asia, with a connection to Sri Lanka by ferry services.

176. The Trans-Asian Railway is another project initiated by ESCAP in the 1960s to assist in providing a basic rail link between Singapore (Indonesia was included at a later stage by means of a railway ferry) and Istanbul, which would provide connections with Europe and Africa. The main direct axis route connecting Singapore with Istanbul is 14,000 kilometres in length. Currently, the total length of the missing links is around 2,000 kilometres, comprising 1,400 kilometres between Bangladesh and Thailand and 600 kilometres in the Islamic Republic of Iran between Kerman and Zahedan. Thus, the total new construction works involve approximately 14 per cent of the direct route. It is planned that the Trans-Asian network should connect land-locked countries with the main ports in neighbouring territories by extending railways into Afghanistan, the Lao PDR and Nepal. An important aspect of the projected network is the provision of railway ferry services between Sri Lanka and India, across the Brahmaputra River in Bangladesh, across Lake Van in Turkey and between Penang in Malaysia and Belawan in Sumatra, Indonesia. With the completion of the line through the Gotur Valley in 1971, an additional international connection of the Asian Railway between Turkey and the Islamic Republic of Iran provides a direct rail link between the Middle East, Europe and the western part of the region. The rail route from the Islamic Republic of Iran to Europe via the Russian Federation has also been improved.

177. Since the mid-1970s several modifications have been made to the Trans-Asian Railway project. Its scope of the project was enlarged to include multimodal aspects in order to complete the transport chain from the rural areas to the centres of consumption, distribution and export/import through the ports. In 1976 the Asian Railway Master Plan was initiated to form a coherent system of Asian railway trunk lines able to satisfy the transport requirements likely to arise by the decade 1990-2000 and beyond. Since the 1980s there has emerged a new and keen interest in the improvement and strengthening of intraregional and interregional land transport linkages in Asia (see box 6). As a result of container technology, rail-cum-road

Box 6
Developments in Asian land transport links

The revival of interest in the development of transport links is exemplified in the following: (a) the decisions of Mongolia in 1990, Cambodia in 1991 and China in 1992 to join the Asian Highway and Trans-Asian Railway projects, and of China in 1988 and Myanmar in 1989 to join the Asian Highway project, with the possibility of Myanmar's joining the Trans-Asian Railway project as well; (b) the adoption of the Outline Plan for the Development of the Transport Sector in the ECO Region at the ministerial meeting in Almaty, Kazakstan, in October 1993, providing for rail and road connections between Turkey, the Islamic Republic of Iran and Pakistan (and later possibly Afghanistan); and the completion in May 1995 of a new rail line to the port of Bandar-Abbas in the Islamic Republic of Iran; (c) the second Euro-Asian land bridge (China-Kazakstan-Russian Federation-Europe), with railway container routes from the Chinese ports of Dalian, Xingang, Lianyunkang, Shanghai and Huangpu, as well as plans for the "silk railway" (China-Almaty/Kazakstan-Meshed/Islamic Republic of Iran), which would cut the travel distance by rail by 3,000 kilometres; (d) restoration of rail and road connections between China and Viet Nam; (e) improvement of Thailand's land transport links with Myanmar, the Lao PDR and Cambodia, including the completion in 1994 of a road-cum-rail bridge linking Thailand and the Lao PDR, the rehabilitation of a railway line connecting Thailand and Cambodia, construction of a road bridge linking Mae Sot in Thailand and Myawadi in Myanmar to be commissioned in April 1996, a new container link between Thailand and the Lao PDR, the commencement in 1994 of operation of the Eastern and Oriental Express (Thailand-Malaysia-Singapore) and an annual auto rally across the latter three countries; (f) plans for the Trans-Sumatra railway with ferry links to the Malaysian Railway as well as to railways in Java and then to Bali; (g) completion in 1994 of a feasibility study on rail links between China, Kazakstan, Mongolia, the Russian Federation and the Korean Peninsula, with a policy-level meeting to be held in 1995; (h) the proposed Jamuna Bridge in Bangladesh; (i) plans for and construction of inland container depots in many countries of Asia, for example China, India, Pakistan and Thailand; and (j) the possibility of the development of a northern route (from Europe to South-East Asia via the Russian Federation and China) and a southern route (from Europe to South-East Asia via India).

transport provides a possible and practical way to join the advantages of both the Asian Highway and the Trans-Asian Railway, as well as to provide the means to deal with missing links in one or other of the systems. The integrated rail-cum-road approach therefore provides a good opportunity for maximum utilization of existing rail and road infrastructure in the region while improving interregional and intraregional transport services. Container technology has also provided a practical and least-cost solution to the break-of-gauge problems of the Trans-Asian Railway in cases where the railways of some neighbouring countries differ in gauges. Generally, implementation of the network has not been significant owing to the heavy investment required, as well as the assignment of national priorities to domestic development.

178. The development of intraregional and interregional transport and communications linkages are among the major objectives of the Transport and Communications Decade for Asia and the Pacific, 1985-1994. This emphasis was retained and increased in importance during the second phase (1992-1996)[47] of the Decade. The Decade's activities built upon existing programmes carried out under the auspices of ESCAP. Accordingly, to achieve the objectives of the second phase of the Decade for land transport in Asia, ESCAP endorsed as a priority the integrated project for Asian Land Transport Infrastructure Development (ALTID), comprising the projects for the Asian Highway, the Trans-Asian Railway, and facilitation of land transport. In implementing the integrated project, major emphasis is placed on cooperation at the subregional level, which needs to be revised in view of the changes that have occurred since 1991. Among these changes are the expansion of the ESCAP region to include Azerbaijan, Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan; the expansion in membership of the Economic Cooperation Organization to include the latter countries; and the development of "growth triangles" such as Singapore/Johor (Malaysia)/Riau (Indonesia), and Hong

Kong/Taiwan Province of China/southern China, as well as the proposed development of land transport linkages among countries involved in the Mekong River and the Tumen River development programmes.

179. In addition to a southern route linking Europe and South-East Asia via the Islamic Republic of Iran and India, the Asian Land Transport Infrastructure Development features a northern route linking Japan and the Korean peninsula via China and Central Asia or via the Russian Federation to Europe. An important feature of the northern rail route is that the minimum infrastructure already exists along the routes from the Korean peninsula to Europe except for the Tedjen (Turkmenistan) - Mashhad (Islamic Republic of Iran) section of some 300 kilometres. This is under construction and was planned to be operational in 1995. Having the necessary minimum railway infrastructure in place suggests that it is practical to start to plan for the operation of the total length of the northern rail route to Europe. Sections of it are, of course, already being utilized on a regular basis. The importance of the northern rail route stems from the fact that it provides a Europe-Asia transport alternative with a competitive edge over the existing sea transport routes. The route could provide considerable savings in distance compared with the corresponding sea routes, since the rail routes between Europe and the Far East are 11,000-14,000 kilometres as against 20,000-21,000 kilometres for the sea routes. Even within all-rail transport, the new rail route via Kazakstan will shorten the distance between Europe and the central and southern regions of China by some 3,000 kilometres. This indicates a potential for huge savings in delivery time, an issue of considerable importance as more and more industries are looking for cost savings from utilizing the just-in-time concept for global sourcing of goods. It is also important that 7 of the 11 land-locked countries in Asia - Azerbaijan, Kazakstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan and Uzbekistan - will enjoy better access to the seaports of the Islamic Republic of Iran, Turkey and later (upon completion of the Islamic Republic of Iran - Pakistan railway link) Pakistan and India in the south, as well as to the ports of China, the Russian Federation and the Korean peninsula in the east. Access to the seaports could be also enjoyed by Afghanistan through road-cum-rail transport schemes.

180. It is important to note that a number of countries in the region have signed bilateral transit treaties, for example Afghanistan and Pakistan, China and Mongolia, the Lao PDR and Thailand, India and Nepal, Mongolia and the Russian Federation. In addition, there are bilateral railway agreements such as those between Malaysia and Thailand, and India and Pakistan. However, it appears that there is a unique opportunity at this time to develop a regional transit treaty or convention that could be used as a model by all countries. A common model that could be adopted by, for example, all the ECO countries would be efficient in terms of both time and cost.

II.4(b) Human resources development

181. In West Asia, the situation as regards labour flows is markedly different from that with regard to intraregional trade. Its voluntary nature notwithstanding, the movement of labour between the countries of the region, and from other developing countries to countries in the region, has perhaps been the more enduring and rewarding feature in south-south cooperation involving the countries of Western Asia. This is because it is essentially based on and motivated by economic considerations and, hence, is mutually beneficial to the sending and receiving countries. The significance of labour flows for the countries of the region and for developing countries in other regions is borne out by the information in tables 21 and 22 (statistical appendix). The total number of foreigners in the labour force of the six GCC countries increased from 1.125 million in 1975 to 2.952 million in 1980, 4.417 million in 1985 and 5.218 million in 1990; or from 46.5 per cent of the total labour force to 65.2 per cent, 70.2 per cent and 67.7 per cent, respectively (table 21). Virtually, the entire expatriate labour force came from developing countries in the region (Egypt, Jordan, Lebanon, Syrian Arab Republic and Yemen) and from developing countries in other regions (Bangladesh, India, Pakistan, Philippines and Sri Lanka).

182. The importance of labour exchanges is also underscored by the large volume of workers' remittances generated. Available information (table 22,

statistical appendix) shows that in the period 1989-1992 the combined recorded value of remittances accruing to Egypt, Jordan, the Syrian Arab Republic and Yemen exceeded US$ 24 billion, largely derived from employment in GCC countries. Similarly, it may be deduced that the balance of remittances, about US$ 29 billion from Saudi Arabia, Kuwait and Oman, has mostly benefited nationals of other developing countries.

183. In the other subregions human resources development is being carried out by the subregional groupings. The Economic Cooperation Organization, through the Committee for Educational, Scientific and Cultural Cooperation, deals *inter alia* with that subject. It proposes and pursues programmes for regional cooperation in the scientific, educational and cultural fields, which constitute an essential framework for human resources development in the member countries. Among its programmes are a series of exchange programmes for students, scholars and university faculty members. Also ECO member States aim to expand and modify all vocational facilities available within the ECO member countries in response to the changing training requirements of each of the member States.

184. Among the major concerns considered at recent conferences of the South Asian Association for Regional Cooperation have been poverty alleviation, youth, children, disabled persons, women and population. Of special interest with respect to regional cooperation in human resources development is the SAARC Chairs, Fellowships and Scholarship Scheme, which provides opportunities for the cross-fertilization of ideas through greater interaction among students, scholars and academics of the member countries. Another relevant activity is the SAARC Youth Volunteers Programme, which seeks to harness the youth potential by enabling young people to work in other countries in the field of agriculture and forestry extension work.

185. The work of the Association of South-East Asian Nations in human resources development has focused on a wide range of training programmes in such diverse fields as agriculture, banking and finance, business management, drugs and narcotics control, environment, health, industry and engineering, science and technology, social development, telecommunications and tourism.

186. The South Pacific Forum administers a variety of technical training programmes and fellowship schemes as part of its efforts to support human resources development cooperation among its members. These programmes are primarily in the fields of air and maritime transport, energy, law enforcement and telecommunications. The Forum Fellowship Scheme is aimed at providing cost-effective training through short-term practical attachments in a wide range of technical and income-generating fields. The Forum also promotes policy dialogue among its members on such issues as education and training needs in the Pacific.

187. A substantial amount of human resources development activities is undertaken by United Nations agencies, particularly ESCAP, and often in cooperation with subregional organizations.[48] Issues addressed through regional cooperation include greater popular participation in governance; access and quality of education, networking and development of regional centres of excellence; unemployment and underemployment; upgrading scientific and technological skills; human resources development among the poor, and social protection mechanisms; social integration and demographic change; and institutional support in the context of decentralization, devolution and privatization of authority (the government, the private sector, non-governmental organizations, community action groups and other economic and social institutions, and the networking of those institutions).

II.4(c) Energy development

188. Expanding the supply of energy is a major objective. Regional energy consumption is increasing rapidly alongside the rapid economic growth of the region; energy networks, however, are almost non-existent. There are very few electricity interconnections, for example between Singapore, Malaysia and Thailand, and between Thailand and the Lao PDR. Intraregional trade volumes in energy are thus relatively low. Although much oil is imported from the Middle East and coal from Australia, the region's oil requirements have increasingly been met by imports from Indonesia and Malaysia, while surplus

natural gas from Brunei Darussalam, Indonesia and Malaysia, and coal from Indonesia, have also been traded. Further expansion of energy networks, in particular for natural gas, which is promoted as a "greener" fuel than oil or coal, would be very beneficial for intraregional trade and for the environment.

189. The potential for networking is large and several grids are under consideration by academic and governmental institutions, including (i) between West and South Asia involving Afghanistan, Bangladesh, Central Asian republics, India, the Islamic Republic of Iran, Nepal and Pakistan (oil, gas and electricity); (ii) in South-East Asia involving ASEAN, Cambodia, the Lao PDR, Myanmar and Viet Nam, possibly with links to southern China (gas and hydro-electricity); and (iii) in East Asia involving China, the Democratic People's Republic of Korea, Japan, Mongolia, the Republic of Korea and the Russian Federation (oil, gas and electricity). In the South Pacific the South Pacific Forum secretariat, in collaboration with ESCAP during the 1980s, was implementing a UNDP-funded Pacific Energy Development Programme, and the two institutions jointly implemented a work programme covering overall national energy planning, electric power sector planning, petroleum supply and pricing, renewable energy technologies and information exchange.

190. The United Nations and ESCAP in particular have been assisting countries of the region in energy development. Thus, for example, the ESCAP/UNDP Regional Energy Development Programme was operational during the period from 1982 to 1991.[49] Its objective was to foster self-sustained intercountry initiatives in energy development among the participating Asian countries and areas. Out of 22 Asian countries and areas participating in the programme, 13 were developing countries: China, India, Indonesia, Lao PDR, Malaysia, Maldives, Nepal, Pakistan, Philippines, Republic of Korea, Sri Lanka, Thailand and Viet Nam. Networking arrangements among the participating countries laid the groundwork for the establishment of six regional TCDC (technical cooperation among developing countries) subject-specific working groups for the energy sectors of coal development, rural energy planning and development, energy planning, energy conservation, natural gas development and electric power development. After the Regional Energy Programme was phased out, ESCAP pursued regional energy cooperation through the UNDP-funded Programme for Asian Cooperation on Energy and the Environment (PACE-E). This focuses on six sectors - energy-environment planning, coal development and utilization, natural gas and petroleum development, rural energy and environment development, conservation and efficiency, and electric power system management. The countries and territories participating in the Programme are Afghanistan, Bangladesh, Bhutan, Cambodia, China, the Democratic People's Republic of Korea, Hong Kong (observer), India, Indonesia, the Islamic Republic of Iran, the Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, the Republic of Korea, Singapore, Sri Lanka, Thailand and Viet Nam. Capacity building, which is the fundamental objective of the project, is pursued through a series of training courses, workshops and seminars.

II.4(d) Environment cooperation

191. Many environmental problems transcend national boundaries, especially pollution of the atmosphere, seas and international river basins, and the over exploitation of migratory fauna. Solutions to these problems require close cooperation between countries, including the pooling of their financial resources. A number of intergovernmental institutions have been established on a subregional basis for cooperation in environmental matters. These include the ASEAN Senior Officials on the Environment (ASOEN), which is coordinated by the member countries on a three-year rotation basis; the South Asia Cooperative Environmental Programme (SACEP), with headquarters at Colombo, Sri Lanka; the South Pacific Regional Environmental Programme (SPREP), with headquarters in Apia, Western Samoa; and the Lower Mekong Basin Development Environment Programme (LMBDEP) operating in the framework of the Mekong River Commission, with headquarters in Bangkok, Thailand.[50]

192. In July 1989 an ASEAN ministerial meeting approved the establishment of the ASEAN Senior Officials on the Environment (ASOEN), thus upgrading the level of the ASEAN Experts Group on the Environment to that of a permanent ASEAN committee reporting directly to the ASEAN Standing Committee. This

action reflected the growing importance that ASEAN attaches to environmental protection and management. ASOEN is aimed at enhancing regional planning and decision-making concerning the environment and accelerating the implementation of regional environment programmes. Its 1993 meeting agreed that a new ASEAN Action Plan should be developed, taking into account the outcome of the United Nations Conference on Environment and Development (UNCED) and Agenda 21. The Strategic Plan of Action on the Environment (1994-1998) subsequently prepared by ASOEN has the following objectives: (i) to respond to specific Agenda 21 recommendations requiring priority action by ASEAN members; (ii) to introduce policy measures and promote institutional development that encourage the integration of environmental factors into all developmental processes, at national and regional levels; (iii) to establish long-term goals for environmental quality, and to work towards harmonized environmental quality standards for the ASEAN region; (iv) to harmonize policies and enhance technical cooperation on environmental matters, and to undertake joint actions in addressing common environmental problems (including the adoption of common positions at international environmental fora such as the Commission on Sustainable Development, and the Inter-Governmental Committee on the Convention on Biological Biodiversity); and (v) to study the implications of the ASEAN Free Trade Area (AFTA) for the environment, and to take steps towards integrating trade policies with environmental imperatives.

193. Actions taken by ASOEN include the following: (i) strengthening national institutional and legal capabilities for implementing international agreements on the environment; (ii) strengthening the coordination mechanism for the implementation of regional environmental programmes; (iii) establishing a regional framework for biological diversity conservation; and (iv) promoting environmentally sound management of toxic chemicals and hazardous wastes, and control of the transboundary movement of hazardous wastes. Activities range from institution building to the protection and conservation of heritage areas and endangered species. ASOEN also seeks to establish regional guidelines for the assessment of high-pollution industries, for the safe handling of potentially harmful chemicals entering the ASEAN subregion, and for the formulation of basic environmental quality standards with a view to eventually setting up the adoption of harmonized environmental quality standards.

194. The South Asia Co-operative Environment Programme (SACEP), involving Afghanistan, Bangladesh, Bhutan, India, the Islamic Republic of Iran, Maldives, Nepal, Pakistan and Sri Lanka, focuses on the implementation of an action plan known as SACEP's Strategy and Programme (1992-1996). The plan covers five key areas: (i) capacity building and awareness raising; (ii) systematic information exchange and intraregional technology transfer; (iii) environmental management for training and institutional development for training; (iv) regional cooperation in devising management plans for mountain ecosystems/watersheds and coastal resources; and (v) wildlife and wildlife habitat conservation in the region. In the pipeline are projects on the preparation of guidelines for the assessment of highly polluting industries and of the import of potentially harmful chemicals and hazardous wastes, and on the management approach to chemical disasters. The Programme's Regional Environmental and Natural Resources Information Centre (RENRIC) project, which is currently in its second phase, is establishing associated cells in the member countries. Also, the Programme's Environment and Natural Resources Information Centre (SENRIC), which uses a geographical information system, serves as a model for the Regional Environmental Natural Resources Information Network being implemented by the United Nations Environment Programme (Bangkok) for the Asia-Pacific region. A major subregional initiative is the preparation of the Regional Seas Programme for South Asian Seas, which is being coordinated by the South Asia Co-operative Environment Programme in cooperation with the United Nations Environment Programme.

195. The South Pacific Regional Environment Programme (SPREP) was created in 1978 by the members of the South Pacific Commission to help South Pacific countries and territories protect and improve their shared environment, and manage their resources to enhance the quality of life for present and future generations. SPREP's programme of work covers conservation of biological diversity; global climate change and sea level rise; environment planning and management; coastal management and planning; management of pollution and pollution emergencies; environmental information, education and training; and

regional environmental concerns. Its membership covers Pacific island countries and territories (American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Nauru, New Caledonia, Niue, Norfolk Island, Papua New Guinea, Pitcairn Island, Solomon Islands, Trust Territory of the Pacific Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis, Futuna and Western Samoa) and metropolitan countries (Australia, New Zealand, France and United States). SPREP was originally based in the South Pacific Commission in Noumea (New Caledonia). In January 1992, however, its headquarters were moved to Apia (Western Samoa), and subsequently it was transformed into an autonomous entity, separate from the South Pacific Commission.

196. SPREP implements a Regional Environmental Technical Assistance Project which has the following objectives: (i) to develop national environmental management strategy for the island countries; (ii) to provide training services; (iii) to strengthen institutional capabilities in environmental management; and (iv) to promote community-based approaches to environmental protection. A number of activities have been implemented with technical and financial assistance from organizations such as the Asian Development Bank and UNDP. Under the project also, periodic reviews of environmental legislation in each participating country are carried out. The outcomes of these reviews have been published for the Solomon Islands, the Federated States of Micronesia, Palau, the Marshall Islands, the Cook Islands and the Kingdom of Tonga, and draft legal reviews have been prepared for Kiribati, Tuvalu, Niue, Tokelau and Western Samoa. Another important part of the project is the strengthening of the Pacific environmental agencies. This includes reviewing the existing staffing patterns and the level of expertise in relevant agencies. Equally important is a training programme on environmental impact assessment. The main emphasis of the programme is on in-country training. Substantial progress has been made in the development of national environment management strategies (NEMS). Each strategy describes the key environmental issues in the country and outlines a practical programme, with a detailed financial outlay, to address the issues. The development of national strategies has been guided by a high-level task force consisting of senior representatives of environmental and economic agencies. The countries with fully developed NEMS are: the Marshall Islands, the Solomon Islands, the Federated States of Micronesia, the Cook Islands and Tonga.

197. Finally, mention may be made of the Typhoon Committee and the Panel on Tropical Cyclones. The Typhoon Committee was established to promote and coordinate the planning and implementation of natural disaster reduction activities. It maintains and implements action programmes under the five components of meteorology, hydrology, disaster prevention and preparedness, training, and research, with contributions by its members and assistance provided by the UNDP, ESCAP, the International Maritime Organization and other agencies. It is currently composed of 12 members: Cambodia, China, Democratic People's Republic of Korea, Hong Kong, Japan, Lao People's Democratic Republic, Macao, Malaysia, Philippines, Republic of Korea, Thailand, and Viet Nam. At present, the Typhoon Committee Secretariat, which is an executive arm of the Committee, is located in Manila, and consists of a Coordinator and a meteorologist, both provided by the Philippines, and a hydrologist, provided by Japan. The Typhoon Committee has contributed to the well-being of its member States and territories through various regional activities, such as the projects on flood forecasting and warning systems and the Typhoon Operational Experiment.

198. The Panel on Tropical Cyclones bring together countries affected by tropical cyclones in the Bay of Bengal and the Arabian Sea, namely Bangladesh, India, Maldives, Myanmar, Pakistan, Sri Lanka and Thailand. A Technical Support Unit of the Panel plays a role similar to that of the Typhoon Committee Secretariat. At present, the Technical Support Unit is located in Dhaka, Bangladesh, with host facilities and staff provided by the Government of Bangladesh. The main objective of the Panel is to facilitate the improvement of the tropical cyclone warning system in the Bay of Bengal and the Arabian Sea, especially its meteorological and hydrological systems and services, telecommunication facilities, disaster prevention and preparedness, and training and research. The Panel holds annual sessions and reviews technical plans, which form the basis of its activities in the agreed areas.

Chapter III
LATIN AMERICA AND THE CARIBBEAN

III.1 INTEGRATION AND COOPERATION GROUPINGS AND INITIATIVES

199. The Latin American and Caribbean region's experience shows that the idea of subregional and subregional unity, cooperation, coordination and economic integration has been a basic concern of countries since the 1950s and that many organizations have been established to that end. Countries' membership of these groupings and extraregional ones is shown in table 4. Towards the end of the 1980s and the beginning of the 1990s, there were a number of coincidental developments which contributed to a renewal of interest and expectation among countries in the region regarding economic integration at the subregional and regional levels as well as at the hemispheric level. Concurrently, major advances have been made in the formation of subregional and regional economic spaces within which economic integration and intraregional trade and investment expansion can be effected. Underpinning this revival is the change in perception among governments - from one which had viewed subregional and regional integration as a development option linked to the import substitution strategy, to one which sees the process as a real necessity for economic, political, social and cultural development in a world moving towards liberalization and globalization.

200. The coincidental developments which have generated new interest in subregional and regional integration include the gradual improvement in the political environment resulting from the settlement of political conflicts, particularly in Central America, and the extension and consolidation of multi-party democracy in almost all countries in the region. This has facilitated the adoption of wide-ranging economic reforms and increased the scope for developing and strengthening inter-State political relations and economic linkages. The widespread adoption of free-market reforms and liberal policies *vis-à-vis* the rest of the world has fostered a growing convergence of countries' main macroeconomic policies. This, in turn, has increased the potential for the promotion of greater convergence between national and subregional/regional development policies and plans. The process of "open regionalism" taking place in the region is a manifestation of such a convergence, based on the view that regional integration is not an end in itself but a stepping stone fully integration into the international trading system and the world economy. The prolific expansion of bilateral and other economic integration agreements is another element. This process is resulting in the creation of a network of agreements across the continent, energizing subregional and regional integration and strengthening political solidarity among countries.

201. Moreover, the emergence of expanded regional economic spaces in Europe (the single European market) and North America (the United States-Canada free trade agreement) caused concern among non-participating developing countries, including those in the region, over conditions of access to these markets. Their growing concern over possible marginalization from those markets and from world trade fortified the resolve of Latin American and Caribbean countries to accelerate and consolidate their own integration process,[51] as well as to participate in the initiative for a Free Trade Area of the Americas (FTAA). Progress towards hemispheric free trade would facilitate progress towards free trade within the different subregions, and vice versa.

III.1(a) Subregional and regional groupings

202. The formation of viable economic spaces that would sustain high levels of internal trade and investment and support the integration of countries into the world economy has emerged as the primary theme of subregional and regional integration groupings in Latin America and the Caribbean.[52] The Latin American Integration Association (LAIA) is to provide the institutional and standard-setting framework for the different existing subregional, partial and bilateral integration agreements (see section III.1(b) below). Resolutions (30 and 31) adopted in 1991 by member States recommended that LAIA develop standard-setting frameworks for such integration instruments as rules of origin, safeguard clauses and dispute settlement that may be employed by subregional and other free-trade and integration arrangements. From another angle, attempts have been made to continue with the traditional bid for the

creation of a regional integration entity. A proposal was made for the establishment of the Latin American Free Trade Area within the LAIA framework over a period of ten years. Member States are to undertake negotiations in order to reach agreements on programmes of linear, automatic and progressive tariff reductions encompassing approximately 80 per cent of trade. The suggestion is that these tariff reductions should be applied in different periods and along different paths, in line with the development stage and the particularities of each country.

Table 4
Membership of Latin American and Caribbean countries and territories in major subregional, regional and interregional economic cooperation and integration organizations

Antigua & Barbuda	ACS, CARICOM, OECS, G-77	Guyana	SELA, Treaty for Amazonian Cooperation, ACS, CARICOM, NAM, G-77
Argentina	SELA, LAIA, MERCOSUR, River Plate Basin, G-77	Haiti	SELA, ACS, G-77
Bahamas	ACS, CARICOM, NAM, G-77	Honduras	SELA, SICA, CACM, G-4, ACS, NAM, G-77
Barbados	SELA, ACS, CARICOM, NAM, G-77	Jamaica	SELA, ACS, CARICOM, NAM, G-15, G-77
Belize	ACS, CARICOM, NAM, G-77	Mexico	SELA, LAIA, G-3, ACS, G-15, GATT Protocol, APEC, NAFTA
Bolivia	SELA, LAIA, Andean Group, River Plate Basin, Treaty for Amazonian Cooperation, NAM	Montserrat	CARICOM, OECS
Brazil	SELA, LAIA, MERCOSUR, River Plate Basin, Treaty for Amazonian Cooperation, G-15, G-77, GATT Protocol	Nicaragua	SELA, SICA, CACM, G-4, ACS, NAM, G-77
Chile	SELA, LAIA, NAM, G-77, GATT Protocol, APEC	Panama	SELA, SICA, ACS, NAM
Colombia	SELA, LAIA, Andean Group, G-3, Treaty for Amazonian Cooperation, ACS, NAM, G-77	Paraguay	LAIA, MERCOSUR, River Plate Basin, G-77, GATT Protocol
Costa Rica	SELA, SICA, CACM, ACS, G-77	Peru	SELA, LAIA, Andean Group, Treaty for Amazonian Cooperation, NAM, G-15, G-77, GATT Protocol
Cuba	SELA, ACS, NAM, G-77	Saint Kitts & Nevis	ACS, CARICOM, OECS, G-77
Dominica	ACS, CARICOM, OECS, G-77	Saint Lucia	ACS, CARICOM, OECS, G-77
Dominican Republic	SELA, ACS, G-77	Saint Vincent & Grenadines	ACS, CARICOM, OECS, G-77
Ecuador	SELA, LAIA, Andean Group, Treaty for Amazonian Cooperation, NAM, G-77	Suriname	SELA, Treaty for Amazonian Cooperation, ACS, NAM, G-77
El Salvador	SELA, SICA, CACM, G-4, ACS, NAM, G-77	Trinidad & Tobago	SELA, ACS, CARICOM, NAM, G-77
Grenada	SELA, ACS, CARICOM, OECS, NAM, G-77	Uruguay	SELA, LAIA, MERCOSUR, River Plate Basin, G-77, GATT Protocol
Guatemala	SELA, SICA, CACM, G-4, ACS, NAM, G-77	Venezuela	SELA, LAIA, Andean Group, G-3, Treaty for Amazonian Cooperation, ACS, G-15, G-77

Note: For definition of acronyms, see Abbreviations (p.4).

203. A region-wide preferential trading agreement is already in effect within LAIA. This is the Regional Tariff Preference (RTP), on the basis of which member States grant one another a reduction on the tariff applicable to non-member States. The RTP reduction is currently 20 per cent among countries in the same category; the relatively less developed countries receive a larger reduction from the more developed countries, which themselves receive a smaller reduction from the former. The effectiveness of the RTP and its potential for becoming an instrument for full free trade are affected by a lack of agreement among member States on asymmetrical treatment in tariff reduction and lengthy lists of exemptions from tariff reductions (this issue is under review). Furthermore, in June 1994 the Council of Ministers approved a (revised) Article No. 44 of the Montevideo Treaty which allows member States that have accorded trade preferences to a member or a non-member State to interrupt the automatic extension of these preferences to other member States (but with the proviso that they undertake negotiations with the latter States on compensation for the loss of preferences).

204. The Southern Common Market (MERCOSUR) launched a customs union on 1 January 1995. It created a market of approximately 195 million people (44 per cent of the region's population) with a gross domestic product of about US$ 700 billion (51 per cent of the region's output) and a land area representing around 59 per cent of the region's total. The customs union provides for a common tariff code, a common external tariff and the free movement of a high percentage of tradeable goods originating within the union. The common external tariff has 11 tariff levels varying from 0 to 20 per cent and applies to 85 per cent of the aggregate list of tariff items. The remaining tariff items, including capital goods, telecommunications and computer equipment (about 1,100 items), will continue to be subject to national tariff rates until the end of the transition period when the tariffs will converge linearly and automatically. There remain, none the less, some sombre notes. A dispute between Brazil and Argentina following the adoption by Brazil of measures to stem the flow of imports highlighted the need for adequate mechanisms to settle disagreements and harmonize trade policies. Also, certain exceptions to the common external tariff and the liberalization programme were allowed and thus the customs union will not be in full operation for some years. An additional consideration for MERCOSUR member States, in the light of their common external tariff, is the need to apply measures that would maintain preferential treatment applied to non-MERCOSUR LAIA member States within the LAIA RTP scheme. Negotiations on this matter between the countries concerned have been started.

205. The formation of a common market is the paramount objective of MERCOSUR and to this end the coordination of macroeconomic policies is an important aspect. The presidential summit in June 1992 committed member States to achieving coordination and eventual harmonization in a gradual and converging manner that is consistent with national liberalization policies, in particular regarding exchange rate systems and taxes affecting external trade. The coordination and harmonization of macroeconomic policies is bound to proceed automatically as countries continue with their national liberalization and stabilization policies and maintain fiscal equilibrium. The MERCOSUR customs union process will also add to the harmonization of policies as it brings about harmonization in integration instruments. Another element facilitating the common market process is the strict timetable agreed to at the Las Leñas summit; adherence to this timetable by member States facilitated the timely formation of the customs union. With its achievements and instruments, MERCOSUR has emerged as one of the more viable integration grouping, in the region, which is likely to achieve its common market objective.

206. The MERCOSUR Common Market Council (CMC)[53] is the supreme policy organ of the group. Operational responsibility for coordinating trade policy and supervising the implementation of the common external tariff rests with the Trade Commission. Accession to MERCOSUR is open to other Latin American countries after a period of five years, provided they do not belong to another subregional integration organization. Chile is a potential candidate in this respect, given the importance of its exports to the MERCOSUR. Since January 1995, Chile and MERCOSUR have intensified mutual discussions on establishing some form of association, including the promotion of free trade. These discussions culminated in the signing in June 1996 of a free-trade agreement,

rather than in the accession of Chile to MERCOSUR (Chile will continue to apply its own tariff to third countries). Starting in October 1996 and lasting over eight years (by October 2003), both parties will reduce tariffs gradually to 6 per cent and then to 0 per cent on the bulk of goods traded between them. At present Chile applies a uniform tariff rate of 11 per cent, while MERCOSUR States apply a common external tariff but with 11 different rates. Several categories of exceptions to the free-trade scheme will be maintained. These are labelled as "sensitive" and "extra-sensitive" products, including poultry, chocolate, textiles, shoes and oil and gas, which are to remain protected for 10 years, and mainly farm products, whose tariffs will remain unchanged for 10 years, after which the rates will be reduced over 5 years. Wheat and wheat flour will be exempted from the free-trade programme for 18 years. Similar discussions have been initiated between MERCOSUR and the Andean Group on closer association (and in particular with one member State, Bolivia; a free-trade agreement scheduled to start in 1997 is to be signed between MERCOSUR and Bolivia). At present the amount of trade between the two blocs is small and the balance of trade has been unfavourable to the Andean Group countries. For instance, MERCOSUR's exports to the Andean Group rose by 31.5 per cent between 1991 and 1993, while the latter's exports to the former contracted by 6.4 per cent during the same period.[54]

207. In addition to opening accession to other countries in the region, as a bloc MERCOSUR is mandated to negotiate and establish trade agreements with third countries or economic groupings. On this basis, MERCOSUR concluded with the United States in 1991 an agreement known as "Agreement 4 plus 1." It aims to facilitate negotiations between MERCOSUR member States and the United States regarding activities proposed by the latter's Initiative for the Americas. A similar arrangement with Cuba is envisaged by the latter. In addition, in May 1992 MERCOSUR concluded a technical cooperation agreement with the European Union aimed at sharing the European experience in programmes designed to increase sectoral competitiveness and in the integration process in general. Subsequently, in 1994, MERCOSUR and the European Union launched consultations regarding the possible establishment of free trade encompassing mostly non-agricultural products.

208. The Andean Group's Heads of State, meeting in 1987, agreed to reshape its original agreement and established a timetable for achieving fuller economic integration and for enhancing the participation of Andean countries in the world economy. In the 1990s the implementation of these plans has been accelerated. In the Act of La Paz, signed in November 1990, member States agreed to achieve subregional free trade. In January 1992, Colombia and Venezuela eliminated their tariffs *vis-à-vis* other member States; Bolivia and Ecuador followed suit in October 1992 and December 1992 respectively. Each of these countries, however, maintained a list of exceptions to the liberalization programme. Peru, unlike the others, suspended its participation in the Andean Group in August 1992 and has not participated in the subregional free-trade initiatives. In January 1995, the Colombian Government issued a decree amending the country's tariff schedule to conform to the conditions for a four-category (5, 10, 15 and 20 per cent) common external tariff that was adopted by Colombia, Ecuador and Venezuela in anticipation of the formation of a customs union. Bolivia and Peru, however, did not join the new common external tariff programme. Bolivia uses a two-tariff category of 5 per cent and 10 per cent; and Peru, whose membership of the Andean Group is still temporarily suspended, also applies a two-tariff category (of 15 per cent and 25 per cent).

209. On 1 February 1995, the Andean Group's common external tariff came into effect after many years of negotiations. The new tariff includes five brackets, with a ceiling of 20 per cent, and covers 95 per cent of items subject to tariff. Four of the member countries had already achieved free trade for most of their exchanges, and this additional step transformed the system into another subregional customs union. There were, however, some exceptions to the free-trade regime: Peru and Bolivia continued to apply their own national tariffs and Peru has delayed its entry into the customs union. The Andean integration process is thus progressing, but it is also facing some difficulties. Even as changes are being effected, the search for networking of cooperation agreements continues. Separately, each of the Andean Group member States has signed a bilateral framework agreement with the United States. These separate agreements represent a first step towards closer

economic relations with the hemisphere's major market. Also, Venezuela and CARICOM have signed a free-trade agreement (see section III.1(b) below) and discussions on closer cooperation between the member States of the Andean Group and MERCOSUR have been launched. Other changes include the introduction of greater flexibility into the common foreign investment regime and the liberalization of air and sea transport.

210. The integration process in Central America under the Central American Common Market (CACM) was one of the most successful of schemes but later suffered a dramatic reversal in fortunes (see box 7). In spite of the difficulties faced, countries are making a renewed effort to revive the CACM and the Central American integration process as a whole, including in areas that go beyond economic aspects. To this end, the Central American Integration System (SICA) was created in 1991 as the principal umbrella agency for integration in Central America. SICA's secretariat, which has its headquarters in El Salvador, started operations in February 1993. It participates in the activities of the system and promotes the establishment and functioning of the social subsystem and linkages between this subsystem and the other subsystems (cultural and economic). As part of its all-embracing approach the Alliance for Sustainable Development, a Central American initiative, was launched in August 1994.

211. SICA's economic subsystem is the CACM and various initiatives have been taken, often independently but invariably interlinked in terms of achieving the main objective of reviving and expanding intra-subregional and extra-subregional trade and investment liberalization and growth. The Northern Trade Triangle (Triángulo del Norte) was established in May 1992 with the signing by the Presidents of Honduras, El Salvador and Guatemala of the declaration of Nueva Ocotepeque providing for the formation of a free-trade area to be operational as of 1 January 1993. It subsequently became the Central American Group of Four (Grupo América Central 4) with Nicaragua's admission to the group during a meeting of Presidents in April 1993. Also signed was an agreement on the Central American Free Trade Zone (Zona de Libre Comercio de Centroamérica), along with three basic agreements on respectively the Central American tariff, rules on unfair practices and rules of origin. Additionally since mid-1993, a customs union has been in operation among the Group of Four. It is based on a common external tariff with a ceiling of 15 per cent applicable to 95 per cent of items subject to tariff, together with a free-trade regime for around 1,500 products. In respect of membership, a protocol to the treaty establishing the CACM was signed in October 1993 by the Presidents of the five member States, with the President of Panama to review the original treaty and adapt it to the present situation. Panama's participation followed after the Central American Presidents and their Panamanian counterpart signed a joint declaration stating their intention to make Panama a full member of the CACM.

212. In the Caribbean Community and Common Market (CARICOM) a special conference in October 1992 adopted a set of recommendations for strengthening Caribbean integration, including a restructuring of key policy organs.[55] The implementation of these recommendations occupied the attention of the organization during the early 1990s. They included the following: establishment of the Caribbean Community of Ministers (to replace the Common Market Council); adoption of a Charter of Civil Society; updating of the Treaty of Chaguaramas, which established CARICOM; and establishment of an Association of Caribbean States (see below). Moreover, a Bureau of the CARICOM Conference was established comprising three Heads of State and the CARICOM Secretary-General, and empowered to initiate proposals, update consensus, mobilize action on and secure implementation of CARICOM decisions in an expeditious and informed manner, and oversee the restructuring of CARICOM institutions.

213. Some progress towards the establishment of a common market had been achieved by 1995; however, some setbacks were also encountered. CARICOM had largely achieved its aim of eliminating barriers to mutual trade, although some countries continued to require licences for the import of some goods from other member countries. The revised common external tariff was in force in nearly all the countries, although agreement had not yet been reached on the harmonization of customs procedures. A protocol was prepared on the establishment and free movement of capital within CARICOM, and agreements on

Box 7
CACM's success and decline in brief

The integration process under the CACM thrived during its first decade of existence. A common external tariff was adopted in 1960 and by 1966 over 94 per cent of the total items in the Standard Central American Tariff Nomenclature were the subject of free trade and the common external tariff. In addition, restrictions on capital movement within the subregion were removed. Not surprisingly, CACM intra-trade, including in industrial products, expanded substantially; its share in the group's total trade increased from around 7.5 per cent in 1960 to about 26.8 per cent in 1970 and remained at that level until 1980. This ratio is a record that has yet to be surpassed by other subregional and regional integration groupings of developing countries. The growth in intra-subregional trade contributed to an overall expansion in the subregion's exports, which nearly tripled during the 1960s and more than quadrupled during the 1970s. Moreover, 100 per cent of intra-subregional trade transactions (around US$ 900 million) was channelled through the Central American Clearing House; this is another record that has yet to be equalled by other multilateral clearing facilities.

The early success of the CACM ironically generated forces that subsequently disrupted the integration process and which, combined with other adverse factors (both internal and external), practically brought about the collapse of the CACM and thwarted efforts to revive it in the 1980s. A decisive factor was the complaints by the less advanced member States (Honduras and Nicaragua) over the asymmetrical distribution of the benefits of subregional integration in favour of the more advanced member States (Costa Rica, El Salvador and Guatemala). In particular, Honduras and Nicaragua accumulated huge trade deficits which were overwhelmingly intra-subregional. The problem undermined relations among member States and led Honduras, in 1971, to suspend its participation in the CACM and at the same time impose discriminatory trade measures on its imports from the subregion. Other CACM member States retaliated and this led to a break down in the free-trade arrangement. Though the institution continued to function in the 1970s, trade and economic cooperation diminished. In the 1980s the deterioration in external economic conditions, combined with political and social conflicts in some member States, further adversely affected the subregional integration process. Both intra-subregional and extra-subregional CACM trade slumped. In addition, the multilateral clearing facility encountered serious difficulties, mainly persistent intra-subregional trade deficits which amounted to US$ 750 million, and it became non-functional by 1987. Trade channelled through the mechanism plummeted from about US$ 900 million in 1981 to US$ 30 million in 1987. This further undermined the subregional integration process.

avoidance of double taxation were concluded. It was agreed to allow the free movement of labour to apply to university professionals as from 1996, subject to acceptance of their credentials by the receiving country. In terms of problems, a meeting of the CARICOM Heads of Government underscored the fact that some delays had been encountered regarding the free exchange of goods (some member States had not yet dismantled their import licences regime, for example) and the implementation of the common external tariff (some member States have postponed the adoption of the tariff). Little progress was made in terms of the harmonization of macroeconomic policies and the revitalization of the suspended CARICOM multilateral clearing facility. Steps have been taken to strengthen ties with neighbouring countries on the mainland. Thus, a CARICOM/Central America Consultative Forum was created to foster in particular closer trade cooperation between the two subregions; a trade and investment agreement was signed between CARICOM and Venezuela providing one-way duty-free access for CARICOM goods into the Venezuelan market; and the Association of Caribbean States was formed (see next paragraph).

214. The trend towards establishing closer ties among countries whose economic and other interests are seen to be becoming increasingly intertwined underpinned the formation of the Association of Caribbean States (ACS) by countries washed by the Caribbean Sea. The formation of ACS was first mooted by CARICOM, as noted above. Its 25 members comprise the 13 CARICOM States, three non-CARICOM Caribbean States (Cuba, Dominican Republic and Haiti) and six Central American States (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and the Group of Three member countries (Colombia, Mexico and Venezuela). In addition, 12 territories within the Caribbean Basin participate in the work of the ACS as associated members. The convention creating ACS was signed in July 1994 and after acquiring the requisite two-

third number of ratifications, it entered into force in August 1995. A Secretary-General has been appointed to head the Association and Port of Spain (Trinidad and Tobago) was selected as the location for its headquarters. The August 1995 summit meeting, at which the Association was inaugurated, also adopted a Plan of Action covering the three areas considered vital to subregional integration - tourism, trade and transport.

215. Cuba's participation in ACS is significant in that it is the first subregional integration grouping in which Cuba participates as a full member (see box 8). It is an indication on the one hand of the country's move towards closer and more formal association with neighbouring countries, and on the other hand, an indication of the region's interest in associating Cuba more fully in the regional integration endeavour.

Box 8
Cuba and intraregional economic integration

As an aspect of its development strategy, Cuba, through various initiatives and activities, is gradually establishing and expanding ties with other countries in the region with a view to assisting its development process, enhancing its integration into the wider regional economy and increasing its participation in intraregional economic integration efforts. Hence Cuba, though not a member of LAIA, has subscribed to nine bilateral agreements of partial scope (Acuerdos de Alcance Parcial) within the LAIA framework that are intended to liberalize reciprocal trade between Cuba and Argentina, Bolivia, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. Sectors covered by these agreements include trade in services, investments and transportation. Cuba has also become a party to three multilateral agreements on cultural goods, seeds, and science and technology.

Cuba intends to initiate negotiations with MERCOSUR to sign an agreement of the "4 plus 1" type which would substitute for the bilateral agreements subscribed to in the context of LAIA with three of the MERCOSUR member States, namely Argentina, Brazil and Uruguay (which are also members of LAIA).

Cuba has ties with CARICOM in the form of a Joint Commission. Both parties have adopted an Action Plan which includes projects and specific actions that will promote reciprocal relations and integration of the economies of both parties. Various important initiatives under the Action Plan have been taken in the fields of trade, investments, transport and technical norms.

The Association of Caribbean States (ACS), of which Cuba is a founding member, offers a range of possibilities for widening and deepening Cuba's assimilation into the regional economy, and in particular, into the intraregional integration efforts. Consonant with the Action Plan adopted by the 1995 ACS Summit, Cuba is carrying out activities at various levels to develop different possibilities in the areas of tourism in the Caribbean, reciprocal exchanges, and the establishment of new air and maritime links within the subregion which should contribute to improving Cuba's links with its neighbours.

Apart from subregional integration groupings, intra-regional investment in Cuba is rising and Cuba's external trade with countries of the region is expanding. These trends are further representation of the expansion of relations and integration of Cuba with its neighbours.

Finally the adjustments that currently take place in the Cuban legislation, corresponding with its commitments taken in the context of the World Trade Organization and its own efforts toward more openness will also facilitate the integration of Cuba into the region economy in coming years.

III.1(b) Selective integration agreements

216. Besides renewed dynamism within integration groupings, a different set of initiatives lending support to the drive towards the formation of viable economic spaces has been the proliferation of bilateral, trilateral and multilateral free-trade and integration agreements between selected countries in Latin America in particular, but also in the Caribbean. These agreements

which are primarily conceived within the LAIA framework, normally take the form of Memorandums of Understanding and Declarations of Intention, and have certain distinguishing features. Most of them have as their objective the expansion of trade and investment through free-trade agreements and investment-facilitating measures. For instance, they have clauses for the elimination of tariff and non-tariff restrictions and the promotion and facilitation of reciprocal investments, as well as containing agreements on double taxation. Most of them have no links to the trade agreements of existing subregional integration groupings and involve interested countries with common territorial borders. (These initiatives evoked the experience of the "subregional growth zones" in South-East Asia.)

217. In general, 27 selective-type agreements have been approved and six are to be implemented in 1994-1998. Argentina, Bolivia, Colombia, Chile, Mexico and Venezuela have been active promoters of these agreements. Colombia and Venezuela mainly concluded agreements with partners within their Andean Pact scheme, while Mexico and Chile concluded agreements with a wide array of partners, including extraregional ones, as in the case of NAFTA for Mexico. Box 9 provides details several of these agreements.[56] The prolific growth of selective-type free-trade agreements is a recent occurrence which, to a large extent, is associated with new efforts in countries to explore the potentials of the region parallel with the progress towards more open economies. It is not a coincidence that the countries which are active promoters of these agreements are among those that have advanced significantly in the liberalization of their economies; the bilateral agreements may represent a way of deepening and widening the scope of trade liberalization. For example, Chile has been a leader in the conclusion of bilateral agreements (see box 9); it does not yet, however, belong to any of the subregional groupings in the region.

218. The Group of Three (G-3), comprising Colombia, Venezuela and Mexico is another example. It was created with the signing of a formal understanding in 1990, which entered into force on 1 January 1995. The G-3 aims to establish a free-trade zone by the year 2005. In reality, Colombia and Venezuela have engaged in free trade since 1992 as a result of liberalization progress made within the Andean Group. Trade with Mexico would be liberalized through a programme of automatic tariff reductions of 10 per cent a year. The expansion of G-3 membership to include Ecuador is being considered.

219. The G-3 member States have shown a particular interest in fostering closer cooperation with countries in Central America with the objective of promoting growth and development in subregion. Accordingly, as a group, the G-3 identified several potential areas of joint cooperation in support of Central American countries and especially in respect of a common G-3 energy policy. So far, however, each of the G-3 member States has negotiated such support on an individual basis with Central American countries. Agreements emerging from such negotiations have been based on the principle of "asymmetrical reciprocity" in favour of the Central American countries. Thus, in 1991 a Framework Agreement was signed between Mexico and Central American countries, aimed at gradually establishing a free-trade area: Mexico will remove tariffs over a period of five years, while the Central American countries will do the same over a period of ten years. Also, negotiations have taken place between Mexico and Costa Rica and between Mexico and the Group of Four (G-4), consisting of El Salvador, Guatemala, Honduras and Nicaragua. Similarly, in July 1991, Venezuela and the Central American countries agreed on a Framework Agreement on Trade and Investment, favouring (through tariff reductions) Central American exports over a period of five years. Venezuela also signed an agreement with CARICOM in October 1992 under which Venezuela gives immediate non-reciprocal access to 157 products exported by CARICOM, while the latter grants to its imports from Venezuela most-favoured-nation status. With a similar objective in view, Colombia and CARICOM signed in July 1994 an agreement favouring the Caribbean States in terms of tariff reductions for a period of four years.

220. Some interest has been expressed in achieving greater convergence among existing and future selective-type free-trade agreements. The Americas Plan of Action, which emerged from the Summit of the Americas (discussed below), requested the Special Committee on Trade[57] of the Organization of American States (OAS) to examine possible measures in this regard. Accordingly, the

Box 9
Selected bilateral agreements and formal understanding in Latin America and the Caribbean

Argentina - Bolivia: Agreement of Economic Complementarity (Dic. 1989 and 1992 -new agreement), aimed at intensifying bilateral trade, implementing new industrial complementarity projects and promoting investments among the two countries. A programme of trade liberalization and a protocol on energy integration have also been adopted.

Argentina - Brazil: Programme of Integration and Economic Cooperation adopted in 1986, which set the basis for the creation of MERCOSUR (1991). A new agreement was concluded in 1990.

Argentina - Colombia: Agreement of Economic Complementarity, 1988, aimed at increasing and diversifying trade relations and areas of cooperation between the two countries, including the creation of multinational regional enterprises, and at settling mutual trade debts. The agreement was complemented by the Act of Integration Argentina-Colombia (1991), which established the framework for mutual cooperation in other sectors.

Argentina - Chile: Agreement of Economic Complementarity, August 1991; envisages a free-trade area and ultimately a common economic zone. It calls for firm commitments by both countries to enlarge preferential treatment in bilateral trade. In addition, both countries have greed to promote mutual investments and foster joint projects.

Argentina - Venezuela: Agreement of Economic Complementarity, 1992, aimed at fostering trade liberalization, including through the total elimination of tariffs between the two countries.

Bolivia - Brazil: Agreement in 1994 providing for joint cooperation in energy and infrastructure development.

Bolivia - Chile: Agreement in 1993 providing a trade liberalization programme and joint cooperation in developing investment, energy complementarity and economic cooperation in general.

Bolivia - Mexico: Agreement in 1993 establishing mutual liberalization of trade before 1998. In September 1994 both countries signed an agreement on the general elimination of trade barriers, with exceptions (known as the "negative list").

Chile - Colombia: Agreement of Economic Complementarity, 1993, aiming at eliminating tariff and non-tariff barriers.

Chile - Ecuador: Agreement of Economic Complementarity, 1994, on mutual trade liberalization leading to a free-trade area.

Chile - Venezuela: Agreement of Economic Complementarity, 1993, aimed at establishing an enlarged economic space. The two countries also concluded agreements on investment protection and tourism.

Mexico - Chile: Agreement of Economic Complementarity, 1991, establishing cooperation in trade and non-trade issues, including coordination of economic policies, investment promotion and cooperation in services, liberalization of transport and elimination of double taxation.

Other agreements aimed at establishing a free-trade area include those concluded between Bolivia and Uruguay, 1991; Bolivia and Peru, 1992 and 1993; Bolivia and Uruguay, 1991; Brazil and Peru, 1993; Chile and Bolivia, 1994; Bolivia and Paraguay, 1994; Mexico and Bolivia, 1994; and Mexico and Costa Rica, 1994.

Committee through its Advisory Group identified a list of convergence-related topics that will be examined in the future, including rules of origin, dispute settlement mechanisms, market access, subsidies and unfair competition, intellectual property rights, services and investments. Bringing about convergence among the selective agreements could serve to revitalize free trade processes within established subregional groupings. It could also be an effective force leading to a de facto regional free-trade area, including the Caribbean countries, and could set up a networking of agreements for underpinning free trade in Latin America and the Caribbean. These agreements could also support the hemispheric free-trade initiative.

221. On the other hand, the proliferation of new bilateral trade agreements could undermine existing subregional and regional integration initiatives. This is because the new agreements have been formed among like-minded countries owing, to some extent, to their disenchantment with the lack of tangible progress over the last two decades in forming free-trade areas, customs unions and common markets as agreed within the framework of existing integration groupings. The new generation of agreements thus signal a move away from larger groups to fostering cooperation among a smaller group of countries with potential for developing substantial trade and investment. In this sense, the proliferation of agreements requires close surveillance to ensure that these initiatives evolve in a manner complementary to existing subregional and regional arrangements, and that both trends are mutually reinforcing. This could be achieved as, for example, in the case of MERCOSUR evolving from the Brazilian-Argentine bilateral integration process.

III.1(c) Hemispheric integration

222. In the 1970s the idea of hemispheric integration in the Americas would have been dismissed as untenable. In the 1990s, however, it has become fashionable and progress towards integration has gained substantial impetus from several independent but interlinked free trade initiatives which have evolved with the pivotal support of the United States.

223. To begin with, after several years of negotiations a free-trade agreement between Canada and the United States became operational on 1 January 1989. It contained provisions covering dispute settlement, foreign direct investment, services (including financial services), tariff reduction and prohibition of some non-tariff barriers. Over a year later - in June 1990 - the United States administration announced the Enterprise for the Americas initiative aimed at strengthening economic relations with Latin American and Caribbean countries and supporting the nascent political and market-oriented reforms. A major component of the initiative was the proposal for the negotiation and formation of a Western Hemisphere free-trade area encompassing the whole of the Americas and characterized by unhindered trade. The proposal regarding the negotiation and adoption of free-trade agreements between the United States and countries in Latin America and the Caribbean has kindled the interest of a number of country groupings. Several countries and groups have responded and are in the process of negotiating with the United States to draw up bilateral free-trade accords.

224. In this connection also, there was considerable progress in the creation of a North American free-trade area between Mexico and Canada and the United States. Negotiations between the three countries culminated in the signing of the North American Free Trade Agreement (NAFTA) in December 1993, and in January 1994 the agreement became a binding obligation. NAFTA's extension to include other countries in the hemisphere like Chile is being considered. NAFTA, like the Canada-United States free-trade agreement, aims to eliminate barriers to trade, promote fair competition, increase investment opportunities, ensure protection of intellectual property rights, resolve disputes and support other integration efforts.

225. Less than a year later, on the occasion of the Summit of the Americas (Miami, December 1994), the Presidents of 33 Latin American and Caribbean countries[58] and the United States of America agreed to joint cooperation on achieving a series of economic, trade and social development objectives. The most prominent agreement was a commitment to conclude talks for a Free Trade Area of the Americas (FTAA). At a follow-up Trade Ministers Summit in Denver (30 June 1995), agreement was reached on a work programme for initiating the preparations for active negotiations on the setting up of the FTAA by the year 2005 to promote the progressive elimination of barriers to trade and investments. In doing so, it is likely to draw upon existing selective and subregional trade agreements in North America (NAFTA), mainland Latin America (LAIA or MERCOSUR), Central America (SICA) and the Caribbean (CARICOM).

226. The Trade Ministers also agreed to ensure that the FTAA will, firstly, be fully consistent with the provisions of the multilateral trade agreements pursued under the World Trade Organization; secondly, be balanced and comprehensive in scope, covering *inter alia*, the areas discussed in the Summit of Americas Plan of Action; thirdly, not erect barriers to non-member countries; and fourthly, achieve a single undertaking comprising mutual rights and obligations. In the context of the Plan of Action, a Trade Ministerial Meeting in March 1995 agreed to the establishment of working groups (with their own terms of reference) in the areas of government procurement, intellectual property rights, services and competition policy. These groups will identify trade-related measures in each area so as to identify possible approaches to negotiating liberalization. The FTAA is thus likely to be set up in the first decade of the next millennium.

III.2 COOPERATION IN TRADE

227. During the 1980s, intraregional trade among Latin American and Caribbean countries contracted substantially. It started to recover in 1987 and has grown steadily since then (see table 23, statistical appendix). In 1990, intraregional trade attained again its previous maximum volume - reached in 1981 - of about US$ 16 billion. Moreover, it expanded at a much faster rate than the region's total trade. Between 1987 and 1993, the average annual rate of growth for the region's aggregate exports was 5.8 per cent, while that for intraregional trade was 12.8 per cent. Thus, the value of intraregional trade more than doubled, reaching an estimated record level of US$ 33.5 billion in 1994. Reflecting this dynamism, the share of intraregional trade in total regional exports, which for most of the 1980s had been declining, in 1992 regained and exceeded by at least three percentage points its previous 1981 peak level of 16.6 per cent; moreover, this share is estimated to have exceeded the 20 per cent mark in 1993 and 1994. Intraregional trade is therefore increasingly becoming a significant factor in the trade relations of countries in the region. Goods which feature prominently in intraregional trade include fuel (crude petroleum, gas, gasoline, gas oil, fuel oil), unprocessed or minimally processed commodities (cotton, copper, wheat, sugar, zinc, rice, iron and steel, soya and sunflower oil, meat, leather, beans, processed grains), some manufactures (motor vehicles and parts, telephone lines and equipment) and some intermediate products (paper, chemical raw materials, fish meal). Commodities and semi-manufactures are imported mostly by the more advanced economies in the region (Argentina, Brazil and Mexico), while manufactures are imported mainly by the less economically advanced countries.[59]

228. The evolution of intra-trade in the different subregional groupings followed a growth pattern similar to the regional trend, except for CARICOM and CACM, where the recovery was slower (table 23, statistical appendix). In CARICOM the peak volume attained in 1981 had not been reached again by 1992. In CACM the peak volume in 1980 is estimated to have been regained only in 1993. CACM is unique among the subregional integration groupings of developing countries in that it was the only one in the 1970s and 1980s whose share of intra-group trade in the group's total exports had exceeded 20 per cent. This share then fell below 20 per cent for most of the 1980s. However, concurrently with the recovery in the volume of CACM intra-trade it is estimated to have once again exceeded 20 per cent by 1992. As regards the Andean Group, the volume of trade among member States started recovering in 1987 and by 1990 had reached US$ 1.25 billion, slightly exceeding the previous record level attained in 1981. The group's intra-trade is estimated to have increased to about US$ 3.3 billion in 1994, representing about 10 per cent of total group exports.

229. Trade among LAIA member States by 1990 had recovered to US$ 12.2 billion, exceeding its previous peak level established in 1981. It has since grown steadily is estimated to have reached US$ 27 billion by 1994. In terms of the share of intra-group trade in total LAIA exports, a maximum of 13.7 per cent was achieved in 1981 and a minimum of 8.3 per cent in 1985; this share, however, has grown rapidly in the 1990s to reach an estimated 19.6 per cent in 1994. The expansion in LAIA intra-trade is linked to the recent expansion in the intra-trade of MERCOSUR in particular.

230. The recovery in intra-group trade was achieved at a faster pace in MERCOSUR. Prior to the formation of the group in March 1991, the volume of trade among potential members peaked at US$ 3.4 billion in 1980. This level was already exceeded by 1989, with intra-trade increasing to US$ 3.8 billion. In the year of MERCOSUR'S creation, intra-trade rose to US$ 5.1 billion. It has since grown spectacularly, reaching US$ 10.2 billion in 1993 and US$ 11.4 billion in 1994 (on the basis of preliminary figures). MERCOSUR intra-trade accounted for 11.6 per cent of the group's total exports in 1980; by 1985 this share had fallen to 5.5 per cent. However, in the 1990s, immediately after the formation of MERCOSUR, the share of intra-group trade in total group exports rose to 14.3 per cent in 1992 and is estimated to have reached 19.1 per cent by 1994. In addition, trade among MERCOSUR member States represents a significant proportion of LAIA intra-trade (about 43 per cent). Moreover, trade is expanding between MERCOSUR and other LAIA member States such as Chile, which are attracted by the former's market potential. Available data show that of the total estimated LAIA intra-trade of US$ 27 billion in 1994, 12 per cent corresponded to trade between Chile and the MERCOSUR member States (Chile-MERCOSUR trade is likely to be further strengthened following the conclusion of a free-trade agreement), and 12.4 per cent corresponded to trade between the Andean Group and MERCOSUR. These figures would imply that the growth in MERCOSUR intra-trade and MERCOSUR trade with other neighbouring countries in the region explains to a large extent the recent dynamism of LAIA intra-trade and of overall intraregional trade.

231. The growth in intraregional trade could be stimulated further by the progress in hemispheric, regional and subregional as well as bilateral integration initiatives. These recent initiatives, as discussed previously, focus on the expansion of intraregional trade and investment through implementation of new - generation free-trade and integration agreements. The recovery in intraregional trade in Latin America and the Caribbean is also all the more significant in view of the fact that for most of the 1980s such trade had declined because of deliberate policy action by governments. Faced with a debt crisis, most of the countries in the region pushed for new products in new markets outside the region with convertible currency, and curtailed imports. In the late 1980s the adoption of open and liberal policies by countries opened up new potential for trade and investment opportunities in the region itself. Geographical proximity, against a backdrop of open markets, became an important consideration - hence the intensification of bilateral, subregional, regional and even hemispheric free-trade agreements.

III.3 COOPERATION IN MONETARY AND FINANCIAL MATTERS

III.3(a) Trade financing facilities

232. The findings of an UNCTAD survey indicate that there are seven countries in Latin America and the Caribbean that count on comprehensive national trade financing schemes (see table 24, statistical appendix).[60] These include Argentina, Barbados, Colombia, Jamaica, and Venezuela, which have achieved some degree of institutional development in trade financing, including a network of public and/or private (multi- and/or single-purpose) institutions dealing with export financing, insurance and guarantee services. Some of these institutions have refinancing facilities provided by the central banks. Additional features include, for example, the Export Promotion Fund in Ecuador, and in Bolivia the establishment of a national financing system that guarantees the availability of credit lines to exporters. As regards coverage of the various types of risks associated with export activities, Barbados, Brazil, Peru, and Trinidad and Tobago have established agencies performing the dual functions relating to insurance and guarantees. Most of the trade financing schemes offer short-term credit, but in a few countries medium- and long-term credit is also available. For example, Argentina, Brazil, Mexico and Venezuela offer credit for a period of five or eight years. In one case, Colombia, credit is offered for a period of ten years.

233. A more detailed look at the functions of two such trade financing facilities provides some insights into their operations:

(a) The Export-Import Bank of Jamaica (EXIMJ), established in 1986, offers a full range of financial programmes despite the small size of the nation. Furthermore, it has been an innovator in setting up financing facilities such as the Bankers' Export Credit Facility (BECF) and the Export Credit Facility (ECF). The main difference between the two facilities lies in the method of providing guarantees. While financial support from the BECF is channelled through commercial financial institutions on the basis of their guarantee, funds from the ECF are disbursed to clients who provide security directly to EXIMJ. Another facility is the Small Business Discount Facility (SBDF), established in 1989, which represents EXIMJ's contribution to the drive to stimulate entrepreneurial activities that would boost export earnings and create employment opportunities in Jamaica.

(b) The Banco Nacional de Comercio Exterior (BANCOMEXT) of Mexico provides supplementary export financing, with particular emphasis on small- and medium-scale enterprise and potential exporters. It operates as a bank at the first level by directly financing exporters through its network of offices, and at the second level by conducting export support operations through commercial banks. BANCOMEXT's financial instruments in support of export growth include the Export Card (aimed at giving immediate access to financing for working capital and for the purchase of machinery and equipment by exporting firms), factoring, leasing, financing of an export portfolio with resources obtained abroad and financing of imports needed by exporters. BANCOMEXT also undertakes trade promotion activities such as international events, commercialization, training and strategic studies.

234. Regional support to trade financing is provided by the Latin American Export Bank (BLADEX), the Central American Bank for Economic Integration (CABEI/BCIE), the Andean Development Corporation (ADC/CAF), the Inter-American Development Bank (IADB) and the Latin American Reserve Fund (LARF).[61] The types of support provided by these institutions are outlined in table 25 (statistical appendix).

235. BLADEX was established in 1977 and provides short-term financing for foreign trade transactions in Latin America and the Caribbean. Among trade financing institutions, BLADEX specializes only in trade financing. The institution's total credit portfolio of US$ 4.5 billion as of 30 June 1995 was concentrated (74 per cent) in the three major Latin American economies - Brazil, Mexico and Argentina. This credit portfolio covers approximately 2 per cent of regional exports. During the period 1979-1989, BLADEX provided export financing of more of US$ 13.7 billion. At the end of 1989, its stock of outstanding loans stood at US$ 860.9 million.

236. The Central American Bank for Economic Integration was set up when its constituent agreement was signed on 8 May 1961. The institution aims to promote economic integration and balanced economic development in member countries. In pursuance of this objective, it supports infrastructure projects that link up the subregion or resolve particular problems hindering the balanced economic development of the subregion. Among its tasks are projects to create economic complementarity and to expand intra-subregional trade. The Bank's export finance programmes include the following types of credit: programme of support to export supply in Central America (PAPECA); programme of support to productive sectors; and special programme to support the export sector of Honduras and Nicaragua (FEPEX) and co-finance direct credits. Since its establishment, the Bank has maintained its lending operations and disbursements in spite of its unfavourable financial situation associated with the crises in the Central American subregion. Its financial situation was recently strengthened owing to external support and the inclusion of two new extra-subregional partners - China and Venezuela (the latter country, as mentioned previously, is one of several countries involved in the revival of the Central American economy). The Bank also benefits from the international initiatives supporting development in the Central American subregion, particularly assistance from the European Union and the Inter-American Development Bank. On the basis of these efforts and by using other sources of funds, such as the Special Fund for Export Promotion supported by the European Union, the Bank is likely to maintain its financing programmes for investment and its other credit modalities. Between 1961 and the end of 1992, the Bank's total lending amounted to about US$ 1.731 billion.

237. The Andean Development Corporation, established in 1970, provides export credit facilities involving pre-shipment and post-shipment financing, and both supplier and buyer credit, all of which are denominated in United States dollars and are for a period of up to 180 days. Total disbursements by the Corporation in 1993 amounted to US$ 1.2107 billion. The Corporation is active in in-direct financing to the banking sector both within and outside the subregion. Such financing had reached US$ 412 million by November 1994. The fact that it is the first Latin American facility to receive an investment grade rating from international bodies such as Moody's and Standard & Poor's makes the Corporation unique among institutions of this type. Owing to this grading, the Corporation has been one of the most successful Latin American issuers in the international capital markets. It also offers trade financing through its autonomous agency, the Andean System for Trade Financing (SAFICO), and the Mechanism for Confirmation and Financing of Letters of Credit and Imports (MECOFIN). Furthermore, the Corporation offers technical assistance in institution building, with particular emphasis on improving export credit banks in the subregion; and it also offers credit lines to banks dealing with trade financing such as Banco Colombiano de Exportaciones (BANCOLDEX). In 1993, the Corporation launched a programme of share participation in private enterprises of member States and the guaranteeing of bond issues.

238. The Inter-American Development Bank, established in 1959, provides medium- and long-term export financing support to Latin American and Caribbean countries on a national and regional basis, primarily in support of efforts to promote the intra- and extraregional trade of member States. It finances exports through programmes from its own resources (ordinary capital), from the Venezuelan Trust Fund and through co-financing activities with multilateral institutions. From 1961 to the end of 1994 the accumulated amount of credit approved by the Bank totalled US$ 1.257 billion. Its co-financing activities often take the following forms: the use of funds under its administration as additional sources of financing; guaranteeing in whole or in part loans made by private lenders; joint financing activities with a co-lender for the financing of the same components of a project, and parallel financing under which the Bank and a co-lender make separate loans for the same programme or project but each loan finances goods and services of a different component of the project or programme.

239. The Latin American Reserve Fund was set up in 1988 and its mechanisms for export financing include discounting of banking acceptances with Latin American regional organizations, a facility consisting of credit lines that can be used by commercial banks for export financing for member countries, and the making available of advances aimed at solving temporary treasury requirements. It supports trade financing operations originating in member and non-member States. Between January and June 1994 the Fund's trade financing amounted to US$ 73.5 million, credits to commercial banks US$ 1,035 million and advances US$ 19.9 million.

240. Finally, mention may be made of the Eastern Caribbean Central Bank, which provides export credit guarantees for pre-shipment finance and post-shipment supplier credit loans. In 1993, it disbursed about US$ 816,545.92 in pre-shipment credits and about US$ 824,177.77 in post-shipment credits (approximately 80 per cent provided by locally owned commercial banks and 20 per cent by international banks). The Bank does not currently offer export credit insurance but plans to do so soon.

III.3(b) Clearing and payments arrangements

241. Table 26 (statistical appendix) provides an overview of the clearing and payments arrangements in the region and their respective features. LAIA's Reciprocal Payments and Credit Agreement comprises a mechanism whereby the member central banks reciprocally grant one another lines of credit for use in covering the goods and services trade transactions within LAIA. Every four months the bilateral balances are settled multilaterally, a procedure by which commercial operations are simplified and considerable savings in foreign exchange are made because commissions are not paid. The clearing mechanism was modified in 1991 with a two-tier Automatic Payments Programme for the transitory financing of balances of multilateral compensation. One element of the amended agreement offers central banks automatic access to the credit or debit positions of other central banks; while another element is a short-

term credit facility which extends the settlement period for central banks with difficult liquidity positions. The most important modification was the authorization in 1992 to channel through the mechanism payments originated in triangular trade. It is notable that for most member States the channelling of payments for intraregional trade through the clearing mechanism is conducted on a voluntary basis; in the case of the Central Bank of Venezuela, however, the channelling of these transactions has become compulsory. This explains why Venezuela is the most important user of the system.

242. In terms of transactions channelled, the LAIA mechanism is the only payments arrangement in the region that is still operating. In 1994, a total of US$ 11.72 billion was channelled through the mechanism; this was 11 per cent less than the total transactions channelled in 1993 (US$ 13.18 billion). The degree of multilateral compensation[62] was reduced from 71 per cent in 1993 to 67 per cent in 1994. A possible explanation for this drop is the increased competition, with more sophisticated payment methods in hard currencies. The flexibility of the payments system is reflected by the fact that in the last four months of 1994, transactions channelled recovered their previous levels (around US$ 4.3 billion). An important advantage of the payments system is savings in the use of hard currencies, which amounted to US$ 7.9 million for LAIA in 1994.

243. The Caricom Multilateral Clearing Facility (CMCF)[63] suspended activities in 1983 after six years of operation, as a result of the accumulation of arrears. In the period since then, the region has re-examined the viability of reactivating the facility. A report, presented in 1991, concluded that the prospects for a resumed CMCF were not good in view of debtors' inability to settle obligations, participants' inability to capitalize a new arrangement with any substantial US dollar equity contribution, and of the foreign exchange arrangements being adopted by a number of member countries. In the period since suspension therefore, the only activities which have taken place under the aegis of the CMCF have been the rescheduling of debtors' obligations and the activities of the Caricom Travellers Cheques (CTC) Facility. The latter was terminated on 31 December 1993, in large measure because of a loss of interest in it due to the weakening in the value of the currency - Trinidad and Tobago dollar - in which it was denominated.

244. As far as the Central American Clearing House (CACH) is concerned, activities were suspended in 1992. While the crisis of the CACH in 1987-1990 was due to imbalances and a decline in intra-grouping trade which led to the accumulation of intra-Central American debt, the suspension of activities in 1992 resulted from the unsatisfactory level of savings in hard currency. The CACH was subsequently revived in 1990 as the Central American Payments System (CPS); however, operations have continued to diminish, thus undermining the sustainability of the system. Despite the setback, the Central American Monetary Council has made efforts for the harmonization and convergence of the credit, monetary and exchange rate policies. In addition, it has adopted several measures aimed at fostering integration of capital markets and promoting the intraregional mobility of financial resources. It has also adopted practical measures to facilitate the payment of intra-trade transactions.

III.3(c) Capital market development and investment

245. Issues in capital market cooperation and regional capital flows among developing countries are becoming increasingly important to the integration process in Latin America and the Caribbean. For example, the Caribbean Stock Exchange (operational since 1991) has established cross-border trading in securities among member countries; the Association of Central American Stock Exchanges (BOLCEN) is planning to establish electronic interconnection and mutual use of their Centrales de Valores for the custody of deposits from one other; and the Ibero-American Electronic Stock Exchange (BEIA) aims at facilitating the trading in securities of major enterprises in the Ibero-American region and at creating a market for raising funds. The BEIA project was created in 1990 by members of the Ibero-American Stock Exchanges Federation (FIABV), which includes all the major Latin American stock exchanges as well as those of Portugal and Spain. FIABV has played a significant role in fostering cooperation among its members to promote

development of their national securities markets, based on its present involvement in subregional integration initiatives in the region such as MERCOSUR and the Andean Group.

246. The process of financial integration between Argentina and Chile has been strengthened through a cooperation agreement signed between the Buenos Aires and Santiago stock exchanges. Similarly, a cooperation agreement was signed between the São Paulo Stock Exchange and the Guayaquil Stock Exchange. The agreements are aimed at strengthening cooperation and establishing information exchange channels between the institutions involved. These include information on regulatory and legal aspects, listed companies and daily trading activities in the different stock exchanges.

247. The foregoing is supported by an increasing intraregional investment trend (0.7 per cent of the world total in 1990 compared with 3 per cent in 1993 in the case of LAIA's member countries[64]). Although these percentages are low in comparison with the total foreign direct investment (FDI) received by member countries, it is worth mentioning that in some Latin American countries the bulk of FDI comes from regional partners (see table 27, statistical appendix). For example, in Peru, the most important regional investor is Chile, with an estimated investment of US$ 170 million in 1994 and approximately US$ 500 million in 1995. According to figures for 1988 and 1989, intraregional FDI in Uruguay originated mainly in Argentina and Brazil. In the case of Argentina, there has been an increase in the non-traditional sources of FDI and these now include Chilean and Brazilian firms. In Chile, the more important regional investors are Argentina, Brazil, Uruguay and Mexico and their investments are mainly in communications, the food industry, construction and manufactures. It is expected that the implementation of NAFTA and its enlargement to include Chile (and possibly other countries in the region), and the operation of the MERCOSUR customs union, will lead to changes in the regional orientation of the operations of transnational enterprises. Already there are Brazilian investments in other MERCOSUR members such as Argentina (automobile parts and food products), Paraguay (steel industries) and Uruguay (finances). Furthermore, investments from Uruguay to Brazil almost tripled between 1991 and 1992.

248. Intraregional investments in Chile and Argentina seem to perform well. Chile has emerged as a major intraregional investor, with investments in the region amounting to about US$ 1.7 billion between 1991 and 1994. For example, Chilean investments in Argentina in particular rose dramatically by about US$ 2.7 billion between 1990 and October 1993, primarily in response to the privatization process and economic deregulation in Argentina. Investments were particularly substantial in such sectors as electronics, and telephone and other services. Also, approximately 170 Chilean enterprises operate in the Argentine market. The incentives for Chilean enterprises to invest in that market are the facilities offered to foreign capital (tax rates are lower than in Chile), the possibility of exploiting the enlarged market available to Argentina under MERCOSUR, and in general the attractive profits that can be made in the Argentine market. Chilean equity investments in Argentina are also on the increase.

249. In the Andean Group subregion, as a result of the liberalization of the national investments regimes, investments by Colombia, Ecuador and Venezuela in the subregion have increased significantly. Investments by Colombia to Venezuela doubled between 1990 and 1993 to US$ 50 million.[65] Following a similar pattern, Cuba has been liberalizing legislation on foreign direct investment.[66] A new investment law, passed in 1995, creates more favourable conditions for the development of joint ventures and other business associations with foreign capital. There are about 212 such associations, with an investment commitment amounting to US$ 2.1 billion by mid-1995. In sum, many Latin American and Caribbean countries have liberalized their national legislations which, among other things, have made incentives available and established agreements for investment promotion and protection. In some cases, agreements have been adopted which aim at facilitating reciprocal foreign direct investment originating in the various countries and groupings (LAIA, Andean Group, MERCOSUR, G-3), and at ensuring an appropriate legal framework to guarantee investments and the repatriation of profits.

III.4 COOPERATION IN OTHER SECTORS

250. Important advances have also been recorded in various other sectors. Regarding physical infrastructure in particular, new impetus is being accorded to the promotion of development corridors involving an interconnected network of cross-border roads, waterways, pipelines and power transmission lines to develop infrastructure links and reduce transportation costs. This new drive for regional infrastructure development coincides with the revival of interest in regional integration and the opening up of national markets. The task is a challenging one: Latin America is a vast region for which physical infrastructure is of decisive importance, and at the same time costly on account of the distance to be covered (Mexico to Buenos Aires is twice the distance from New York to Rome and 24 times the distance from London to Paris) and the conditions (torrential summer rains, for example).

251. The following are some of the major projects which have been completed, are in preparation or are in the final planning stages.[67] (a) The São Paulo (Brazil) - Buenos Aires (Argentina) superhighway linking two of the region's biggest cities spans 2,100 kilometres over three countries (Brazil, Uruguay and Argentina). It was estimated to cost around US$ 3 billion but expected to reduce transport costs by as much as 50 per cent. Phase I, which was scheduled to start in 1996 with financial support (US$ 400 million) from the Inter-American Development Bank, covers the modernization of the existing 700-kilometre highway from São Paulo south to Florianopolis. (b) The Argentina-Uruguay bridge across the River Plate will link Buenos Aires to the Uruguayan port of Colonia del Sacramento, 40 kilometres away. Construction of the bridge, estimated to cost US$ 1 billion, is expected to start in 1996. The bridge is an essential part of the São Paulo - Buenos Aires superhighway and the connection would reduce the drive to the Uruguayan capital (Montevideo) from 600 to 250 kilometres. (c) The bi-oceanic transcontinental highway running from the Brazilian port of Santos across the Bolivian Altiplano to the Chilean port of Arica and on to the Peruvian port of Ilo could be operational by 1997. In 1994 Chile completed the paving of a 280-kilometre section of the road from Arica to the Bolivian boarder. The extension of the paving to La Paz (Bolivia), a section of 194 kilometres, was to be completed in 1996. Upgrading work was then expected to start in 1996 on the remaining section of 600 kilometres from Santa Cruz de la Sierra (Bolivia) to Brazil's western border to complete the Pacific-Atlantic link. (d) Phase I of the Bolivia-Brazil pipeline allowing Bolivian natural gas to flow 1,900 kilometres to factories in São Paulo was expected to start in 1996 and end in 1998. The two countries involved have agreed on gas prices and volumes. (e) Argentina-Chile connections involve various plans, including a gas pipeline drawing on the experience gained upon the completion in 1994 of a 425-kilometre oil pipeline to bring Argentine crude oil across the Andes to the Pacific port of Talcahuano the (first joint venture project between the two countries); upgrading of 11 mountain passes (one already being upgraded is the Sico Pass leading from the Chilean port of Antofagasta to Salta in northern Argentina); and a low - altitude tunnel to remove bottlenecks at the 3,860-metre-high Los Libertadores Pass between Mendoza and Santiago, which carries 80 per cent of cross-border traffic and is often snowbound in winter. (f) The Venezuela-Brazil power line plan for a 1,650-kilometre power transmission line linking Venezuela's Guri River Dam hydroelectric plant to the city of Manaus in the centre of the energy-short Amazon is expected to cost about US$ 500 million.

252. Several of the above-mentioned projects involve the energy sector, namely those for oil and gas pipelines and electricity lines. Import of energy sources from outside the region had declined with increasing domestic regional production and progress achieved in establishing energy links between countries. As discussed in earlier sections, several of the major oil producers in the region (the G-3 countries) have a policy of helping other countries in the region secure fuel energy at preferential rates as a contribution to their development efforts and in support of solidarity among States in the region. Such assistance is provided by G-3 countries to the Central American countries, for example.

Chapter IV
INTERREGIONAL COOPERATION AND INTEGRATION

253. At the interregional level various organizations have been created (or their creation has been proposed in order to foster closer cooperation and integration, principally in support of the development process of member States. This chapter discusses some of these organizations, as well as recent initiatives, coverage of which is selective so as to illustrate the different forms of cooperation taking place.[68] It also examines trade cooperation generally, bearing in mind that most of the interregional groupings and new initiatives have, or intend to pursue, other sectoral cooperation activities to build the supportive structures necessary for underpinning cooperation generally among member States.

IV.1 INSTITUTIONAL DEVELOPMENTS

254. Most of the existing interregional groupings, such as the Group of 77 (G-77), the Non-Aligned Movement (NAM), the Summit Level Group for South-South Consultation and Cooperation (G-15) and the Organization of the Islamic Conference (OIC) continue to meet at Heads of State level and at the level of technical experts to chart, update and monitor the implementation of their respective cooperation programmes. Generally, most interregional groupings for cooperation among developing countries function as instruments for fostering solidarity among developing countries and for promoting their objectives and views on international political and economic issues in international negotiating fora. Political issues have traditionally occupied the attention of these organizations, with the result that the implementation of economic development programmes has been largely neglected.

255. Parallel with the radical changes in the international scene since the late 1980s, member States of the interregional groupings have been meeting to recast their cooperation programmes and adopt new measures in a serious attempt to revive and advance economic cooperation. The G-15, for example, emerged from the NAM framework as an attempt to develop concrete economic actions among a smaller group of countries. Since 1990, it has been holding regular annual summits that issue major policy statements, monitor the progress of cooperation projects and identify new ones. Projects launched by the G-15 include the creation of the South Investment, Trade and Technological Data Exchange Centre (SITTDEC), the creation of gene banks for medicinal and aromatic plants, and the use of bilateral payments agreements for settling trade transactions. NAM itself, on the occasion of its 10th conference (in Indonesia in 1992), adopted an economic agenda for priority action between 1992 and 1995. The issues on the agenda pertained to external debt, food security and population as well as other economic issues. The agenda, which was proposed by the country chairing the conference (Indonesia), not only raised the profile of economic issues within NAM but also signalled a move towards taking effective measures to follow up measures decisions of the NAM conferences. The 11th NAM conference, in Colombia in 1995, adopted "The Call from Colombia", highlighting the group's concerted views on such issues as reform of the United Nations, disarmament, and implementation of the results of world conferences (environment, human rights, population and development, social development, women, Uruguay Round). Significantly also in terms of follow-up mechanisms, a tripartite NAM consultative body was established which was to comprise past, present and future NAM chairpersons. In the OIC, a framework agreement on the creation of a preferential trading system was signed in 1991, and was to take effect when 10 signatories had ratified it.

256. Within the Group of 77, coordination has improved while collective actions in intergovernmental fora and negotiations have increased and diversified. The Group not only acted on traditional items of the North-South economic agenda in the United Nations and different organizations of the United Nations system and at various United Nations conferences, but also took a joint stand in negotiations relating to the conventions on global climate change and biodiversity, and to the Global Environment Facility (GEF). It also issued statements on a variety of matters on the occasion of its ministerial-level meetings. The Group of 24 - which is the Washington, D.C., chapter of the Group of 77 - continues to act jointly at the annual meetings

of the International Bank for Reconstruction and Development and the International Monetary Fund, and uses its collective weight in negotiations with major industrial countries. Experience shows that if developing countries are to have any impact in these international multilateral institutions, they need to be better prepared technically, to improve their coordination and to engage in collective action. Although the developing countries did not negotiate as a group in the Uruguay Round, consultation and coordination between them increased as the Round progressed, and their collective voice was often heard. The need for such coordination is bound to increase as steps are taken to implement the provisions of the Marrakesh Final Act, within the sphere of the World Trade Organization. Practical steps have been taken within the Group to improve communications, coordination and the dissemination of information between the various chapters, as well as to organize analytical back-up for the Group's work and negotiating positions. For example, during their annual consultations, the chairpersons of the G-77 chapters adopted joint policy stands.

257. Efforts continued with respect to promoting the implementation of the Caracas Plan of Action on Economic Cooperation among Developing Countries (ECDC). A recent review of the Plan was carried out by the ninth meeting of the G-77's Intergovernmental Follow-up and Coordination Committee on ECDC of the G-77 in Manila in February 1996. Such meetings evaluate the implementation of the Caracas Programme of Action and recommend measures for improving progress in the Global System of Trade Preferences among Developing Countries, trade information systems, enterprise cooperation, technology, raw materials and finance. In this regard also, a recent initiative of major political significance was the South-South Conference on Trade, Investment and Finance in San José (Costa Rica) in January 1997. The Conference, which was initiated by Costa Rica and supported by the Group of 77 and China, launched a process for revising, updating and actualizing the Caracas Programme of Action of the Group of 77 and articulated a strategic vision for cooperation in the 1990s.

258. Spearheading the Group's role in enterprise cooperation are the G-77 Chambers of Commerce and Industry meetings. The seventh meeting was held in November 1995 in Pakistan, where a proposal to establish a business information network was considered. The facility would be evolved from the TRADENET, a modest information network set up by the Egyptian Government as a pilot project in ten national Chambers in Asia, Africa and Latin America. Parallel with this, the G-77 Chambers started discussion on the establishment of other business support institutions and measures, including a permanent secretariat for the G-77 Chambers, a reinsurance company, a development bank and a trade fair authority.

259. To support the new drive towards greater policy coordination and economic cooperation, developing countries signed and ratified in 1995 the agreement establishing the South Centre as a permanent intergovernmental organization. The South Centre assists developing countries and their cooperation organizations with their technical preparedness for international meetings and negotiations.

260. The growing emphasis on economic cooperation in the post-cold-war period has promoted the formation of economic alliances between developed and developing countries and territories that differ fundamentally from past practices. These innovative alliances emphasize the formation of large economic spaces for trade and investment, with all members assuming equal rights and obligations. In the past, developing and developed country cooperation in promoting subregional and regional cooperation focused on the mobilization of development aid for the implementation of cooperation programmes. The question of international assistance is still important; however, "more trade and less aid" is a new phrase coined by developing country partners of the new alliances.

261. The most significant of these new alliances is the Asia Pacific Economic Cooperation (APEC). APEC was formed by countries and territories washed by the Pacific Ocean to contribute to the development of member States and the world economy by developing and strengthening open, multilateral trading and reducing barriers to trade in goods, services and investment. APEC members

are Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Singapore, Taiwan Province of China, Thailand and the United States of America. It provides a forum for discussion of economic issues through annual ministerial meetings, supported by regular meetings of senior officials yearly. It also pursues a clearly defined programme for cooperation which positions APEC as a central force of trade and investment liberalization and cooperation in the Pacific Ocean Rim. In this respect, the APEC Ministerial Meeting in Osaka (Japan) in November 1995 adopted an action agenda on liberalization and facilitation in order to achieve free and open trade and investment no later than the year 2010 in the case of developed economies and the year 2020 in the case of developing economies. Following the adoption of the action agenda, member economies are developing national action plans to guide them in the implementation of actions in specific areas identified in the agenda, particularly regarding the elimination of tariffs and non-tariff barriers. APEC activities are supported by a technical secretariat located in Singapore. The free-trade objective being pursued by APEC is also being pursued in the Americas through the mechanisms of the North American Free Trade Area and the Free Trade Agreement of the Americas, as discussed in chapter III.1(c).

262. As with Pacific Ocean Rim cooperation, closer cooperation in trade and economic matters among countries washed by the Indian Ocean is being proposed. Indian Ocean economic cooperation has been debated in academic and official circles since the late 1960s. Separately, India, South Africa and the Gulf States, notably Oman, had debated the possibilities, but there was no gathering of momentum until the end of apartheid and economic sanctions in South Africa, which opened up vast business opportunities. An exploratory conference of countries interested in forming an Indian Ocean grouping, held in Port Louis, Mauritius, from 29 to 31 March 1995, considered the viability and feasibility of effective economic cooperation between countries in the region. Government officials and scholars from India, South Africa, Mauritius, Oman, Kenya, Singapore and Australia attended the conference. Its agenda focused on setting out the objectives and modalities of cooperation. Australia hosted a second conference - in Perth in 1995 - and follow-up action is being taken by a small group of interested States.

263. The initiative at present is not perceived as a trading bloc. Rather, it is viewed as a loose alliance of countries that could pursue cooperation in trade and investment to exploit emerging opportunities in the Indian Ocean rim as well as initiate joint activities in other relevant areas such as maritime cooperation. The ASEAN countries bordering the Indian Ocean (Indonesia, Malaysia, Thailand and Singapore) are interested in the proposal. Thailand is well positioned to link India with the Pacific through a land-bridge project on the southern seaboard. India has a strong interest in establishing such cooperation: it has a 7,500-kilometre coastline, a large number of island territories located far from the mainland, and a great deal of offshore gas and oil, and relies on sea lanes for 97 per cent of its cargo. The country and especially its business community are also interested in exploiting new opportunities which have opened up particularly in South Africa, which has the largest concentration of Indian expatriates anywhere in the world. Indeed, the business sector is viewed as a pivotal pillar for the promotion of Indian Ocean Rim economic cooperation. Already some joint cooperation agreements have been signed between South African enterprises and enterprises in several Indian Ocean rim countries. Some enterprises from the latter group are already investing in South Africa (e.g. India's largest brewery and distillery company, the UB Group, is investing in liquor, paint and pharmaceuticals). The governments of interested countries are also assisting in the initiative. In late 1995, South Africa and the Islamic Republic of Iran signed a memorandum of understanding to encourage investment and joint ventures by their respective companies in mining, including scientific cooperation.

264. There are two existing cooperation institutions in the Indian Ocean, which are currently looking into ways and means of expanding the scope of cooperation among members to cover trade, investment and economic cooperation generally. The first one, the Colombo Plan for Co-operative Economic Development in South and South-East Asia, was launched in July 1951. It grew

from a group of seven Commonwealth nations - Australia, Canada, India, New Zealand, Pakistan, Sri Lanka and the United Kingdom - into an international organization of 27 member countries, including non-Commonwealth States. When the Colombo Plan adopted a new Constitution in December 1977, the organizations's name was changed to the Colombo Plan for Co-operative Economic and Social Development in Asia and the Pacific to reflect adequately the geographical outreach and scope of its activities. Membership now stands at 24, after the withdrawal of Viet Nam in 1978, and of Canada and the United Kingdom in 1991. The Plan encourages developing member countries to become donors and engage fully in economic and technical cooperation among themselves.[69] The Plan's activities include a training programme aimed at making public administration responsive to the changing needs of a market-oriented economy, the Colombo Plan South-South Cooperation Programme regarding training for the private sector in various fields, the Colombo Plan Drug Advisory Programme to combat the problem of drugs and the Colombo Plan Staff College for Technician Education.

265. The other cooperation institution is the Indian Ocean Maritime Affairs Cooperation (IOMAC). It promotes economic, scientific and technical cooperation in maritime affairs in the Indian Ocean. Under IOMAC auspices, for example, an Association of Shipping and Ports Authorities was established. Since 1994, IOMAC member States have been discussing the broadening of activities to include economic cooperation and promote in particular trade and investment flows among countries in the Indian Ocean. To this end, the establishment of an Indian Ocean community has been proposed.

266. Several initiatives in the Middle East and North Africa have emerged. One relates to the formation of an economic community encompassing countries in the Middle East and North Africa. At a meeting in Casablanca in November 1994, participating countries agreed to a proposal for the formation of an economic community based on free movement of goods, services and labour as well as one for fostering cooperation in such sectors as tourism and development financing mechanisms (see chapter II.1(a)). Another initiative relates to the formation of a Euro-Mediterranean association between North Africa and Middle East countries washed by the Mediterranean Sea on the one hand, and the European Union on the other. In November 1995 the Barcelona Declaration was signed by Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, the Syria Arab Republic, and Tunisia, as well as by Turkey, Cyprus and Malta. It proposes a Euro-Mediterranean association involving free trade and increased European Union assistance and loans to the Middle East and North Africa for the development of infrastructure and the private sector. Underpinning this proposal is the view that free trade and more assistance could increase stability and prosperity in the southern and eastern Mediterranean rim and also help in the Middle East peace process. Both the Middle East-North Africa and Euro-Mediterranean cooperation proposals are being followed up through meetings of the countries concerned.

IV.2 COOPERATION IN TRADE

267. Trade among developing countries displayed vibrant growth after 1986, notwithstanding the fact that it remains the weakest link in the international trading system. Between 1986 and 1992, south-south trade more than doubled in absolute terms to US$ 358.5 billion, and its share in world trade increased from 6.9 to 9.7 per cent (table 1, statistical appendix). Much of this trade, however, is concentrated in Asia, as discussed previously. The increase in interregional trade has the potential to expand further, provided that the supportive monetary and financial structures and transport, and communications network are rehabilitated, improved and strengthened. The increase in interregional trade also could be supported by the new initiatives for trade and investment promotion discussed in the previous section. The launching of these initiatives would give new impetus to the promotion of trade among developing countries generally, and help to involve more developing countries in trade and support the development of interregional trade.

268. The single most important scheme is the Global System of Trade Preferences among Developing Countries (GSTP). The GSTP came into being after a long process of negotiations during the Ministerial Meetings of the Group

of 77. The GSTP Agreement was signed in April 1988 by 48 countries which exchanged trade concessions in the course of the First Round of GSTP Negotiations. The Agreement entered into force on 19 April 1989. Forty countries have ratified the Agreement and have become participants. Since its entry into force, the GSTP Agreement has been operating smoothly and trade flows under the Agreement have developed. The First Round of GSTP negotiations was conducted in the framework of a technical cooperation project financed by the ECDC Trust Fund, which was subsequently named the Pérez-Guerrero Trust Fund, with UNCTAD as the executing agency. Technical cooperation activities in support of the GSTP during the ongoing Second Round of Negotiations (discussed below) have been financed by the Pérez-Guerrero Trust Fund and by GSTP members' contributions to the GSTP Trust Fund. These activities were related to the servicing of meetings of the GSTP bodies, the implementation of the Agreement, tabulation of trade control measures of participating countries and the conduct of the Second Round.

269. Further efforts to expand GSTP membership and product coverage were undertaken. The Second Round of GSTP Negotiations was launched in Teheran, Islamic Republic of Iran, in November 1991. The Negotiating Committee for the Second Round - set up under the Teheran Declaration - established the necessary negotiating groups, which have been carrying out their activities. Under the Teheran Declaration, the Negotiating Committee should meet at ministerial level after completion of the Second Round. The offer made by the Government of Cuba to host this meeting has been welcomed. The negotiating activities of the Second Round have intensified. Seven countries applied for membership - Colombia, Equatorial Guinea, Kenya, Morocco, Myanmar, Uruguay and Venezuela. The GSTP Committee of Participants decided to accept the applications of Colombia, Morocco and Myanmar on the basis of offers submitted by them. Draft protocols have been prepared for the Committee's consideration. Venezuela has submitted its offer list to the participants for consideration. The first application for accession by a subregional grouping of developing countries has come from MERCOSUR. The Government of Brazil, on behalf of the governments of Argentina, Paraguay and Uruguay, has formally communicated to the Committee of Participants MERCOSUR's application for accession to the GSTP Agreement.

270. Product-by-product negotiations have been intensive, and progress has been achieved. During three sessions of bilateral consultations and two sessions of bilateral negotiations, participating countries submitted and negotiated request lists. Offers were presented to partner countries and progress was made with regard to the exchange of trade concessions. Negotiating activities also proceeded in the areas of across-the-board tariff negotiations, direct trade measures, including medium- and long-term contracts, and sectoral and non-tariff agreements. In view of the complexity of the issues involved, negotiations in these areas progressed only slightly. It is expected that the negotiating activities of the Second Round will be intensified in the coming months with a view to arriving at a successful outcome at an early date. Preparations for the meeting of the Negotiating Committee, at ministerial level as appropriate, to conclude the Second Round of GSTP Negotiations will take place in the light of the results of the bilateral negotiations and other negotiating activities.

271. The implementation of the GSTP, and the conduct of its Second Round of Negotiations, need the continuous support of the developing countries. Efforts should be intensified to ensure the expansion of the GSTP in terms of membership and scope of trade concessions. The GSTP has already become a major achievement of the Group of 77. The successful outcome of the Second Round will serve as a catalyst for growing preferential trade among developing countries belonging to the Group of 77 and will impact favourably on the world economy as a whole.

Chapter V
SUMMARY AND CONCLUSIONS

272. Since the 1950s developing countries have considered closer mutually beneficial economic cooperation and integration among themselves to be a compelling imperative for underpinning their development process. Subregional, regional and interregional cooperation and integration were expected to bring significant economic advantages, including increased international competitiveness, more efficient allocation of resources, and significant stimulation of production and investment resulting from a wider domestic market. Better integration into the subregional and regional economy may also be a stepping stone to future integration into the world economy. This is an option which is more attractive and feasible for smaller and medium-sized economies. In addition to economic advantages, subregional, regional and interregional cooperation and integration could strengthen socio-political linkages, including cultural solidarity, peace and stability.

273. Accordingly, developing countries have established an impressive array of intergovernmental groupings and programmes to promote subregional, regional and interregional cooperation and integration. On the whole, only relatively few of the groupings and programmes have effectively achieved their objectives and reaped the benefits expected. There thus remains a substantial underutilized potential which recent integration efforts hope to develop using new initiatives, approaches and modalities. In addition to developing the subregional and regional economy (the self-reliant approach) and removing internal structural weaknesses, the new - generation integration processes endeavour to take advantage of new opportunities for increasing trade, investment and production arising from the changing conditions of the 1990s.

274. The integration efforts of developing countries in the 1990s could be categorized into at least three broad trends: of reforms within existing subregional groupings; formation of regional arrangements which in some cases are extended to cover an entire hemisphere or countries in different regions bordering the same ocean or sea, and involving also developed countries in a new form of interregional cooperation; and the upsurge in economic growth zones as a new aspect of regional cooperation.

275. First, the traditional single-market programmes of practically all existing subregional groupings in the different developing regions have been revised and updated or replaced with new ones to give new impetus. Most of these aim to achieve free trade, customs union or common status by the year 2000 or 2005. It is too early at this stage to assess the effectiveness of the new programmes in forming functional, enlarged economic spaces; however, the experience so far in most groupings is not encouraging. Apart from MERCOSUR and ASEAN, most groupings have yet to start implementing the new programmes or have encountered various delays in implementation of some the scheduled activities.

276. The new single-market programmes were instituted either through programmatic changes to existing schemes or through the creation of new institutions along with completely new programmes. Institutional-cum-programme alterations have been prevalent in Africa, as illustrated by the formation of the Common Market for Eastern and Southern Africa (replacing the PTA), the Southern African Development Community (succeeding SADC), the Economic and Monetary Community of Central Africa (succeeding UDEAC) and the West African Economic and Monetary Union (replacing UMOA and filling the vacuum left by the abolition of CEAO). These institutions aim to create fully fledged subregional customs unions and common markets, as their names suggest. Conversely, in Central, South and East Asia and the Pacific, programmatic adjustments have been more prominent and these have varied between the more complete ASEAN Free Trade Area (AFTA) and the MSG free-trade agreement on the one hand, and partial arrangements such as the SAARC South Asian Preferential Trading Arrangement and the ECO Protocol on Preferential Trade on the other hand. Apart from AFTA, the effectiveness of the arrangements will depend on a significant expansion in the margins of preferences, wider coverage of trade and bold free-trading arrangements. In particular, Asia-Pacific groupings have avoided the more advanced integration objectives of customs unions and

common markets which are typical of groupings in West Asia, Africa, and Latin America and the Caribbean.

277. In West Asia, unlike in all other regions, subregional single-market programmes have not for the most part been activated. The concept of an enlarged economic space is nevertheless engaging the attention of countries following a proposal for the creation of a Middle East and North African economic community, and a proposal for closer association between those countries and the European Union (see below). Programmatic adjustments have also been favoured by subregional groupings in Latin America and the Caribbean. The free trade, customs union and common market regimes of LAIA, the Andean Group, CACM, MERCOSUR and CARICOM have been revised and reformulated for two purposes: first, to achieve their market integration objectives within the shortest period possible (mostly by or around the year 2005); and, second, to pursue open and flexible integration that would enhance countries' participation in the world economy. The "open" feature of integration in a sense was unavoidable, as it constituted a logical extension of the open and liberal policies adopted at the national level.

278. Second, the idea of regional economic communities has been a traditional objective in most developing regions. However, whereas past programmes never provided effective expression of the idea, various proposals advanced in the 1990s have given it a new lease of life. Some are fairly innovative proposals which foresee economic communities and free-trade areas extending beyond what might be typically called regions, or which pertain to countries of different regions bordering a common ocean or sea and in some cases involve both developing and developed economies. At the regional level the only significant new initiative has been the entry into force of the Abuja Treaty providing for the creation of the continent-wide African Economic Community. The existing subregional customs unions and common markets constitute the main pillars of the AEC and these would be gradually reconciled to constitute the AEC between 2028 and 2034. There is parallel movement in Europe with the European Economic Area and the so-called Europe Agreements on free trade between the European Union and Estonia, Latvia, Lithuania, Romania, Poland and Turkey respectively, the long-term objective of these Agreements being the latter countries' full membership of the European Union.

279. Mirroring the Europe-wide initiative is the idea of a free-trade area in the entire western hemisphere encompassing North and South America and the Caribbean. The Free Trade Area of the Americas (FTAA) is to be set up by the year 2005. It is more than likely that its formation will draw upon existing free-trade schemes, especially NAFTA (the North American pillar), LAIA or MERCOSUR (the mainland Latin American pillar), SICA (the Central American pillar) and CARICOM (the Caribbean pillar). Unlike the AEC and the European Union, which envisage the formation of common markets the FTAA focuses on free trade. In the Asia-Pacific region the only region-wide agreement is the Bangkok Agreement, which has been stagnant owing to a small membership and limited preferential trade agreements (low product coverage with limited preferences). Similarly, in West Asia, the Arab Common Market idea has not advanced since it was first proposed in 1964.

280. Increasingly at the interregional level, new forms of economic, trade and investment cooperation ties are being considered countries which had not previously considered them. In some cases, both developing and developed countries are active participants; this leads to the rise of developed-developing country groupings with partners assuming equal obligations and rights. Some of these include the Indian Ocean Rim cooperation entity, the economic community of Middle East and North African countries, and an association between the Middle Eastern and North African countries of the Mediterranean Basin on the one hand and the European Union on the other hand (the so-called Euro-Mediterranean association). All these proposals are being discussed by interested countries and will take some time before they are concretized. In contrast, the Asia-Pacific economic cooperation process involving economies of the Pacific Ocean Rim is the only initiative so far among mixed groupings whose implementation has started. APEC has established a secretariat and a programme for achieving free trade and investment by the year 2010 for its developed members and by 2020 for its developing members.

281. Existing interregional cooperation groupings and programmes among developing countries such as the Group of 77 and the Non-Aligned Movement are also being rejuvenated. In most cases, however, such progress has been limited to declarations of commitments to advance economic cooperation and strengthen collective actions in intergovernmental fora and negotiations (reflecting the situation at the subregional and regional levels). A recent initiative of major political significance was the South-South Conference on Trade, Investment and Finance in San José (Costa Rica) in January 1997. The Conference, which was initiated by Costa Rica and supported by the Group of 77 and China, launched a process for revising, updating and actualizing the Caracas Programme of Action of the Group of 77. For this purpose, a plan of action was adopted with recommendations on advancing trade, investment and financial flows among developing countries as well as industrial development. Finally, special mention may be made of the Summit Level Group of Developing Countries (G-15) which has been implementing concrete south-south cooperation projects, and the Global System of Trade Preferences among Developing Countries whose second round of Negotiations is expected to lead to significant expansion in membership and product coverage.

282. At the present juncture, the tasks facing countries with newly constituted subregional, regional and interregional integration initiatives variously entail the completion of negotiations on draft proposals, the ratification of programmes negotiated and adopted, and the implementation of ratified programmes in a sustained and consistent fashion. Thus, the challenge in the 1990s which is common to all the new-generation integration initiatives is their actualization, and this is affected by a number of factors which are being addressed.

283. One factor is the need for strong integration institutions. In Africa, for example, integration groupings are not necessarily hampered by centralized structures with elaborate administration. Rather, these groupings have not been endowed with the requisite legal capacity, manpower and financial resources. Most groupings cannot take decisions which are legally binding on or have direct applicability in member States. Decisions have to be ratified by member States before they can have legal force and in the past frequent delays in such ratifications and weak implementation of adopted programmes have undermined integration efforts. To the extent that member States of a grouping are unwilling to cede any part of their national sovereignty, the grouping is deprived of any supranational power to articulate the collective will. To address this deficiency, the AEC for example has the necessary legal capacity to take decisions and regulations (adopted mostly by consensus) which are binding on or have direct applicability in member States. The Abuja Treaty provides that the decisions of the Assembly of Heads of State and Government and the regulations of the Council of Ministers of the AEC are directly binding on its member States, its subordinate institutions and subregional economic communities. These decisions and regulations are automatically enforceable 30 days after they have been signed by the Chairman of the Assembly and the Chairman of the Council respectively.

284. Most integration groupings, moreover, are have financial difficulties owing to the failure or inability of member States to pay their contributions promptly. The problem is exacerbated by the fact that most groupings do not have autonomous sources of revenue independent of the budgetary appropriations from member States. In some groupings, therefore, member States have resorted to devising autonomous community funding mechanisms. The revised ECOWAS treaty provides for a community levy on imports from third countries to provide the grouping with its "own resources" to supplement budgetary appropriations from member States. A similar community funding mechanism is provided for in the Abuja Treaty for the AEC. In terms of project financing, most integration groupings are dependent to a large degree on the international donor community and development institutions. Donors therefore play a positive and catalytic role in supporting integration efforts. Various modalities have been adopted by different groupings to mobilize such support. One that appears to have succeeded is the procedure adopted by SADC, ASEAN and the South Pacific Forum regarding the convening of official meetings between member States and interested development partners to jointly discuss and draft regional development programmes and projects, and mobilize the necessary technical and financial resources. These take the form of the SADC annual

consultative conferences, ASEAN's post-ministerial conferences with dialogue partners and the South Pacific Forum's post-Forum dialogue partners' meetings.

285. The automatic incorporation of policy decisions and programmes adopted by policy organs of integration groupings into domestic laws may not necessarily enhance their implementation at the national level, as are attested by a number of experiences. The problem of slow implementation has often been attributed to lack of political support. However, in reviews carried out by a number of groupings (ECOWAS and CARICOM), the problem was traced partly to the absence or weaknesses of effective national-level machinery responsible for economic integration. Effective national integration mechanisms are necessary to ensure monitoring, follow-up and implementation of decisions and programmes, and to facilitate the speedy achievement of the grouping's collective objectives. These could take the form of fully fledged integration ministries or, where this is not possible, adequately equipped national focal points and inter-ministerial committees. In this end, CARICOM member States have agreed on a recommendation to create national CARICOM ministries; ASEAN member States have for some time operated national ASEAN secretariats; and each SADC member State is accorded coordinating responsibility for a specific cooperation sector for which it establishes a coordinating unit within an appropriate government ministry. The enhancement of the managerial capability within government for overseeing subregional, regional and interregional integration processes is essential in order to promote their collective objectives and at the same time enable these countries to take maximum advantage of their participation in different integration processes.

286. Parallel efforts are required at the level of the groupings for the strengthening of the link between national economic policies and integration objectives. CARICOM member States have created a Bureau of the CARICOM Conference to secure implementation of Caribbean Community decisions in an expeditious and informed manner. ECOWAS member States have been adopting annual minimum agendas for action that must be implemented within the given year. An important point is that some groupings have recognized that speedy and sustained implementation calls for flexibility in the form of multi-speed development and have thus moved away from the traditional notion of "movement in unison" in which the pace of integration is determined by the slowest-moving member States. Groupings such as COMESA and MERCOSUR provide for two or more member States to accelerate the implementation of specific provisions of the grouping's enabling treaty or other joint agreements, and allow other member States to join in later on a reciprocal basis depending on their readiness and willingness to participate in specific activities. The implementation of decisions and programmes is thus pegged on the fastest-moving member States. MERCOSUR's two-track integration experience shows that the multi-speed approach can succeed.

287. Another factor is the rationalization of integration groupings and programmes in the light of their proliferation. The continuing birth of new groupings resulting in simultaneous membership of two or more groupings by most developing countries is not a problem in itself. Multiple membership of several groupings broadens the development options available to a country. However, it may raise issues of compatibility, give rise to conflicts and constrain the country to avoid discrimination between partners. Two approaches have been adopted to deal with this potential problem. One favours harmonization, without necessarily implying the elimination, of different groupings under a single regional or subregional umbrella organization. This is illustrated, for example, by the AEC, which is expected to have as its main pillars the existing subregional integration groupings. At the subregional level examples include UEMOA, since it assumes the functions of the former CEAO and UMOA; CEMAC, which assumes the functions of the former UDEAC and adds new dimensions, and SICA, which is the umbrella agency for the various Central American integration programmes. The second approach favours inter-group coordination of respective development programmes so as to avoid duplication and rivalry and enhance compatibility. This is exemplified by the South Pacific Coordination Committee, the meetings of Heads of Integration Secretariats for the Asia-Pacific region and the Joint COMESA-SADC Conference of Heads of State. Apart from these rationalization efforts, few groupings have given attention to establishing subregional and regional systems which

provide for regular consultation and dialogue among member States (at the level of experts and ministers) on national economic policies and their coordination. Such consultations could be used to test new integration ideas and proposals, and to encourage the adoption of compatible rather than conflicting national policies which contribute to the harmonious development of member States.

288. The third wave of integration efforts of the 1990s consists of "economic growth zones". These have emerged among a smaller group of neighbouring countries in the Asia-Pacific region and in Latin America and the Caribbean as an innovative and rapidly expanding part of the wider regional growth cooperation strategy. In particular, the growth zones are not part of existing trade and investment programmes of subregional integration groupings. Yet activities implemented within these zones are generating cross-border investment, regional production, trade and general economic development. In the Asia-Pacific region the countries participating in the Southern China growth triangle and the ASEAN southern growth triangle have succeeded in pooling their skills, resources, finance, physical infrastructure and economic space (thus achieving economies of scale) to establish competitive export-oriented production bases for penetrating the regional and extraregional markets. These economic activities, in turn, have stimulated general development in the border areas covered by the growth zones. Owing to their success the two growth zones have gained the support of participating governments and domestic enterprises, as well as prompting similar proposals in other areas of the region.

289. In Latin America and the Caribbean a small number of countries have concluded numerous free-trade, investment and integration agreements that correspond to the concept of economic growth zones but differ in some respects. These agreements envisage deeper integration and are not confined to the exploitation of economies of scale in border areas of participating countries. In fact, some of them could mature into fully fledged customs unions. The selective integration agreements indicate a certain inclination towards the pursuit of trade and investment alliances among a smaller number of selected countries for the purpose of achieving faster integration which could in time be gradually extended to include other countries and sectors. Several agreements provide special development assistance, such as the G-3 cooperation agreement with Central America countries and the Venezuela-CARICOM agreement. Inadvertently, the proliferation of these agreements is resulting in a networking of trade, investment and integration alliances that, if effectively coordinated and synchronized, could sustain wider regional integration efforts and strengthen economic linkages and solidarity.

290. The revival of subregional, regional and interregional integration efforts and the emergence of economic zones have renewed interest in developing the often neglected integration supportive structures that form the enabling environment. In all regions, work has intensified on upgrading, extending and interconnecting transport and communication infrastructures and on strengthening monetary and financial structures (efficient payments systems, currency convertibility, single monetary zones and capital markets). This may be observed, for example, in the flurry of initiatives in Asia and in Latin America to create roads and bridges linking countries in the region. The scope for enterprise cooperation has increased with the emergence of south-based transnational corporations and new opportunities for production, trade and investment opened up by the widespread adoption of liberal policies. With a view to facilitating such cooperation, subregional and regional groupings have endeavoured to establish mechanisms to encourage enterprise participation in their decision-making processes and to facilitate the development of joint-venture industrial projects and other businesses.

291. Equally important, many groupings have endeavoured to safeguard a stable political climate by encouraging one or two States with strong political leadership to galvanize the grouping into action, widening participation in the essential government-to-government integration process to include sectors of civil society (academia, the private sector, non-governmental organizations and the mass media), and adopting systems for the promotion of good neighbourliness, and regional peace and stability. Groupings are also aware that economic integration efforts are more likely to succeed in an environment

of economic growth. Hence groupings' member States need to continue with structural adjustments and economic reforms to achieve better economic performances and develop competitiveness. It may be noted that in South-East Asia, where countries are experiencing rapid economic growth, intraregional trade and investment have become particularly buoyant.

292. The strengthening of the subregional and regional integration processes and interregional cooperation processes in the 1990s must necessarily be placed in the context of a globalizing and liberalizing world economy. In particular, as a result of the completion of the Uruguay Round of Multilateral Trade Negotiations and the intensification of multilateral disciplines the multilateral disciplines governing trade have in some cases overtaken the subregional, regional and interregional agreements. In a sense, the multilateral disciplines after the Uruguay Round are actually more stringent than the relevant disciplines in the subregional, regional and interregional agreements; and some of the disciplines that have been accepted within the subregional, regional and interregional agreements have in fact become multilateralized and been extended to all members of the World Trade Organization. The implication of this is that future subregional, regional and interregional integration will build on the WTO; "WTO-plus" regionalism would mean that those disciplines that are included in the WTO could be refined and perfected and intensified at the subregional, regional and interregional levels and perhaps given more technical content. Trends in this direction may be witnessed in a number of regions, as seen from the open regionalism approach. Hence "WTO-plus" subregional, regional and interregional trade, investment and financial agreements are likely to be the norm rather than the exception in the post-Uruguay Round international trading system. At the same time subregional, regional and interregional groupings have negotiated disciplines and implemented liberalization in a number of sectors which are yet to be taken up at the multilateral level. These could form the basis for an eventual multilateral agreement on similar issues.

Notes

1. The UNCTAD secretariat has regularly monitored these developments in various reports. See, for example, "Review of major developments in the area of economic cooperation among developing countries, including regular consultation and technical support, assistance and skill development" (TD/B/CN.3/9, 28 September 1994); and *State of South-South Cooperation: Statistical Pocket Book and Index of Cooperation Organizations* (United Nations publication, Sales No.95-II.D.18). See also the report of the United Nations Secretary-General entitled "State of South-South Cooperation" (A/50/340, 1995, and Add.1).

2. A more detailed discussion of enterprise cooperation is contained in a forthcoming UNCTAD report entitled "Integration of the enterprise sector in ECDC processes: Experiences and policy options".

3. This issue was the subject of a seminar entitled "Seminar on regional economic arrangements and their relationship with the multilateral trading system", held in UNCTAD from 15 to 17 January 1996 and for which the following reports were presented: "Major new developments in large economic spaces and regional integration processes and their implications" (TD/SEM/1/2, 1 September 1995); "The relationship between regionalism and the multilateral trading system" (UNCTAD/ITD/14, 28 September 1995), a study prepared by Sheila Page; "Regionalism and Africa's development" (UNCTAD/ITD/18, 15 December 1995), a study prepared by Professor H.M.A. Onitiri; "Rapidly emerging regional integration systems: Implications for the Asian developing countries and possible policy responses (UNCTAD/ITD/19, 15 December 1995), a study by Dr. Julius Caesar Parrenas; and "Large economic spaces: Options for Latin America and the Caribbean (UNCTAD/ITD/20, 15 December 1995), a study prepared by Augusto Aninat.

4. For an overview of the membership, date of establishment and main objectives of subregional, regional and interregional organizations of developing countries in Africa as well as in Asia and Latin America and the Caribbean, see *State of South-South Cooperation: Statistical Pocket Book and Index of Cooperation Organizations*.

5. The difficulties experienced in Africa have been discussed extensively; see, for example, the UNCTAD report on "Regional and subregional economic integration and cooperation: Adjusting to changing realities - The African case" (UNCTAD/ECDC/228, 6 August 1992).

6. For more information see the report by the Economic Commission for Africa on the "Implementation of the Abuja Treaty establishing the African Economic Community: Progress made and prospects" (E/ECA/TRADE/95/27, 3 January 1996).

7. There was an East African Community, created in June 1967 when the Presidents of Kenya, Uganda and the United Republic of Tanzania signed the constituent treaty. The treaty came into force in December of the same year and, after functioning for ten years, the Community was dissolved in 1977.

8. For an overview of UDEAC and CEMAC, see the UNCTAD report entitled "Examen de l'appui international à la CEPD : Expérience des pays développés et des pays en développement, problèmes et perspectives - présenté par le Secrétariat Général de l'Union Douanière et Economique de l'Afrique Centrale (UDEAC)" (TD/B/CN.3/GE.1/Misc.5, 23 June 1994). The report is available in French only.

9. For details on the institutional set-up and policy decisions, see for example the UNCTAD report entitled "Examen de l'appui international à la CEPD: Expérience des pays développés et des pays en développement, problèmes et perspectives - Contribution présentée par le Secrétariat Général du l'Union du Maghreb Arabe" (TD/B/CN.3/GE.1/Misc.9).

10. Under the OAU Charter, a Commission of Mediation, Conciliation and Arbitration for conflict resolution was set up. It has, however, never succeeded in its tasks, mainly because any action by such a commission has been seen as interference in the internal affairs of sovereign member States, and because OAU States uphold the principle of non-interference.

11. Ensuring compliance by member States is one way of addressing the problem of weak implementation of decisions adopted by the governing bodies of the integration institutions. A complementary approach is for member States to formulate a coherent national policy and strategy on subregional and regional integration in particular and ECDC in general so as to bring about greater coordination and synchronization between national and subregional/regional/interregional policies. Parallel to this is the enhancement of the managerial capability within government to ensure the implementation of relevant decisions and programmes (by dealing with coordination, monitoring, following up, evaluating, and reporting on decision-making and implementation). This could take the form of national focal points, separate ministries or, where this is not possible, adequately equipped units and inter -ministerial committees to oversee the integration process at the national level. For more discussion, see for example the UNCTAD report on "National implementation of subregional, regional and interregional decisions and programmes: A case study of Zimbabwe" (UNCTAD/ECDC/249, 15 March 1994).

12. ECA report E/ECA/TRADE/95/27 proposes firstly that rationalization of intergovernmental groupings should leave aside the past strategy of institutional rationalization since it has so far been fruitless, and look into starting the rationalization with integration groupings (leaving the technical bodies for later); and secondly, that the rationalization should focus on integration groupings' sectoral programmes, beginning with the unification of market (trade) liberalization elements such as rules of origin, certificates of origin, tariff preferences, level (rate) of compensation, compensation funds, and customs and statistical nomenclature and systems.

13. ECA report E/ECA/TRADE/95/27 provides suggestions on sources of financing for groupings.

14. With a gross national product approaching US$ 100 million, the South African economy dwarfs that of all the other SADC countries. The economy is more diversified, has a large manufacturing sector and enjoys a higher level of technology than its closest neighbours and other African countries. South Africa is self-sufficient in food and agriculture production and can generate enough surpluses to meet a major proportion of the requirements of the subregion.

15. For more details on the initiative see, for example, the documents of "Cross-border initiative: Eastern and Southern Africa and Indian Ocean", a workshop to facilitate cross-border trade, investment and payments in Eastern and Southern Africa and the Indian Ocean, Harare, Zimbabwe, December 1992 (co-sponsored by the African Development Bank, the Commission of the European Communities, the International Monetary Fund and the World Bank).

16. *GATT Focus*, No. 112, November 1994.

17. ECA estimated the decline in preferential margins at 28.2 per cent in the European Union, 40.2 per cent in Japan and 15.7 per cent in the United States.

18 For a succinct survey of the CFA franc zone experiences and prospects, see for example R. Kappel, "Future prospects for the CFA Franc Zone", *Intereconomics*, November/December 1993.

19. For details see A/50/340.

20. UNCTAD/ECDC/238, para. 43 and table 3, p. 38.

21. *African Bank Group: Structure - Policies - Operations - Initiatives* (ADB, May 1994).

22. Estimation made by Yoseph Aseffa in a paper presented at the UNCTAD/AIO Reinsurance Exchange Meeting in Harare, Zimbabwe, October 1990.

23. J. Irukwu, "The development of insurance and reinsurance in Afro-Asian countries", paper delivered at the 11th General Meeting of FAIR, Pyongyang, Democratic People's Republic of Korea, 1989.

24. Yoseph Aseffa, paper presented at the UNCTAD/AIO Reinsurance Exchange Meeting (see note 22 above).

25. For details see *West Africa*, 21-27 December 1992.

26. For instance, technological progress reflected in the advent of containerization (and its large-scale introduction in the 1980s) made it possible to achieve important economies of scale y using much larger ships and provided an impetus to cooperation among shipowners. It was obvious from the beginning that practically none of the existing liner companies of developing countries were of sufficient commercial size to operate such ships, nor were they capable of raising the huge capital sums required for fleet investment and facing the commercial risks involved. In order to overcome these problems, companies concluded agreements with other shipping lines - from both the developed and the developing countries - aimed at improving the marketing of shipping services and thereby ensuring the optimum utilization of shipping space. Typical organizational arrangements chosen for this purpose included consortia, joint ventures and space chartering arrangements. Under all these arrangements, total fleet operation is coordinated while individual ships continue to be owned, crewed and maintained by the members individually.

27. "Arab multinational enterprises: An analytical compendium" (UNCTAD/ECDC/223, 29 March 1993).

28. For an analysis of the existing and potential complementarities among countries of the region and the need for closer cooperation to expand mutual trade and investment on the basis of those complementarities, see *Expansion of Trade and Investment among ESCAP Developing Countries within a Regional Framework* (United Nations, ST/ESCAP/1185, 1992.

29. International cooperation in the Lower Mekong Basin is especially relevant to the Aral Sea Rehabilitation Fund and the Executive Committee of the Interstate Council on the Aral Sea Crisis, the two intergovernmental bodies set up by the Central Asian States to coordinate their efforts to alleviate the ecological crisis in the Aral Sea basin.

30. SPC membership comprises all the members of the South Pacific Forum plus the United Kingdom, the United States, France, eight Pacific island territories French Polynesia, Guam, New Caledonia, Northern Mariana Islands, Pitcairn Island, Tokelau, Wallis and Futuna Islands - and one Pacific island country (Palau).

31. In fact, inter-subregional trade links are dominated by a few bilateral flows. For instance, India accounts for most SAARC trade with ASEAN, while Singapore accounts for most ASEAN trade with SAARC. Some limited trade and investment links exist between ASEAN and the South Pacific Forum countries. It can be reasonably expected that once infrastructural facilities in ECO and SAARC have been improved, the volumes of trade and investment between these two subregions will increase.

32. Malaysia participates in the ASEAN southern and ASEAN northern growth triangles (and will participate in the proposed ASEAN eastern growth triangle). For a discussion of Malaysia's contribution to these subregional initiatives, see for example the UNCTAD report on "National implementation of ECDC decisions and programmes: A case study of Malaysia (UNCTAD/ECDC/246, 27 January 1995).

33. "The implications of the Uruguay Round for subregional trading arrangements: AFTA, ECO/PPT and SAPTA" (ITEC/ISC/1, 21 September 1994).

34. For more detailed analysis, see for example, *Trade and Development Report, 1993* (United Nations publication, Sales No. E.93.II.D.10), part II, chapter IV.

35. *Ibid.*

36. Report of the United Nations Secretary-General entitled "State of South-South cooperation" (A/50/340), pp. 27-28.

37. See UNCTAD/ECDC/247 for details.

38. For a detailed analysis of the ASEAN PTA, see for example S. Naya, "Towards the establishment of an ASEAN Trade Area" (UNCTAD/CA/2886, Restricted, 1987).

39. For details see UNCTAD secretariat, "Economic integration among developing countries: Trade cooperation, monetary and financial cooperation and review of recent developments in major economic cooperation and integration groupings of developing countries" (TD/B/C.7/AC.3/10, 12 December 1990).

40. UNCTAD secretariat, "National implementation of ECDC decisions and programmes: A case study of Malaysia" (UNCTAD/ECDC/247, 27 January 1995), pp. 32-33.

41. AFTA will be promoted by way of the Common Effective Preferential Tariff (CEPT), which is the mechanism for reducing tariffs on all intra-ASEAN trade in manufactured and processed agricultural goods to between 0 and 5 per cent in 15 years. There are two programmes for tariff reduction - the fast track and the normal track. The fast- track programme requires that tariffs above 20 per cent be reduced to 0-5 per cent in ten years (by January 2003) and that tariffs at 20 per cent and below be reduced to 0-5 per cent in seven years (by January 2000). The fast-track programme covers 15 product groups: vegetable oils, chemicals, fertilizers, rubber products, pulp and paper, wooden and rattan furniture, gems and jewellery, cement, pharmaceuticals, plastics, leather products, textiles, ceramic and glass products, copper cathodes and electronics. The normal-track programme requires that tariffs above 20 per cent be reduced in two stages, first to 20 per cent in five to eight years (by January 2001) and subsequently to 0-5 per cent in seven years according to an agreed schedule ending on January 2008. Tariffs of 20 per cent and below are then to be reduced to 0-5 per cent within ten years (by January 2003). To promote the commonality of tariff rates, the member States have agreed to reduce tariffs in three rounds according to the following schedule: Year 2003 (15 per cent), Year 2005 (10 per cent) and Year 2007 (0-5 per cent). There are three categories of exclusion from the CEPT list: (i) temporary exclusions, which will be reviewed after eight years; (ii) general exceptions on the grounds of national security, public morals, etc.; and (iii) unprocessed agricultural goods. However, only a small number of products are involved. About 7 per cent of the total tariff lines are excluded under category (i), and 5 per cent under categories (ii) and (iii). The rules of origin provide for a 40 per cent local content requirement on a single-country basis or on a cumulative ASEAN basis. The CEPT also provides for the elimination of quantitative restrictions such as bans, quotas or other restrictive measures once product is on the inclusive list, and for the removal of other non-tariff barriers within five years after the beginning of concessions. In addition the CEPT provides for the harmonization of standards, reciprocal recognition of tests and certification of products, removal of barriers to foreign investment, consultations on macroeconomic policies, rules for fair competition and promotion of venture capital. In some domains the dialogue has already started. For example, products beyond the Harmonized System 6-digit level are being reviewed to ensure a unified approach to the harmonization of standards, testing and accreditation of laboratories, conformity assessments and technical information.

42. Papua New Guinea's accession to the Bangkok Agreement at the 14th session of the Standing Committee in December 1993 is yet to be ratified.

43. For details see the UNCTAD report on "Review of progress in trade-finance facilities of developing countries at the interregional, regional and subregional levels" (UNCTAD/ECDC/254).

44. *Handbook of Economic Integration and Cooperation Groupings, Vol. II* (forthcoming UNCTAD publication).

45. For a detailed analysis see *World Investment Report 1995: Transnational Corporations and Competitiveness* (United Nations publication, Sales No. E.95.II.A.9), Chapter II.

46. For detailed analyses see the report of the ESCWA secretariat, *Survey of Economic and Social Development in the ESCWA Region 1994: Part Two - Stock Markets in the ESCWA Region* (E/ESCWA/ED/1995/3/Add.1, 4 December 1995), and report of the UNCTAD Secretariat on "The role of regional capital markets in enhancing resource mobilization and in promoting their efficient use" (UNCTAD/ECDC/246, 31 August 1994).

47. The time-frame of the second quinquennium of the Decade was readjusted by the United Nations General Assembly, in its decision 46/453 of 20 December 1991, to cover the period 1992-1996.

48. For a review of such activities, particularly in the fields of population, culture, education and science, see the report of the United Nations Secretary-General entitled "State of South-South cooperation" and "Addendum on activities of the United Nations system in the field of South-South cooperation" (A/50/340 and Add.1).

49. In the inter-agency arrangement for the implementation of the Programme, ESCAP is the main executing agency. Other United Nations system entities or agencies that have been associated with the execution of the programme are the United Nations Department of Technical Cooperation for Development, the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the World Bank and the United Nations Industrial Development Organization (UNIDO). Regional institutions which have actively contributed to and collaborated in the implementation of certain activities of the Programme are the Asian Development Bank (ADB), the Asian Institute of Technology (AIT), the Asian and Pacific Development Centre (APDC) and the Commission of the European Communities (CEC).

50. Mention may also be made of the Coordinating Body for South-East Asian Seas (COB SEA). This is an intergovernmental decision-making body which supervises the implementation of an East Asian Action Plan for the protection of seas. The participating countries are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

51. For a comparative analysis see also *Open Regionalism in Latin America and the Caribbean: Economic Integration as a Contribution to Changing Production Patterns with Social Equity* (United Nations Economic Commission for Latin America and the Caribbean, LC/G.180(SES.25/4, 1994).

52. For more information on developments within subregional groupings, see the ECLAC publication entitled "Preliminary overview of the Latin America and Caribbean Economy 1995" (No. 585/586, December 1995).

53. The CMC is attended by the foreign ministers and ministers of economic affairs of the member States. So far, it has been meeting with the Presidents of the four member States in attendance.

54. Inter-American Development Bank, "Economic Integration in the Americas," Periodic Note, July 1995.

55. The recommendations were contained in a report entitled "Time for Action", which was prepared by a 15-member West Indian Commission, itself set up pursuant to a decision of the 1989 CARICOM Conference of Heads of State and Government.

56. Mention may also be made of bilateral agreements that are still in the negotiation stage. These include the Brazil-Chile Project, the Uruguay-Chile Project (discussions on which may continue in MERCOSUR) and the Chile-United States framework agreement, concluded in September 1991, which may be viewed as a step towards Chile's possible entry into NAFTA.

57. The Special Committee on Trade, set up in June 1993, is composed of senior trade officials from OAS member States.

58. Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Vincent and the Grenadines, Saint Lucia, Saint Kitts and Nevis, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

59. *Open Regionalism in Latin America and the Caribbean: Economic Integration as a Contribution to Changing Production Patterns with Social Equity, p.53.*

60. "Review of trade finance facilities in developing countries" (forthcoming UNCTAD report).

61. In addition to existing mechanisms, there are proposals to expand the functions of the LAIA payments system to generate and accept trade-financing instruments such as pre-export financing and discounting of trade-financing documents.

62. The degree of multilateral compensation represents the relation between transfers of convertible currency and total channelled transactions. Besides reflecting savings in foreign exchange, it shows the structure of the balance of intraregional trade. A higher compensation reflects a higher trade balance.

63. The CTC Facility operated from 1980 to 1993. The cheques were issued in Trinidad and Tobago dollars in denominations of 10, 20, 50 and 100. Use of the facility fluctuated over the years but reached record low levels in the last couple years of operation.

64. LAIA, *Inversiones*, Estudios Sectoriales (ALADI/SEC/Estudio 89, October 1995).

65. For a fuller analysis of enterprise cooperation and investment by Venezuela, see the UNCTAD report entitled "Aplicación en el ámbito nacional de las decisiones y programas sobre cooperación e integración económicas entre países en desarrollo: Estudio de caso Venezuela" (UNCTAD/ECDC/248).

66. For details see Ministerio para la Inversión Extranjera y la Colaboración Económica Ley de Inversión Extranjera, 1995.

67. *Time*, September 1995, pp. 64-65.

68. See also the report of the UN Secretary-General (A/50/340), chapter II.D.

69. The Colombo Plan has several organs. The Consultative Committee, which is the principal policy-making, review and deliberative body, meets biennially and comprises representatives of all the member governments. The Colombo Plan Council, which consists of representatives of all the member governments, meets several times a year in Colombo, Sri Lanka. Its major functions include identification of important development issues in the region; recommendation of necessary measures to be taken by the Colombo Plan for consideration by the Consultative Committee; and ensuring the implementation of the Consultative Committee's directives. The Colombo Plan Bureau, which serves as the Plan's Secretariat, participates in an advisory capacity in Consultative Committee meetings and assists the Council in the discharge of its functions. It also services the committees of the Council and provides administrative support to the programmes of the Colombo Plan. The Director of the Colombo Plan Bureau provides guidance for the programmes and is in overall charge of all financial and administrative matters, on which he reports to the Council. A unique feature of the Colombo Plan is that the administrative costs of the Council and the Bureau are borne equally by all the member governments.

STATISTICAL APPENDIX

Table 1. Inter-developing country trade by regions, 1970-1992
(millions of US dollars)

Destination (importing to)

Origin (exporting from) **Developing**		Developing					World
		Africa	America	Asia	Oceania	Total	
Africa	1970	672	236	494	2	1 494	12 021
	1980	2 978	5 879	3 264	1	12 962	94 942
	1986	2 821	1 374	2 598	3	7 356	46 829
	1990	3 933	708	3 624	4	8 764	66 698
	1991	4 867	1 032	3 768	4	10 145	70 092
	1992	5 229	1 211	3 504	7	9 950	70 120
America	1970	119	3 029	303	8	3 519	17 513
	1980	2 399	22 985	3 763	108	29 645	107 879
	1986	1 706	14 903	5 187	12	22 037	86 045
	1990	1 948	18 174	8 145	32	28 566	133 596
	1991	1 647	23 139	8 866	54	33 886	136 644
	1992	1 907	28 941	9 299	33	40 181	135 429
Asia	1970	895	507	6 115	89	7 735	27 126
	1980	8 894	15 764	84 389	682	110 980	372 915
	1986	7 232	10 394	94 184	585	113 489	306 246
	1990	12 843	9 653	191 008	1 110	215 801	557 249
	1991	15 670	12 460	231 037	1 178	261 110	620 861
	1992	12 682	16 411	276 616	1 169	306 878	700 240
Oceania	1970	0	0	3	7	10	482
	1980	0	6	143	83	232	2 184
	1986	1	1	269	102	372	2 121
	1990	1	3	330	171	504	2 821
	1991	1	3	442	174	620	3 317
	1992	0	0	433	93	526	3 240
Total	1970	1 746	3 794	7 022	105	12 948	58 822
	1980	15 007	44 698	92 414	876	155 477	586 898
	1986	12 340	26 826	103 188	702	144 941	451 538
	1990	19 439	28 648	204 161	1 318	255 514	774 756
	1991	22 660	36 707	244 811	1 410	307 008	840 463
	1992	20 075	46 632	290 445	1 303	358 456	922 981
World	1970	11 836	18 617	28 486	738	62 785	311 905
	1980	84 367	126 105	270 078	2 994	504 035	2 000 949
	1986	60 525	97 984	298 552	3 147	481 799	2 112 988
	1990	81 938	132 109	527 876	5 036	772 724	3 391 906
	1991	81 869	150 012	599 071	5 153	850 442	3 438 566
	1992	82 803	177 717	689 891	5 371	955 783	3 685 967

Source: "State of South-South cooperation", report of the UN Secretary-General (A/50/340).

Table 2. INTRA-GROUP TRADE OF DEVELOPING COUNTRIES, 1990-1993

Country group	Intra-group trade (million US$)			Intra-trade/world (percentage share)		
	1990	1992	1993	1990	1992	1993
Africa						
UMA	958	938	823	2.8	3.2	3.2
ECOWAS	1539	1501	1699	7.9	7.4	8.6
UEMOA	625	502	578	12.0	9.3	10.4
MRU	3	1	1	0.1	0.0	0.0
UDEAC	139	120	129	2.3	2.1	2.3
ECCAS	168	156	169	2.2	2.1	2.5
PTA[1]	837	676	746	7.6	6.0	7.0
SADC[2]	356	299	338	5.2	4.2	5.1
Asia						
GCC	6992	6894	7203	7.9	7.1	7.6
ECO[3]	6374	9831	1236	3.0	4.4	1.4
BA[4]	1511	1764	2679	1.7	1.8	2.5
ASEAN	26367	34908	41748	18.7	19.1	20.0
SAARC	811	1161	1132	3.0	3.8	3.5
Latin America and the Caribbean						
LAIA	12331	19377	22702	10.8	16.3	15.9
Andean Group	1312	2210	2939	4.1	7.3	9.2
MERCOSUR	4127	7214	9427	8.9	14.0	17.5
CACM	671	908	935	15.4	19.5	14.2
CARICOM	396	377	437	7.8	7.0	8.5
OECS	30	36	42	8.2	7.9	9.4

Source: *Handbook of International Trade and Development Statistics, 1994* (United Nations publication, Sales No. E/F.95.II.D.15), table 1.13.

1 Data unavailable for Namibia and Swaziland.
2 Data unavailable for Botswana, Lesotho and Swaziland.
3 Data unavailable for Azerbaijan, Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
4 Bangkok Agreement.

Table 3. ESCWA REGION: SHARE OF INTRAREGIONAL TRADE IN TOTAL TRADE, 1985 and 1988-1992 *(per cent)*

	Exports (f.o.b.)						**Imports** (c.i.f.)					
	1985	1988	1989	1990	1991	1992	1985	1988	1989	1990	1991	1992
ESCWA region	7.7	11.7	11.4	10.4	9.0	10.4	8.6	9.2	10.4	10.4	7.7	6.0
Major oil exporters:	7.2	11.1	10.9	9.9	8.4	10.0	8.5	9.5	10.8	10.7	7.1	6.5
Iraq	2.6	5.2	4.4	44.8	88.2	..	5.8	7.7	8.9	8.0	..	..
GCC countries:	7.8	12.1	12.1	10.5	8.1	10.0	9.1	9.9	10.8	10.8	7.0	6.5
Bahrain	26.8	26.8	26.7	20.2	18.7	21.6	48.9	48.9	48.8	45.4	43.9	35.3
Kuwait	10.2	7.4	6.5	5.9	10.2	..	5.2	13.3	12.7	13.2	0.6	..
Oman	0.0	57.3	67.0	61.3	36.6	33.7	22.9	23.3	28.0	26.7	21.9	21.1
Qatar	3.1	9.8	9.0	6.5	6.1	6.5	5.5	9.4	11.2	11.9	10.3	12.8
Saudi Arabia	8.1	8.4	8.8	9.2	5.8	7.3	3.3	4.1	4.6	3.8	2.4	2.8
United Arab Emirates	6.1	6.2	5.3	4.1	3.5	8.3	8.5	6.6	7.7	8.0	5.4	8.5
Other ESCWA countries:	15.5	18.2	16.1	15.7	14.8	14.3	9.1	8.4	9.1	9.5	9.6	4.3
Egypt	4.5	8.5	8.7	6.4	6.8	5.3	2.2	2.0	1.6	1.4	2.9	1.4
Jordan	48.2	33.6	34.9	40.2	24.8	18.0	25.4	25.1	27.5	25.1	20.0	8.4[a]
Lebanon	63.5	55.9	51.1	48.3	42.9	51.4	7.8	7.2	12.1	16.6	14.7	12.8
Syrian Arab Republic	3.4	11.0	14.8	17.0	19.9	19.9	3.7	4.1	4.7	4.9	3.8	3.4
Region's least developed country:												
Republic of Yemen	10.9	6.9	4.2	2.8	6.0	..	17.3	17.9	17.0	20.4	20.1	..
a) Democratic Yemen	2.6	9.6	6.3	3.3	6.5	..	29.2	11.0	20.2	25.1	35.3	..
b) Yemen	43.0	6.0	3.7	2.8	5.9	..	10.6	21.3	15.0	18.2	15.3	..

Source: ESCWA secretariat compilations, based on the International Monetary Fund, *Direction of Trade Statistics Yearbook* (various issues).

a The calculations exclude the Jordon's imports of oil and oil products from Iraq, which amounted to US$ 427 million in 1992 (Central Bank of Jordan, *Monthly Statistical Bulletin*; various issues).

.. Data not available.

Figures may not add up to totals because of rounding.

Table 4. ESCWA REGION: TOTAL EXPORTS, INTRAREGIONAL EXPORTS AND EXPORTS TO DEVELOPING COUNTRIES, 1985-1992 *(millions of US dollars)*

	1985	1986	1987	1988	1989	1990	1991	1992
Total	78697.5	59715.7	69267.9	70125.6	86633.5	107016.0	100406.5	101985.3
Intraregional exports	6077.2	6563.3	7078.2	8187.3	9869.8	11157.3	9083.4	10604.3
Developing countries	18196.1	11518.3	15997.6	17101.0	19211.2	24658.6	23765.5	24148.3
Asia[a]	12420.6	8354.7	11680.9	12678.9	14388.6	18761.3	19639.3	20135.7
Latin America	4044.0	19236.0	2791.1	2698.0	2982.2	3169.1	1822.9	1738.4
Africa[b]	1246.0	890.2	975.2	1065.6	1191.6	1839.0	1561.4	1551.3
North Africa[c]	485.5	379.8	298.4	658.8	648.8	889.2	741.9	722.9
Rest of world[d]	65602.2	41604.7	46192.1	44837.3	57552.5	71200.1	67557.6	67232.7

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a Includes China.

b Excluding North Africa.

c Excluding Egypt.

d Developed countries and economies in transition.

Table 5. ESCWA REGION: TOTAL EXPORTS, INTRAREGIONAL EXPORTS AND EXPORTS TO DEVELOPING COUNTRIES, 1985-1992 *(percentage shares)*

	1985	1986	1987	1988	1989	1990	1991	1992
ESCWA region ($ millions)	78697.5	59715.7	69267.9	70125.6	86633.5	107016.0	100406.5	101985.3
Intraregional trade	7.7	11.0	10.2	11.7	11.4	10.4	9.0	10.4
Developing countries	23.1	19.3	23.1	24.4	22.2	23.0	23.7	23.7
Asia[a]	1.6	14.0	16.9	18.1	16.6	17.5	19.6	19.7
Latin America	5.1	3.2	4.0	3.8	3.4	3.0	1.8	1.7
Africa[b]	1.6	1.5	1.4	1.5	1.4	1.7	1.6	1.5
North Africa[c]	0.6	0.6	0.4	0.9	0.7	0.8	0.7	0.7
Rest of world [d]	83.4	69.7	66.7	63.9	66.4	66.5	67.3	65.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a Includes China.

b Excluding North Africa.

c Excluding Egypt.

d Developed countries and economies in transition.

Table 6. ESCWA REGION: TOTAL IMPORTS, INTRAREGIONAL IMPORTS AND IMPORTS FROM DEVELOPING COUNTRIES, 1985-1992 *(millions of US dollars)*

	1985	1986	1987	1988	1989	1990	1991	1992
Total	70560.8	63672.4	61479.9	70226.5	69347.9	73568.7	83865.6	95031.4
Intraregional imports	6073.8	5039.0	5506.6	6458.8	7199.1	7665.2	6419.4	5627.6
Developing Countries	8944.5	8636.0	9020.7	11038.1	10343.1	10799.9	14170.0	15478.6
Asia[a]	6639.3	6693.6	7429.8	9039.0	8299.9	8813.6	12290.6	13226.5
Latin America	1514.1	1215.7	647.9	1399.8	1489.1	1137.2	1032.8	1491.4
Africa[b]	406.1	445.4	348.1	416.2	362.6	547.4	577.2	471.5
North Africa[c]	385.0	281.3	228.0	183.1	191.5	301.7	269.4	289.2
Rest of the World[d]	55512.5	49997.4	46952.6	52729.6	51805.7	55103.6	63276.2	73925.2

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a Includes China.

b Excluding North Africa.

c Excluding Egypt.

d Developed countries and economies in transition.

Table 7. ESCWA REGION: TOTAL IMPORTS, INTRAREGIONAL IMPORTS AND IMPORTS FROM DEVELOPING COUNTRIES, 1985-1992 *(percentage shares)*

	1985	1986	1987	1988	1989	1990	1991	1992
ESCWA region ($ millions)	70560.8	63672.4	61479.9	70226.5	69347.9	73568.7	83865.6	95031.4
Intraregional trade	8.6	7.9	9.0	9.2	10.4	10.4	7.7	5.9
Developing countries	12.7	13.6	14.7	15.7	14.9	14.7	16.9	16.3
Asia[a]	9.4	10.5	12.1	12.9	12.0	12.0	14.7	13.9
Latin America	2.1	1.9	1.1	2.0	2.1	1.5	1.2	1.6
Africa[b]	0.6	0.7	0.6	0.6	0.5	0.7	0.7	0.5
North Africa[c]	0.5	0.4	0.4	0.3	0.3	0.4	0.3	0.3
Rest of world[d]	78.7	78.5	76.4	75.1	74.7	74.9	75.4	77.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a Includes China.

b Excluding North Africa.

c Excluding Egypt.

d Developed countries and economies in transition.

Table 8. ESCWA REGION: PARTICIPATION IN INTRAREGIONAL TRADE, 1985 and 1988-1992 *(percentage)*

	Exports (f.o.b.)						Imports (c.i.f.)					
	1985	1988	1989	1990	1991	1992	1985	1988	1989	1990	1991	1992
Major oil exporters[a]	87.6	86.8	86.3	86.2	83.5	83.8	75.7	76.5	80.2	76.2	70.2	74.1
Iraq	4.4	6.1	5.5	4.4	2.9	3.7	10.1	11.2	14.6	10.4	1.8	1.4
GCC countries	83.2	80.7	80.8	81.8	80.6	80.0	65.6	65.3	65.7	65.8	68.4	72.8
Bahrain	12.4	7.7	7.4	5.2	6.5	6.3	25.4	20.2	20.0	22.7	27.3	23.0
Kuwait	18.1	7.5	7.2	4.3	0.5	0.1	5.3	12.9	11.3	7.0	0.4	0.7
Oman	..	28.2	29.6	25.2	29.1	23.8	11.9	7.9	8.8	9.5	11.3	14.6
Qatar	1.9	2.5	2.3	1.9	2.2	2.0	1.0	1.8	2.1	2.6	3.0	2.9
Saudi Arabia	36.8	24.3	24.8	36.5	33.0	35.1	13.0	13.7	13.4	11.9	12.9	13.4
United Arab Emirates	14.0	10.5	9.4	8.7	9.4	12.7	9.1	8.7	10.3	12.0	13.5	18.2
Other ESCWA countries	12.4	13.2	13.7	13.8	16.5	16.3	24.3	23.5	19.8	23.8	29.8	25.9
Egypt	1.4	2.2	2.2	1.5	2.9	2.7	2.0	2.7	1.7	1.7	3.7	2.7
Jordan	5.4	4.2	3.9	3.3	2.4	3.3	11.4	10.9	8.2	8.5	7.8	8.1
Lebanon	4.2	4.3	2.5	2.1	2.3	2.9	2.6	2.7	3.8	5.6	8.6	7.5
Syrian Arab Republic	0.8	1.8	4.5	6.4	8.1	7.0	2.3	1.4	1.4	1.5	1.7	1.8[b]
Region's least developed country:												
Republic of Yemen	0.6	0.7	0.5	0.4	0.8	0.4	5.8	5.8	4.8	6.5	8.0	5.8
a) Democratic Yemen	0.1	0.2	0.1	0.1	0.1	0.4	3.6	1.2	2.2	2.6	3.3	3.6
b) Yemen	0.5	0.5	0.4	0.3	0.7	0.1	2.2	4.6	2.6	3.9	4.7	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a GCC countries plus Iraq

b Calculations exclude Jordan's imports of oil and oil products from Iraq, which amounted to US$ 427 million in 1992 (Central Bank of Jordan, *Monthly Statistical Bulletin*; various issues).

.. Data not available.

Figures may not add up to totals because of rounding.

Table 9. ESCWA REGION: CUMULATIVE SHARE OF LEADING INTRAREGIONAL TRADING PARTNERS IN 1992, COMPARED WITH 1989 *(per cent)*

	Exports trading partner						Imports trading partner					
	1989			1992			1989			1992		
	First	Second	Third	First	Second	Third	First	Second	Third	First	Second	Third
Bahrain	71.2	81.9	85.8	71.4	86.4	92.0	96.6	98.7	99.3	95.2	97.1	98.3
Egypt	33.9	61.9	73.9	44.4	62.1	75.0	36.9	57.2	74.6	69.7	79.0	85.5
Iraq	62.7	82.7	90.6	100.0	0.0	0.0	37.9	58.6	74.6	100.0	0.0	0.0
Jordan	54.7	75.6	82.6	31.6	61.0	72.8	63.5	73.7	82.9	67.0	75.9	84.4
Kuwait	54.3	71.4	76.7	57.1	85.7	100.0	35.1	49.8	62.0	98.2	100.0	0.0
Lebanon	35.1	58.5	77.9	40.4	60.0	73.4	53.6	70.6	78.4	79.1	84.6	92.7
Oman	72.8	86.4	90.1	93.3	96.8	98.5	86.5	93.7	95.7	89.6	96.0	98.4
Qatar	39.3	68.6	89.0	60.1	86.3	91.1	42.1	69.4	76.5	34.3	67.1	78.0
Saudi Arabia	46.2	64.3	74.9	43.1	67.6	90.3	14.6	28.5	41.8	22.0	40.9	55.9
Syrian Arab Republic	40.3	70.4	81.8	58.5	82.0	88.4	38.3	75.1	86.2	28.6	56.9	83.2
United Arab Emirates	53.2	66.8	76.4	71.2	87.1	92.6	40.3	53.4	66.4	68.5	79.5	89.3
Yemen Arab Republic	55.5	85.4	94.6	35.4	66.8	77.9	69.8	79.6	87.3	35.0	69.1	78.4
Yemen People's Dem. Rep.	49.6	79.1	90.6	100.0	0.0	0.0	47.0	65.6	77.6	53.5	76.6	91.0
Region: (Weighted average)[a]	57.1	74.3	82.3	63.2	80.0	90.6	54.4	70.0	75.6	69.6	80.1	87.2

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a Calculated as the cumulative sum of each country's cumulative trade with its first, second, and third trading partners respectively, divided by total intraregional trade of the countries listed in the table.

Table 10. ESCWA REGION: LEADING PARTNERS IN INTRAREGIONAL TRADE, 1992[a]
(percentage shares)

Country	Exports	Imports
Bahrain	United Arab Emirates (72.8), Saudi Arabia (17.36), Oman (4.23), Qatar (3.86)	Saudi Arabia (95.77), United Arab Emirates (1.93), Oman (1.13), Jordan (0.71)
Egypt	Saudi Arabia (47.21), Jordan (18.91), Syrian Arab Republic (13.75), Yemen (9.16)	Saudi Arabia (76.82), Syrian Arab Republic (7.23), Jordan (4.75), Yemen (3.36)
Jordan	Saudi Arabia (48.23), United Arab Emirates (18.12), Syrian Arab Republic (9.89), Yemen (7.75)	Saudi Arabia (34.01), Egypt (32.51), Syrian Arab Republic (18.49, United Arab Emirates (5.18)
Kuwait	Oman (57.14), Syrian Arab Republic (28.57), Jordan (14.29)	Syrian Arab Republic (98.15), Jordan (1.85)
Oman	United Arab Emirates (96.92), Bahrain (1.71), Saudi Arabia (1.11), Qatar (0.21)	United Arab Emirates (89.43), Saudi Arabia (6.38), Bahrain (2.38), Qatar (0.8)
Qatar	United Arab Emirates (60.14), Saudi Arabia (26.2), Egypt (4.71), Oman (3.96)	United Arab Emirates (36.11), Saudi Arabia (34.59), Bahrain (11.48), Jordan (6.33)
Saudi Arabia	Bahrain (43.44), United Arab Emirates (24.71), Egypt (22.81), Yemen (2.47)	United Arab Emirates (25.11), Syrian Arab Republic (21.61), Egypt (17.16), Jordan (12.82)
Syrian Arab Republic	Saudi Arabia (56.63), Kuwait (15.50), Jordan (13.78), United Arab Emirates (5.04)	Egypt (38.75), Saudi Arabia (38.47), Jordan (14.48), United Arab Emirates (4.98)
United Arab Emirates	Oman (73.17), Saudi Arabia (16.44), Qatar (5.58), Bahrain (2.45)	Saudi Arabia (71.68), Bahrain (11.54), Qatar (10.18), Jordan (3.30)
Yemen	Saudi Arabia (48.64), Egypt (22.96), United Arab Emirates (17.12), Jordan (5.84)	Saudi Arabia (56.15), Egypt (14.99), United Arab Emirates (13.42), Jordan (10.95)

Source: ESCWA secretariat compilations, based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, various issues.

a The first four partners.

Table 11. ESCWA REGION: COMMODITY STRUCTURE OF INTRAREGIONAL TRADE, 1980 and 1987
(percentage)

		ESCWA region		League of Arab States	
	SITC section	1980	1987	1980	1987
Imports (c.i.f.)					
Food items	0 + 1 + 22 + 4	10.85	17.37	13.41	21.46
Agricultural raw materials	2 - 22 - 27 - 28	0.58	1.19	0.58	1.29
Ores and metals	27 + 28 + 67 + 68	4.69	5.79	4.41	5.55
Fuels	3	57.83	39.50	56.72	36.02
Chemicals	5	2.49	9.13	2.48	10.22
Machinery & transport equipment	7	9.65	10.10	9.09	9.28
Other manufactured goods	6 + 8 - 67 - 68	13.76	15.66	13.18	15.16
All commodities	0 to 9	100.00	100.00	100.00	100.00
Exports (f.o.b.)					
Food items	0 + 1 + 22 + 4	8.38	...	7.39	21.39
Agricultural raw materials	2 - 22 - 27 - 28	0.64	1.21	0.81	1.10
Ores and metals	27 + 28 + 67 + 68	3.88	5.83	3.53	7.78
Fuels	3	59.98	9.35	63.66	12.51
Chemicals	5	2.21	20.35	2.06	19.44
Machinery & transport equipment	7	11.22	13.42	10.28	10.82
Other manufactured goods	6 + 8 - 67 - 68	13.59	22.66	12.20	26.96
All commodities	0 to 9	100.00	100.00	100.00	100.00

Source: ESCWA secretariat computations, based on data provided by the United Nations Statistical Office (UNSO).

Note: Figures may not add up to totals due to rounding.

Table 12. ESCWA REGION: SHARE OF INTRAREGIONAL TRADE IN MAJOR SITC CATEGORIES, 1980 and 1987 *(percentage)*

		ESCWA region		League of Arab States	
	SITC section	1980	1987	1980	1987
Imports (c.i.f.)					
Food items	0 + 1 + 22 + 4	6.42	2.11	8.45	2.86
Agricultural raw materials	2 - 22 - 27 - 28	3.32	1.32	3.52	1.56
Ores and metals	27 + 28 + 67 + 68	5.83	2.43	5.85	2.53
Fuels	3	78.65	46.11	82.23	46.11
Chemicals	5	4.42	2.15	4.68	2.64
Machinery & transport equipment	7	2.40	0.69	2.41	0.69
Other manufactured goods	6 + 8 - 67 - 68	4.70	1.50	2.79	1.58
All commodities	0 to 9	9.10	7.33	9.70	7.71
Exports (f.o.b.)					
Food items	0 + 1 + 22 + 4	68.37	31.86	70.07	32.85
Agricultural raw materials	2 - 22 - 27 - 28	7.73	1.74	11.34	1.92
Ores and metals	27 + 28 + 67 + 68	24.83	4.20	26.32	7.30
Fuels	3	2.66	..	3.28	..
Chemicals	5	13.61	11.10	14.75	13.75
Machinery & transport equipment	7	63.75	13.51	67.91	14.23
Other manufactured goods	6 + 8 - 67 - 68	64.83	10.33	67.71	15.96
All commodities	0 to 9	4.26	6.98	4.96	8.27

Source: ESCWA secretariat computations, based on data provided by the United Nations Statistical Office (UNSO).

Table 13. ARAB TRADE FINANCING PROGRAMME: SUMMARY OF CREDIT OPERATIONS, 1991-1993
(thousands of US dollars)

	Request			Approvals		Agreements				
	No.	Value of request	Value of transactions	No.	Value	No.	Value	Withdrawal	Payments	Balance
1991	31	58 720	68 500	18	40 820	4	7 948	3 300	..	3 300
1992	75	198 885	286 810	35	127 947	15	47 497	30 432	14 560	19 172
1993	60	139 324	160 185	41	94 357	15	54 665	32 885	24 262	27 795
Total	166	396 929	515 495	94	263 120	34	110 110	66 617	38 822	27 795

Source: Arab Trade Financing Programme, *Annual Report, 1993.*

Table 14. INTER-ARAB INVESTMENT GUARANTEE CORPORATION: VALUE OF CURRENT CONTRACTS AND OUTSTANDING COMMITMENTS AS AT 31 DECEMBER 1993 *(US dollars)*

(By host/importing countries and type of contracts)

Host/importing countries	Investment contracts[a]	Export credit contracts	Total	% of total	Outstanding commitments[b]
Jordan		6 666 667	6 666 667	6.28	
United Arab Emirates		2 817 525	2 817 525	2.65	
Tunisia		1 000 000	1 000 000	0.95	
Algeria	462,630	21 300 000	21 762 630	20.50	2 254 173
Saudi Arabia		1 129 567	1 129 567	1.06	1 129 567
Sudan	4 669 000		4 669 000	4.40	4 669 000
Syrian Arab Republic	2 968 750	1 000 000	3 968 750	3.75	2 131 187
Kuwait		800 000	800 000	0.75	
Oman		2 500 000	2 500 000	2.36	
Libyan Arab Jamahiriya		2 000 000	2 000 000	1.88	
Lebanon	5 000 000	5 533 333	10 533 333	9.92	5 000 000
Egypt	17 269 468	7 850 000	25 146 468	23.70	17 296 468
Morocco	4 363 657	500 000	4 863 657	4.58	4 363 657
Mauritania	1 277 717		18 277 717	17.22	15 910 118
Total	53 038 222	53 097 092	106 135 314	100.00	52 754 170

Source: ESCWA secretariat compilations based, on the Inter-Arab Investment Guarantee Corporation, *Annual Report, 1993.*

a Current contracts represent the value of the guarantee contracts, whether executed not.

b The outstanding commitments represent:

- for investment guarantee contracts: the value of investment realized;
- for export credit guarantee contracts: the value of shipments executed but not repaid.

Table 15. ESCWA REGION EXPORTS TO DEVELOPING COUNTRIES, 1985-1993

Country/region	Per cent									Millions of US dollars		
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1985	1990	1993
Bahrain												
Asia	20.10	27.30	27.30	24.30	20.10	23.40	28.60	27.00	23.70	565.7	665.0	689.7
Latin America	0.00	20.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.1	0.0
Africa[a]	8.50	0.00	0.00	8.50	8.50	10.00	9.90	10.60	10.50	240.2	283.5	304.0
North Africa[b]	0.00	7.20	7.20	0.00	0.00	0.10	0.10	0.10	0.30	0.0	2.3	7.3
Kuwait												
Asia	27.70	33.20	29.90	28.60	28.30	31.30	11.10	13.50	8.20	3060.0	2551.0	277.0
Latin America	0.00	0.00	1.40	1.00	2.30	1.90	0.00	0.00	0.00	0.0	155.0	0.0
Africa[a]	1.60	1.90	1.60	1.90	1.80	2.30	0.00	0.00	0.10	168.0	184.0	2.0
North Africa[b]	0.60	1.50	1.50	1.90	0.80	0.70	0.00	0.00	0.00	64.0	55.0	0.0
Oman												
Asia	24.90	14.40	14.10	18.20	13.00	11.80	25.00	31.90	38.80	1172.8	541.8	2580.0
Latin America	1.60	0.00	0.03	0.00	0.00	0.00	0.30	0.30	0.50	74.9	0.2	32.7
Africa[a]	1.30	1.30	1.50	1.40	0.90	4.10	2.30	2.50	2.50	60.2	187.1	165.5
North Africa[b]	0.00	0.70	0.40	0.10	0.10	0.20	0.20	0.00	0.00	0.0	7.4	0.0
Qatar												
Asia	8.70	15.20	28.20	24.30	17.30	17.50	19.30	22.10	25.00	307.6	576.4	732.3
Latin America	6.60	0.00	4.90	5.80	5.90	8.09	5.60	4.50	5.20	235.1	292.4	151.6
Africa[a]	0.50	1.10	0.02	0.00	0.10	0.00	0.00	0.10	0.10	17.6	1.0	3.4
North Africa[b]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
Saudi Arabia												
Asia	20.80	13.30	19.00	19.90	18.60	19.10	21.10	19.60	24.40	5728.0	8475.0	10351.0
Latin America	4.40	4.00	4.00	4.00	2.40	3.30	2.70	2.70	3.00	1219.0	1478.0	1281.0
Africa[a]	1.60	1.30	1.20	1.20	1.10	1.60	1.30	1.20	1.30	448.0	732.0	539.0
North Africa[b]	0.90	0.20	0.20	0.60	0.30	0.90	0.60	0.60	0.70	243.0	397.0	307.0

Table 15 (continued)
ESCWA REGION EXPORTS TO DEVELOPING COUNTRIES, 1985-1993

	Per cent									Millions of US dollars		
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1985	1990	1993
United Arab Emirates												
Asia	13.60	12.90	15.40	23.70	22.70	22.10	22.30	23.00	26.00	962.0	4650.0	4996.0
Latin America	4.80	0.50	1.00	1.60	1.70	0.80	1.00	0.70	0.90	677.0	182.0	195.0
Africa[a]	1.90	1.80	2.10	2.00	1.60	1.20	1.30	1.40	1.40	265.0	291.0	291.0
North Africa[b]	0.00	0.40	0.40	0.60	0.10	0.30	0.30	0.30	0.30	2.0	65.0	73.0
Iraq												
Asia	4.40	2.00	4.10	4.40	5.20	7.20	0.30	..	..	455.0	753.0	..
Latin America	17.40	13.80	15.40	13.50	13.20	10.20	0.30	..	..	1811.0	1058.0	..
Africa[a]	0.10	0.01	0.01	0.10	0.50	0.60	0.00	..	..	8.0	59.0	..
North Africa[b]	1.30	1.40	2.50	2.30	2.90	1.90	0.00	..	..	131.0	202.0	..
Egypt												
Asia	3.10	3.50	4.40	8.20	7.00	1.30	1.80	9.10	10.50	56.9	33.9	492.9
Latin America	1.00	0.20	0.10	0.30	0.30	0.00	0.00	0.30	0.30	18.7	0.5	15.8
Africa[a]	0.00	0.20	0.10	0.30	0.30	0.80	0.80	1.10	1.10	0.5	21.3	50.8
North Africa[b]	0.30	0.60	0.80	1.00	1.20	2.80	4.40	3.70	3.60	5.9	71.9	167.4
Jordan												
Asia	21.10	22.80	15.20	23.90	19.10	39.80	37.90	38.10	29.30	142.6	370.6	308.4
Latin America	1.20	1.40	0.70	0.30	0.00	0.20	0.40	0.60	0.80	8.3	1.4	8.1
Africa[a]	0.80	0.00	0.00	2.80	3.00	5.10	2.70	3.50	4.80	5.4	47.1	50.9
North Africa[b]	0.10	0.30	0.40	0.90	0.00	6.40	3.20	0.20	0.10	1.0	58.8	1.3
Lebanon												
Asia	0.40	0.60	0.30	0.80	1.00	1.90	1.10	1.20	1.80	1.4	8.9	9.2
Latin America	0.00	0.00	0.10	0.10	0.00	0.10	0.10	0.10	0.20	0.0	0.4	0.8
Africa[a]	2.50	2.50	2.70	2.30	3.20	2.10	2.30	3.90	1.80	9.9	10.3	9.1
North Africa[b]	2.50	0.60	0.60	0.70	1.20	0.80	1.60	1.40	1.30	9.9	3.8	6.8

Table 15 (concluded)
ESCWA REGION EXPORTS TO DEVELOPING COUNTRIES, 1985-1993

	Per cent									Millions of US dollars		
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1985	1990	1993
Syrian Arab Republic												
Asia	0.00	0.20	0.20	0.20	0.20	0.10	0.20	0.30	8.80	2.4	5.1	17.1
Latin America	0.00	0.10	0.00	0.00	0.00	0.00	0.10	0.10	0.10	0.0	1.3	1.9
Africa[a]	0.40	0.30	0.10	0.20	0.10	0.00	0.00	0.00	0.00	2.6	0.4	0.3
North Africa[b]	1.80	1.50	0.90	2.00	1.80	1.70	3.40	3.20	2.20	26.4	69.6	55.5
Yemen												
Asia	8.70	7.70	4.50	19.80	8.50	8.20	10.60	..	..	28.2	130.4	..
Latin America	0.00	1.50	5.10	0.00	0.00	0.00	0.00	..	..	0.0	0.0	..
Africa[a]	5.30	5.70	12.20	1.70	1.60	1.40	2.10	..	..	17.1	22.4	..
North Africa[b]	0.00	0.00	0.00	0.00	0.30	0.20	1.40	..	..	0.0	3.7	..

Source: ESCWA secretariat compilations based, on International Monetary Fund, *Direction of Trade Statistics Yearbook*, (various issues).
a Excluding North Africa.
b Excluding Egypt.
.. Data not available.

Table 16. GEOGRAPHICAL DISTRIBUTION OF TOTAL CONCESSIONAL ARAB (INCLUDING ESCWA) ASSISTANCE TO DEVELOPING COUNTRIES AND TERRITORIES, 1974-1991[a] *(millions of US dollars)*

	1974-1979		1980-1985		1986-1989		1990		1991		Total
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	1974-1991
ESCWA countries	..	..	..	..	3000.7	28.8	3708.8	64.3	743.2	31.2	7452.7
Other Arab countries	21392.5	65.1	19206.3	57.5	1324.3	12.7	861.7	14.9	662.4	27.8	43447.2
Sub-Saharan Africa	1069.4	3.3	2961.9	8.9	569.3	5.4	..	..	..	..	4600.6[c]
Asia and the Pacific	2765.5	8.4	2634.5	7.9	2823.8	27.1	..	..	..	..	8223.8[c]
Other countries	256.4	0.7	735.3	2.2	-65.6	-0.6	..	..	..	..	926.1
Arab countries (unspecified)[b]	699.0	2.1	549.8	1.6	381.0	3.6	..	..	..	..	1629.8
Developing countries (unspecified)	6681.4	20.3	7291.3	21.8	2398.9	22.9	1201.0	20.8	905.1	38.2	18477.7
Total	32864.2	100.0	33379.1	100.0	10432.4	100.0	5771.5	100.0	2380.7	100.0	84827.9
of which Arab countries	22091.5	67.2	19756.1	59.2	4706.0	45.1	4570.5	79.2	1405.6	59.0	52529.7

Sources For 1974-1989: ESCWA scretariat compilations, based on International Monetary Fund, *Financial Assistance from Arab Countries and Arab Regional Institutions*, September 1991; for 1991 and 1992, *Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region, 1992* (E/ESCWA/DPD/1993/8).

a Net disbursements of bilateral and multilateral concessional assistance

b For the periods 1974-1979 and 1980-1985, all Arab countries, including ESCWA countries, for which data are not available.

c 1974-1989.

.. Data not available.

Table 17. NET DISBURSEMENTS OF CONCESSIONAL AID OF THE GCC COUNTRIES TO DEVELOPING COUNTRIES AND TERRITORIES, 1970, 1975, 1980 AND 1985-1991
(percentage of GNP)

Year	Kuwait	Qatar	Saudi Arabia	United Arab Emirates	Average
1970	6.2	..	5.6	..	5.9[a]
1975	6.9	14.2	7.6	10.4	9.8
1980	3.5	4.2	4.9	4.1	4.6
1985	3.2	0.5	3.0	0.5	1.8
1986	2.9	0.5	4.7	0.4	2.1
1987	1.2	..	3.9	0.1	1.7[b]
1988	0.4	0.1	2.6	-0.1	0.8
1989	0.6	..	1.4	..	0.5
1990	..	..	3.7	2.6	2.1[b]
1991	..	..	1.4	1.7	1.0[b]

Source: ESCWA Secretariat compilations based on OECD, **Coopération pour le Développement, 1992**.
a For two countries only.
b For three countries.
.. Data not available.

Table 18. SECTORAL DISTRIBUTION OF INTER-ARAB INVESTMENTS, 1991 and 1992 *(millions of US dollars and percentage share)*

Sector	1991		1992		1992/1991
	Volume	% of total	Volume	% of total	(percentage change)
Food and agriculture	0.44	0.05	11.18	2.31	2469.2
Manufacturing and industry	310.39	33.64	162.72	33.63	(47.57)
Finance	530.73	57.53	64.00	13.23	(87.94)
Trade, construction and services	43.50	4.71	424.42	50.11	457.29
Tourism and real estate	37.55	4.07	3.50	0.72	(90.67)
Total	929.61	100.00	483.82	100.00	(4.56)

Source: ESCWA secretariat computations, based on Inter-Arab Investment Guarantee Corporation, *Manakh Al-Istithmar* (in Arabic), 1992.
Parentheses in fourth column indicate a minius.

Table 19. NET DISBURSEMENTS OF BILATERAL AND MULTILATERAL CONCESSIONAL ASSISTANCE OF GCC COUNTRIES TO DEVELOPING COUNTRIES AND TERRITORIES, 1988-1992 *(millions of US dollars)*

	Kuwait	Saudi Arabia	United Arab Emirates	Total	Bilateral aid/total (per cent)
Bilateral					
1988	60.8	1767.8	-27.3	1801.3	84.2
1989	147.7	1109.6	0.3	1257.6	93.7
1990	1282.2	3517.7	884.8	5684.7	97.4
1991	329.5	1489.0	553.6	2372.1	89.4
1992	124.9	472.0	30.3	627.2	61.6
Multilateral					
1988	46.9	280.2	10.2	337.3	
1989	21.6	61.1	1.2	83.9	
1990	13.2	134.3	2.9	150.4	
1991	60.0	215.4	4.1	279.5	
1992	77.2	311.1	3.3	391.6	
Total					
1988	107.7	2048.0	-17.1	2138.6	
1989	169.3	1170.7	1.5	1341.5	
1990	1295.4	3652.0	887.7	5835.1	
1991	389.5	1704.4	557.7	2651.6	
1992	202.1	783.1	33.6	1018.8	

Source: ESCWA secretariat compilations, based on OECD, **Coopération pour le Développement, 1993**.

Table 20. SECTORAL DISTRIBUTION OF CUMULATIVE FINANCIAL COMMITMENTS OF ARAB MULTILATERAL AND NATIONAL DEVELOPMENT FINANCE INSTITUTIONS, 1974-1992 *(millions of US dollars)*

	Number of beneficiary countries	Number of operations	Transport, communi-cation and storage	Energy (elec-tricity, oil and gas)	Water supply and sewage services	Agriculture and animal husbandry	Industry and mining	Misc.[1]	Total cumulative financing	Share in total (percentage)
Multilateral										
Islamic Dev. Bank	39	912	466.82	3756.70	162.24	1077.31	3224.43	422.96	9090.46	26.8
OPEC Fund	85	580	389.53	648.82	93.59	351.03	226.67	1090.11	2798.75	8.3
Arab Fund for Economic and Social Development	17	270	1161.48	1362.94	753.93	1436.81	755.71	201.12	5671.99	16.7
Subtotal	141	1762	2017.83	5768.46	1009.76	2865.15	4206.81	1714.19	17567.20	51.8
National										
Kuwait Fund for Arab Economic Development	65	418	2227.98	1742.25	510.90	1478.49	1219.95	60.61	7240.18	21.3
Saudi Fund for Development	59	296	2229.40	1054.58	407.06	1218.54	420.45	496.50	5826.53	17.2
Abu Dhabi Fund for Arab Economic Development	42	97	182.37	475.08	51.11	258.14	526.07	33.35	1526.12	4.5
Iraqi Fund for External Development	31	69	220.75	124.16	5.00	320.70	186.30	876.11	1733.02[2]	5.1
Subtotal	197	880	4860.50	3396.07	974.07	3275.87	2352.77	1466.57	16325.85	48.1
Total	338	2642	6878.33	9164.53	1983.83	6141.02	6559.58	3180.76	33887.0	100.0

Source: ESCWA secretariat compilations, based on *Joint-Arab Economic Report, 1993*.

1 Including balance-of-payments financing, tourism, education, training, health, housing and financing operations for support of national development institutions.

2 1974-1989.

Table 21. GCC NATIONAL AND NON-NATIONAL LABOUR FORCE BY COUNTRY OF RESIDENCE, 1975-1990
(Thousands)

Country of residence	1975			1980			1985			1990		
	Non-national	Total	Non-national to total (percentage)	Non-national	Total	Non-national to total (percentage)	Non-national	Total	Non-national to total (percentage)	Non-national	Total	National to total (percentage)
Bahrain	38.7	84.5	45.8	78.2	137.5	56.9	100.5	173.3	58.0	132.0	259.0	51.0
Kuwait	217.6	310.0	70.2	392.6	501.1	78.3	551.7	678.9	81.3	731.0	849.0	86.1
Oman	103.2	192.1	53.7	170.5	289.9	58.8	335.7	485.5	69.1	442.0	631.0	70.0
Qatar	57.0	68.7	83.0	106.3	121.0	87.9	155.6	173.3	89.8	230.0	251.0	91.6
Saudi Arabia	474.7	1485.4	32.0	1734.1	2954.4	58.7	2661.8	4101.9	64.9	2878.0	4812.0	59.8
United Arab Emirates	234.1	278.8.	84.0	470.8	524.7	89.7	612.0	683.8	89.5	805.0	901.0	89.3
Total GCC	1125.3	2419.5	46.5	2952.5	4528.6	65.2	4417.3	6296.7	70.2	5218.0	7703.3	67.7

Source: ESCWA secretariat Discussion Note on "Arab labour migration to the Gulf: Size, impact and major policy Issues" (ESD/P/ICPD.1994/EG.VI/INF.16, 4 January 1993).

Table 22. SELECTED ESCWA COUNTRIES: WORKERS' REMITTANCES, 1989-1992
(millions of US dollars)

Country	1989			1990			1991			1992			Total 1989-1992		
	Credi	Debit	Net	Credi	Debit	Net	Credi	Debit	Net	Credi	Debit	Net	Credit	Debit	Net
Jordan	627	105	522	499	78	421	447	65	382	843	96	747	2 416	344	2 072
Syrian Arab	430	0	430	385	0	385	350	0	350	550	0	550	1 715	0	1 715
Rep.	3	0	3 293	4	0	4 284	4	0	4 054	6	0	6 104	17 735	0	17 735
Egypt	293	38	414	284	24	1 378	054	45	797	104	..	..	2 696	107	2 589
Yemen (Rep.)	452	830	(791)	1	856	(817)	842	910	(871)	..	1 157	(1 118)	156	3 753	(3 597)
Oman	39	8 264	(8 264)	402	11 602	(11 602)	39	14 117	(14 117)	39	12 700	(12 700)	0	46 683	(46 683)
Saudi Arabia	0	1 283	(1 283)	39	770	(770)	0	503	(503)	0	870	(870)	0	3 426	(3 426)
Kuwait	0			0			0			0					
		10 444	(5 676)	0	13 282	(6 721)		15 5 50	(9 908)		14 823	(7 287)	24 718	54 099	(29 381)
Total	4						5			7					
	841			6			732			536					
				609											

Source: ESCWA secretariat compilation, based on International Monetary Fund, *Balance of Payments Statistical Yearbook, Part One, 1993.*
.. = Data not available.
( ) = Deficit.

Table 23. LATIN AMERICA AND CARIBBEAN COUNTRIES AND SUBREGIONAL GROUPINGS: TOTAL AND INTRAREGIONAL EXPORTS

(in millions of US dollars and percentages)

	1960	1970	1980	1981	1985	1987	1990	1991	1992	1993 [c,d]	1994 [e]
LAIA											
1. Total exports	7 348	12 796	80 313	87 041	85 433	80 024	112 700	110 603	115	122 214	138 000
2. Exports to LAIA	567	1 264	10 927	11 913	7 125	8 574	12 209	15 087	717	23 162	27 000
3. Percentage intra-LAIA exports	7.70	9.90	13.60	13.70	8.30	10.70	10.80	13.60	19 412	19.00	19.60
									16.80		
Andean Group [a]											
1. Total exports	3 587	5 419	30 602	29 759	24 299	20 348	30 795	28 583	28 100	29 683	33 533
2. Exports to Andean Group	25	97	1 137	1 195	768	1 028	1 253	1 775	2 225	2 857	3 337
3. Percentage intra-Andean Group exports	0.70	1.80	3.70	4.00	3.20	5.10	4.10	6.20	7.90	9.60	10.00
MERCOSUR											
1. Total exports			29 520	33 946	35 191	34 133	46 403	45 896	50 487	54 328	59 650
2. Exports to MERCOSUR			3 420	3 023	1 952	2 527	4 127	5 103	7 216	10 227	11 420
3. Percentage intra-MERCOSUR exports			11.60	8.90	5.50	7.40	8.90	11.10	14.30	18.80	19.10
CACM											
1. Total exports	444	1 094	4 465	3 805	3 501	3 658	3 969	4 352	4 610	5 126	5 681
2. Exports to CACM	31	287	1 135	938	544	525	686	812	1 076	1 158	1 226
3. Percentage intra-CACM exports	7	26.30	25.40	24.70	15.50	14.30	17.30	18.70	23.30	22.60	21.60
CARICOM											
1. Total exports			5 865	5 501	3 311	2 835	3 940	3 838	4 111		
2. Exports to CARICOM			485	528	374	313	496	446	475		
3. Percentage intra-CARICOM exports			8.30	9.60	11.30	11.90	12.60	11.60	11.50		
Latin America and the Caribbean[b]											
1. Total exports	8 629	15 257	95 079	100 721	96 883	88 746	122 669	120 368	127 635	133 700	150 000
2. Exports to Latin America/Caribbean	758	2 029	15 611	16 763	10 313	11 927	16 099	19 304	24 475	29 200	33 500
3. Percentage intraregional/Total	8.80	13.30	16.40	16.60	10.60	13.40	13.10	16.00	19.20	21.80	22.30

Source: ECLAC, International Trade, Transport and Finance Division, *Latin America and Caribbean Statistics, Annual Report 1993.*

Note: Including estimates for the years and countries indicated: 1982, 1983, 1984 and 1985: Haiti; 1986: Mexico, Guyana, Haiti; 1988: Guyana, Bahamas, Haiti; 1989: Guyana, Bahamas, Haiti; 1990: Guyana, Bahamas, Haiti. (Also, the data differ slightly from those in Tables 1 and 2.)

a Excluding Chile.

b Includes LAIA, CACM and Bahamas, Barbados, Belize, Dominican Republic, Guyana, Haiti, Jamaica, Panama, Suriname and Trinidad & Tobago.

c For LAIA, data provided by the LAIA Secretariat.

d CACM, 1993: data provided by ECLAC-Mexico, based on national data.

e Estimates based on partial information.

Table 24. EXPORT FINANCING MECHANISMS IN LATIN AMERICA AND THE CARIBBEAN

Country	Trade financing agencies	Export credit insurance facilities	Export credit guarantee facilities	Support from Central Banks and commercial banks
Argentina	Yes	Yes	n.a	n.a
Barbados	n.a	Yes	Yes	n.a
Colombia	Yes	Yes	Yes	n.a
Jamaica	EximBank	EximBank	EximBank	CB
Peru	Yes	Yes	Yes	n.a
Trinidad & Tobago	Yes	Yes	Yes	n.a
Venezuela	Yes	Yes	n.a	CB

Source: Questionnaires of the UNCTAD secretariat and ESCAP, "*Regional Cooperation in Export Credit and Export Credit Guarantees*" (UN, New York, 1995).

Note: The criteria used to include countries in this table are based on the following elements: whether the country has a network of public and/or public institutions dealing with export promotion, including an export credit guarantee and insurance agency or an EximBank; whether export financing is supported by a Central Bank responsible for automaticity in the system, including refinancing of export loans; and whether commercial banks are responsible for financing export operations. The classification is intended to be a flexible one and involves various modalities, based on the variety of financing mechanisms of developing countries (e.g. EximBanks, separate insurance/guarantee specialized schemes, etc).

n.a. not available.

Table 25. REGIONAL TRADE-FINANCING SCHEMES IN LATIN AMERICA AND THE CARIBBEAN

Name of institution	Objectives and main features of the scheme	Financing instruments	Amounts of lending
Andean Development Corporation (CAF)	Offers trade financing through SAFICO and MECOFIN	Pre- and post-shipment short-term credit, project loans, trade financing	US$ 412 million stock of indirect financing to banks (1994): US$ 1,207 million disbursements of short-term operations (1993)
Central American Bank for Economic Integration/Banco Centroamericano de Integración Económica (CABEI/BCIE)	(i) Support to Central American commercial banks in trade-financing operations (through PAPECA); (ii) support to productive sectors (iii); special programme of support (also from the EU for exports to Honduras and Nicaragua; (iv) co-financing operations	Pre- and post-shipment, lines of credit	1993 disbursements amounted to US$ 9.6 million under (i), US$ 23.9 million under (ii), US$ 10.8 million under (iii); and US$ 3.4 million under (iv)
Inter-American Development Bank (IADB)	Contributes to increasing the share of Latin American countries in world trade and encouraging both interregional and intraregional trade through an export- financing scheme and the Venezuelan Trust Fund	Loans/lines of credit, discounting	In 1993, volume of refinancing: US$ 30 million (85 per cent of amount of bank credits to exporters)
Banco Latinoamericano de Exportaciones (BLADEX)	Provides resources for the financing of foreign-trade transactions in the Latin American region	Short-term financing	1979-1993, BLADEX provided over US$ 36.7 billion in trade financing
Latin American Reserve Fund (LARF)	Supports trade finance operations originating in member and non-member countries	Pre- and post-shipment credit lines	Jan..-June 1994: US$ 73.5 million of trade financing through Bankers Acceptances; US$ 1034.6 million in credits to commercial banks; US$ 19.6 million in advances

Source: Questionnaires distributed by UNCTAD to regional institutions; "Trade financing in developing countries: An assessment and evaluation of existing schemes and future requirements" (TD/B/1300/Supp.1, 2 August 1991).

Table 26. MULTILATERAL PAYMENTS AND CLEARING ARRANGEMENTS IN LATIN AMERICA AND THE CARIBBEAN

Arrangement and membership	Operations started	Settlement period	Unit of account	State of transactions	Additional facilities
Central American Payments System Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua	1990, though its predecessor (CACH) operated from 1961 to 1989	1 month	Central American Peso = US$	Suspended activities in July 1992	
CARICOM Multilateral Clearing Facility Antigua & Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Trinidad & Tobago	1977	6 months	US$	Owing to arrears problem, suspended operations in 1983	CARICOM Traveller Cheques operational from 1980 to 1993
LAIA Reciprocal Payments and Credits Agreement Argentina, Bolivia, Brazil, Colombia, Chile, Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela	1966	4 months	US$	Most regional transactions channelled and cleared; intra-regional debt has dropped since 1991	Automatic Payments Programme since 1991

Source: UNCTAD secretariat, based on communications received from the organizations concerned.

Table 27. LATIN AMERICA AND THE CARIBBEAN: SHARE AND ORIGIN OF INTRA-REGIONAL FDI, 1993

Recipient country	% share of FDI	Host country
Bolivia	29.0	Colombia, Argentina, Brazil, Peru, Venezuela, Chile
Brazil	1.6	Uruguay, Argentina, Venezuela
Chile	3.9	Argentina, Brazil, Venezuela, Uruguay, Peru
Colombia	22.9	Venezuela, Chile, Brazil
Ecuador	6.0	Venezuela, Colombia, Chile, Brazil, Uruguay
Mexico	0.6	Uruguay, Brazil, Colombia, Chile
Paraguay	51.0	Brazil
Peru	30.6	Chile, Ecuador, Uruguay, Venezuela
Uruguay	14.4	Argentina, Brazil
Venezuela	1.8	Colombia, Brazil, Argentina

Source: LAIA, *Inversiones* (Estudios Sectoriales, 1995, based on official information).