



Arab cooperation

This chapter concludes the Report with a discussion of the important issue of Arab cooperation. It summarizes the rationale for cooperation, including the enduring and new challenges countries face as they enter the twenty-first century, challenges that countries are poorly equipped to meet on their own. It describes the main institutions for Arab cooperation, examines the past history and current status of cooperation, suggests that achievements have been far from commensurate with the institutional and organizational structures elaborated over the past half century or more, and offers reasons for the lack of dramatic successes. However, it also notes some areas where progress has been made, including with respect to aspects of human development. The chapter concludes with a recapitulation of the external and internal challenges countries face, and argues that increased cooperation is both feasible (given the necessary commitment and political will) because the institutional base already exists and essential to strengthen the processes and meet the goals of human development.

THE RATIONALE FOR ARAB COOPERATION

Perhaps no other group of states in the world has been endowed with the same potential for cooperation, even integration, as have the Arab countries. Nevertheless, while much of the rest of the world is moving towards coming together in larger groupings—especially in today's world of globalization and increased international competition—Arab countries continue to face the outside world and the challenges posed by the region itself, individually and alone. By so doing, they are failing to capitalize on the benefits that close cooperation can yield in the fields of human development

and national security.

While many Arab regional institutions exist, they are characterized by fragility and ineffectiveness, and national considerations take precedence over wider regional ones, leading to disregard of wider Arab interests. Moreover, even if national interests were to converge rather than conflict, the fact that too many regimes cater to powerful entrenched interest groups means that there is no guarantee that they would serve the wider public good.

The international and economic environment of the twenty-first century will pose unprecedented challenges to Arab countries. International cooperation is intensifying and economic success is increasingly dependent on knowledge acquisition and ICT, as discussed in chapter 5. Meanwhile, the successive rounds of trade liberalization under the umbrella of the General Agreement on Tariffs and Trade (GATT) and WTO, burgeoning international investment flows, and rapid technological advances have together led to dramatic changes in global trade and capital flows. In addition, as the role of multinational corporations has grown, that of the state has declined. The last decades of the twentieth century also saw the rise of massive trading blocs such as the North American Free Trade Agreement (NAFTA), the expanding European Union and Asia-Pacific Economic Cooperation (APEC).

These developments are defining the factors on which the future of Arab countries will largely depend. These factors include their ability to (a) deal with structural problems and technological change; (b) meet the challenges of globalization (including its sometimes negative effects) and economic openness; and (c) generate effective collective action to face new developments and the challenges they pose to governments, businesses, investors, workers, political parties and institutions.

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The argument for Arab cooperation revolves around the need for an economic and social group with a cooperative, innovative policy designed to fulfil a comprehensive agenda for broad-based social and economic renewal.

THE CURRENT STATUS OF JOINT ARAB ACTION

Since their independence, the subject of cooperation among the Arab States has been at the centre of discussion at various official and national levels, reflecting their common bonds in terms of language, civilization, history, geographic contiguity and ease of communication. Many formulas have been proposed and tried for Arab cooperation in the economic, political, social and cultural spheres. Likewise, various levels of cooperation have been proposed, including the bilateral, the multilateral on the basis of geographic proximity, the official, the national and the regional. A typical example of the latter is the League of Arab States, one of the earliest regional experiments in the world, which was set up in 1945, thus predating almost all other regional organizations, and which has spent more than half a century in uninterrupted efforts towards the realization of Arab cooperation. While the Arab League has been able to lay the foundations for joint Arab action through a large number of frameworks, institutions, covenants, agreements and resolutions, these efforts have remained only partially implemented. This explains the League's limited practical effectiveness in comparison to the European Union.

The League has facilitated the ratification

of a number of agreements that have included all or some of the Arab States. Among the most important agreements are the Joint Defense and Economic Cooperation Agreement (1950) and the Economic Unity Agreement (1957). One of the League's objectives has been to ensure free movement of capital, goods and people, and to ensure the right of the latter to work and to own property. Other agreements include the resolution to form the Arab Common Market (1965), the Arab Cultural Unity Agreement (1964), the Strategy for Joint Arab Economic Action (1980), the Joint National Economic Action Covenant (1980), the Convention to Facilitate and Develop Trade Exchanges among the Arab States (1981), the Standard Convention for the Investment of Capital in the Arab States (1981), and the Arab Free Trade Area (1997).

These various efforts have been undertaken within an institutional structure that served as a framework for joint Arab action and comprised the Arab League Council, the Economic and Social Council, and the Council for Arab Economic Unity, in addition to a very large number of other governmental and non-governmental organs set up to manage the functional roles and operations involved in Arab cooperation. Too often, however, these efforts have failed to adopt a well-defined conceptual frame of reference for human development, relying instead on developing institutional frameworks. Nevertheless, the coverage of these frameworks encompasses an impressive range of areas relevant to human development, including health, education, culture, training, environment, jobs and the fight against unemployment and poverty--all of which are relevant to comprehensive economic and social development and to building the human capabilities and raising the standards of living of all Arabs.

THE INSTITUTIONAL FRAMEWORK FOR JOINT ARAB ACTION

The Arab States are well-supplied with joint institutions designed to secure and enhance

BOX 8.1

Working together: once a dream, today a necessity

No Arab country alone can adequately achieve dramatic social and economic progress based on diversification of sources of income and acquisition of competitive capabilities in the fields of accumulated knowledge and industry. However, by coming together, Arab countries can reap the benefits of size and scale, diversify their combined economies, and open up opportunities for investment that would be unavailable in the absence of coordinated efforts and cooperation. In addition, acting as a group will empower the Arabs and allows them to secure rights and legal claims in international agreements, which are inevitably affected by the negotiating powers of the parties concerned. More generally, Arab countries need to agree among themselves about what they need to do in order to take their place in the new World Order. To this

end, they need to formulate a common perspective and to set up realistic common goals and effective institutions capable of attaining those goals so as to improve the outcomes of their economic and societal efforts along with their competitive edge in the world.

The argument for Arab cooperation revolves around the need for an economic and social group with a cooperative, innovative policy designed to fulfil a comprehensive agenda for broad-based social and economic renewal. This endeavour should go beyond setting up an efficacious economic programme, or even adopting a system of government programmes. It should also include working towards mutual understanding, assistance and cooperation, together with a clear strategy that allows all strata of society to work together as partners.

cooperation and coordination in the political, security, economic, social and cultural fields. Conceptually, these can be divided into governmental and non-governmental bodies.

The governmental institutional framework can in turn be subdivided into the political and the functional dimensions. The political dimension is represented by the summit conferences that have been held since 1964 on the basis of circumstances and need. It has recently been decided that these meetings would be held periodically at fixed dates and not be subject to political fluctuations. Resolutions taken at summit meetings are considered as authoritative guidance for the work of the Arab League Council and for its main organs. The functional dimension consists of the main organs within the Arab League: the Council of the League, the Council of Joint Arab Defence, the Economic and Social Council, the General Secretariat, the specialized ministerial councils, and the specialized Arab organizations and other control and judiciary systems (such as the administrative and the investments courts) that operate within the framework of the League.

The non-governmental institutional framework is embodied in vocational entities, including those that are relevant to a specific domain, entities in the business sector, the national societies and associations that exist in the Arab States, and joint investment projects--both public and private--in various productive sectors. Both the governmental and non-governmental institutional frameworks are described in more detail in the following sections.

THE GOVERNMENTAL INSTITUTIONAL FRAMEWORK

The governmental institutional framework is diverse. Its effectiveness can be gauged by examining three of its major constituent parts: the specialized ministerial councils, the specialized Arab organizations, and the Arab funds at both the regional and the individual country level.

The specialized ministerial councils

These councils, established within the framework of the Arab League, are composed of the

BOX 8.2

Cooperative institutions: a diverse set of actors

In spite of the modest returns on Arab cooperation compared to the efforts spent and the hoped-for benefits, progress has been made through the establishment of specialized Arab economic organizations, specific vocational entities and national funds and financing institutions, and vocational training centres in a variety of fields. In addition, other regional bodies have been set up outside the purview of the Arab League. These include the Gulf Cooperation Council (1981), the Council of Arab Cooperation and the Arab Maghreb Union (1989). Again, however, the record has been mixed. For example,

the Gulf Cooperation Council has all the ingredients for successful cooperation and coordination among the members (i.e., an abundance of financial resources and similar regimes and economic policies), but it has been unable to adopt unified industrialization programmes across its Member States. The other two initiatives have fared worse, with difficulties that caused the Arab Maghreb Union to stumble and the Arab Cooperation Council to freeze its activities one year after its inception, owing to differing political positions among the Member States.

ministers of information, interior, justice, housing, transport, social affairs, youth and sports, environmental affairs, communication, electricity and tourism. Each council convenes periodically to coordinate policies; propose unified policies, procedures and conventions; and meets prior to any international assemblies in order to reach a unified Arab position (as in the case of the Group of 77 and with respect to international conventions on the environment, including the United Nations Framework Convention on Climate Change, the Convention to Combat Desertification and other international conventions); and finally, to coordinate positions and discuss the candidacy of Arabs for high positions in international organizations and institutions.

Politics and fluctuating relations among Arab governments can limit the activity of these councils in spite of their importance. Another factor that has rendered the achievements of the councils relatively modest and has limited their effectiveness at coordination has been the extent to which they have been unable to take considered and unified positions on issues of international concern.

The specialized Arab organizations

These organizations operate in a range of areas, including education, culture, science, agriculture, industry, employment and technology. They have been set up in the same way as corresponding organizations in the United Nations and each has a developmental and coordinating role in its own field. The number of these organizations has grown randomly rather than on the basis of a compre-

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The most important distinguishing characteristic of the Arab development funds is their ability to use their capital effectively without having to rely on yearly (voluntary) budgets .

hensive perspective or well-defined plans to guide their work or to implement specific projects within a framework of political, financial and time commitments. This state of affairs necessitated the formation of a committee in 1974 whose function was to ensure coordination among these organizations.

These organizations continued to meet to provide for coordination, cooperation and discussion with respect to organizing conferences and training sessions and conducting field studies and surveys. These activities, however, carried little weight and were generally weak and ineffective. To remedy this situation, a committee was formed in the mid-1980s whose job was to evaluate the performance of Arab organizations. Proposals for improvement included restructuring some organizations, abolishing others, merging some with others, and changing activities and work programmes. Other procedural proposals included setting up work mechanisms, conducting specific studies, appropriating a yearly budget and establishing a common account in the Arab Monetary Fund along with certain controls and regulations pertaining to the management of this account.

Despite the importance of these modifications, they have not been implemented effectively, partly because of pressure from some Arab States to maintain the status quo of the organizations singled out for change and partly because of complex financial difficulties in the early 1990s that affected Arab governments and organizations, exemplified by budgetary deficits that have completely paralyzed some of them and severely limited the performance of others. The supreme coordinating committee has been unable to devise adequate solutions that would increase the organizations' financial resources and enhance their efficiency. One proposal to this end, which has been passed as a resolution, is to transform these organizations into expert institutions in their respective fields that would serve Arab public, private and non-governmental sectors.

Both the ministerial councils and the specialized organizations thus present a picture of weak performance. This has diluted the effectiveness of coordination efforts in general despite the work of a supreme coordinating committee entrusted with the task of coordi-

nating the activities of the General Secretariat of the Arab League and the organizations concerned and despite the authority exercised by the Economic and Social Council over the specialized organizations' performance and work programmes. Other problems include the failure of Arab governments to pay their dues to the overall budgets of the specialized Arab organizations, the backlog of debt incurred by governments during past years, and the difficulty in covering current expenses of the specialized organizations, including salaries and administrative expenses, a state of affairs that contributes to their inefficiency and weak performance.

Arab development funds

Arab development funds are an important source of concessional financing. They have supported social and economic development in a number of Arab States, strengthened the productive sectors, and helped to develop the region's inadequate infrastructure in the fields of transportation, electric power, telephone and wireless communications, and other basic necessities such as clean water which millions of Arabs lack. Conceptually, they can be divided into regional, national and international funds. The regional funds consist of the Arab Fund for Social and Economic Development (1967) and the Arab Monetary Fund (1976). The national funds consist of the Kuwait Fund for Arab Economic Development (1961), the Abu Dhabi Fund for Development (1971) and the Saudi Development Fund (1974). Their participation in development has had a positive impact on Arab cooperation. The international funds consist of the Islamic Development Bank (1975), which is financed mostly by Arab countries, providing it with over 70 per cent of its financial resources, and the OPEC Development Fund (1976), which obtains about two thirds of its financial resources from seven Arab oil countries.

Perhaps the most important distinguishing characteristic of the Arab development funds is their ability to use their capital effectively without having to rely on yearly budgets that depend on whether or not contributing countries have paid their share. They also offer low interest rates and extended repayment periods. which brings the grant element up to 45

percent of financing, far above the percentage of other international sources. Another positive characteristic of these funds is their ability to mobilize additional resources from other private and public sources and use them to support Arab projects. They are thus active participants in the region and a counterweight to economic stagnation, quite apart from the contribution they make to building human and institutional capabilities in Arab countries.

THE NON-GOVERNMENTAL INSTITUTIONAL FRAMEWORK

This framework consists of trade and professional associations and joint private-investment projects. The importance of these various institutions lies in their connection to the private sector and their ability to function with greater flexibility than state bureaucracies.

Trade and professional associations

There are three types of trade and professional associations. The first consists of bodies that operate in services sectors such as air and sea transportation, insurance, banks, stock exchange, hotels, tourism, and real estate. Membership is limited to Arab companies in the above-mentioned sectors. There are also a number of associations in the services sectors whose membership is made up of Arab businessmen and investors from all Arab countries, for example the Union of Arab Investors, and the General Union of the Chambers of Commerce, Industry, and Agriculture of the Arab countries. These bodies are designed to strengthen bonds among their members and to protect their common interests.

The second type consists of professional groups whose membership is restricted to Arab citizens who work in such professions as medicine, law, accounting and teaching. Their objectives include deepening the roots of their common interests, skills development and defence of their professional rights.

The third type consists of groups whose activities are specific to a given manufacturing sector. Membership is limited to the companies and the establishments that work in a cer-

tain industry such as the steel industry or the iron industry or one of the following industries: textiles, chemical fertilizers, engineering, food, cement, paper, leather and sugar.

All these entities were formed in the 1970s in response to the interest of the Council for Arab Economic Unity in achieving coordination among the various sectors as an important first step towards Arab economic cooperation. This interest led to a search for appropriate organizational arrangements for building sector-specific databases, which could in turn help members of the relevant association to know their markets and relevant industrial conditions. Another objective was to facilitate the exchange of information and expertise and provide opportunities to discuss common problems and find solutions in order to foster better coordination of investment, production and marketing and promote Arab cooperation. Finally, associations were seen as being able to provide consultative services to ongoing projects at the technical and economic levels, to provide the tools and other requirements of production at competitive costs, resulting in the emergence of common interests with respect to these projects.

Over the past decades, a few of the manufacturing associations have been able to realize some important achievements. In the final analysis, however, they have been unable to develop relevant industrial activities and channel them into an integrated, comprehensive whole that creates common interests among the members and helps them to deal with the international market as a single unit that can make use of their combined resources. The limited outcome of the approach reflects three factors: lack of specialized, expert staff; restricted membership; and weak financial resources. For better results, Arab governments would need to enact legislation that would require public and private projects to become affiliated with the relevant association so as to expand membership and provide the additional financial resources needed for these bodies to play their role in enhancing Arab cooperation more effectively.

PRIVATE-INVESTMENT PROJECTS

During the last three decades, the Arab

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States have worked to create an investment climate conducive to attracting Arab private investment. They have done this by enacting appropriate legislation, offering tax and monetary incentives, and providing Arab investors with insurance against possible political and trade risks. In addition, they have provided the necessary institutional frameworks and structural and administrative arrangements to facilitate the transfer of capital among Arab States.

These factors combined have enabled Arab investors in some States to launch a number of Arab projects that have in their turn contributed to the transfer of capital. These projects have been launched either by individuals or by a group of partners from different Arab countries interested in ensuring flows of goods and services across Arab borders, thus strengthening the bonds among Arab countries and enhancing mutual economic and trade relations.

Data on these private-investment projects are limited, so opinions differ about their size, sectoral orientation, geographic distribution, and the conditions under which they perform. However, estimates have put their number at around 3,000 projects, their nominal capital at around \$35 billion dollars, and their invested capital at around \$29 billion dollars.

In terms of sectoral distribution, the banking and finance sector comes first, followed by the industrial sector. Next come transportation and communications, hotels and tourism, then building, construction and contracting, agriculture, livestock and fisheries, services, business and stock in trade, mining and extraction, in that order.

It is estimated that the joint private-investment projects—i.e., those that are shared by two or more Arab parties—account for 25 per cent of the total number of projects. Made up of holding companies, along with banks, hotels and tourist establishments, they are considered to have an important role in promoting joint Arab action; they represent a form of Arab cooperation, using Arab capital for investments in Arab countries other than those to which the investors belong.

Despite the importance of private Arab investments, they remain relatively small and limited in number. Most projects involve sim-

ple services and small industries with limited capital and impact on development. Few are in the important agricultural or industrial sectors, both of which need to be developed in view of their respective links to food security and other major industries. They can also run into obstacles that cause some of them to stumble and others to close down, with consequent large losses. Other limitations on private investment include the instability of investment regimes in some Arab countries, the depreciation of local currencies, the multiplicity of government agencies that oversee investments, and the complexity of licensing regulations, together with the deterrent effect of political instability and security concerns in some Arab States.

WHAT HAS BEEN ACHIEVED?

Much has changed with respect to the framework for Arab cooperation over the past 50 years, and some successes have been achieved. However, the end result has been far from commensurate with the massive institutional superstructure that has been erected and the expectations and aspirations that have surrounded the cooperation effort over five decades of field work. The performance in practice of cooperation organizations, including the Arab League and the Council for Arab Economic Unity, has been limited by attention to political considerations and issues of regional balance so that their role has been confined to mediation and weak coordination. This state of affairs has led Arab governments to fail to honour their commitments to the various cooperative agreements that have been produced. It has also detracted from the value of joint Arab action and has minimized its effect, not only among Arab countries but also on their relations with the outside world.

The most striking evidence of the lack of economic integration among Arab countries is the fact that inter-Arab trade accounts for no more than 7 per cent to 10 per cent of total Arab foreign trade, a figure that has not changed since the 1950s. Another example is the limited flow of capital among Arab countries. Investment capital has instead flowed to the industrial countries, making inter-Arab flows far lower than flows of Arab money to

foreign markets.

Other examples of the limited nature of Arab cooperation include the unfulfilled ambitions reflected in joint resolutions at the Economic Summit Meeting held in Amman in 1980, such as the resolutions of the Charter for Arab Economic Action and of the Strategy for Arab Economic Action and also the Arab Development Contract.

The failure to achieve comprehensive, coherent, integrated Arab development and the consequent reliance on limited domestic markets or integration with foreign markets have adversely affected Arab economic and social development. National efforts to promote social and economic transformation, including institution-building and raising literacy rates, have done little to ease the situation. Meanwhile, the productive sectors have been unable to deliver rapid growth in national incomes or new job opportunities. Other problems have included acute water scarcity, problems of food security, widening social and economic disparities, and the inability of social services to expand to meet demand resulting from rapid population growth, leading to quality shortfalls in education and health services discussed in earlier chapters.

SOME POSITIVE OUTCOMES

Arab cooperation has nevertheless had some positive outcomes, whose impact has been dulled by the slow pace of achievement, the ambitious expectations that Arab peoples and leaders have had for cooperation, and the meagerness of what has been achieved by comparison with other multinational groupings, especially the European Union. Nevertheless, cooperative Arab achievements do exist. They include:

- the establishment of important economic institutions that continue to play a prominent role in joint Arab action. Among them are the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Arab funds discussed earlier, the Arab Foundation for the Insurance of Investments and a large number of joint Arab production, financial and banking companies. Arab development funds have been able to attain a degree of success and to establish a presence for

themselves in both the Arab and international arenas. These positive outcomes have been brought about fundamentally by an effort on the part of those funds to base their operations on the needs of the beneficiary states and to develop close cooperation with the governments of those countries to promote their interests. Likewise, joint Arab institutions and companies have been able to finance a number of projects in the Arab countries that have yielded concrete results in terms of helping to promote economic and social development. Finally, a number of organizations exist that have done important work in developing information databases and undertaking studies directly relevant to the development of the Arab economy and cooperation in a variety of fields;

- the growing interest in joint Arab projects and shared economic interests that have the potential to stimulate large investments that can obtain the benefits of mass production, advanced technologies, international competitiveness and human-resource development. There have also been projects that have supported the natural unity of Arab countries—for example, those supported by the Arab Fund for Economic and Social Development with respect to connecting the electricity networks in most Arab countries along with road and communications networks. Connecting the electricity networks alone has reduced electricity-sector investment requirements, increased usage and cut costs. Extending the network to all Arab States could create an Arab electricity market similar to those of Europe and North and South America. Likewise, connecting the roads and highways will tend to increase the flow of goods among Arab countries and promote inter-Arab trade. Future similar cooperative efforts could be envisaged with respect to natural gas pipelines;
- the successful efforts of a number of Arab States (the Member States of the Arab Maghreb and the Member States of the Gulf Cooperation Council), which have done much to achieve freedom of movement of their citizens among the countries concerned, their right to work in various professions and businesses, and coordination and unification of legislation and capital transfer arrangements;
- the continuity of inter-Arab communica-

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Contributions to human development

Joint Arab action has focused mainly on economic aspects of development, but it has also contributed to human development. Examples include the following:

- The Arab Organization for Education, Culture, and Science has worked on a range of educational issues, including the development of curricula and educational technologies, programmes to eradicate illiteracy, and adult education. It has also worked to promote the use of computers, especially with respect to Arabization, and to encourage scientific research at the pan-Arab level (although its achievements in this domain remain few in number and limited in scope).

- The Arab Council of Ministers Responsible for the Environment has worked towards developing solutions to environmental problems and to improve environmental conditions at the pan-Arab level. The Council has organized training sessions and specialized and technical seminars and conducted studies and research projects on environment problems and the status of biodiversity in Arab countries. It has undertaken efforts with respect to desertification, green belts, and industrial pollution in the Arab world. In addition, the Council has formed national committees to gather and use information about the Arab environment and has created an Arab network for environmentally sustainable development. It has set up the latter as an Arab organization for promot-

ing coordination and cooperation among concerned NGOs operating in the Arab countries. Finally, the Council has invited Arab environment experts to a number of meetings to prepare coordinated positions for international conferences and conventions such as the United Nations Framework Convention on Climate and international conventions and protocols concerned with environment and sustainable development.

The Arab Labour Organization and the Arab Funds have worked on improving working conditions and raising productivity standards, on improving transport networks to enhance labour mobility, and on upgrading labour qualifications and skills to allow workers to participate in the process of comprehensive social and economic development. Efforts towards these ends include increasing education and training resources, raising skills standards, promoting a work ethic, and fighting illiteracy. The purpose of all these efforts is to enable Arab labour forces to use and absorb modern technologies. As noted in chapter 6, productivity is a major issue for the region, and despite efforts by countries in the areas of health, education and caloric intake (and consequential improvements in social indicators), much still remains to be done if Arab countries are to raise productivity even to the levels achieved in many developing countries, let alone developed ones.

have often acted earlier and more quickly than governments in responding to the needs of marginalized social groups.

OBSTACLES TO ARAB COOPERATION

In spite of the positive elements noted above, major obstacles to Arab cooperation remain. They include:

- *trying to imitate other economic groupings* such as the European Union without taking into account Arab conditions and whether other groupings' initiatives are suitable to Arab countries' resources and conditions. An example is the gradual introduction of the principle of free trade in the hope of achieving Arab economic integration, without taking into account the inadequacy of Arab countries' production capacity or their similar production patterns that detract from the benefits achievable by complementarity;

- *the differences in the political systems and types of Arab regimes*, which can lead to differences between countries with respect to social and economic priorities and attitudes towards the means and ends of cooperation. The consequences have been that political goals have lacked clarity and specificity; that the modalities of joint Arab action have remained subject to fluctuations and change over the past decade; and that real commitment to adopt joint Arab action has remained weak. A case in point is that of the Arab common market which, despite having been ratified, was actually joined by no more than seven Arab States with divergent economic systems and policies; this in turn produced conflicting interests and negligible achievements;

- *the strongly negative effect of inter-country differences* noted above on the performance of the various institutions and arrangements set up to promote cooperation. These did not originate and do not operate in a vacuum; they reflect developments within and among Arab countries, including their disputes and relationships with one another. They are therefore equally affected by both positive and negative developments that take place in countries;

- *the sometimes overly ambitious and overly*

tion through a range of governmental and non-governmental levels already discussed, including summit conferences, the activities of the General Secretariat of the Arab League and its organizations, ministerial councils, or private-sector entities types of services, professions or manufacturing industries. Even if outcomes have not yet come up to expectations, the continued existence of so many levels and forms of regional dialogue is a hopeful sign of deeper future cooperation;

- the growing role of CSOs and the emergence of joint Arab CSOs that are normally accompanied by such new elements as openness, plurality and expressed public opinion. This phenomenon should help to promote the expansion of political participation and the formation of political parties and organizations, all of which are considered to be the basis of civil society and an effective, vital force behind economic and human development. CSOs

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idealistic goals set for common action and the tendency to consider cooperation a failure when these goals are not met. This reflects poor articulation between goals and the prerequisites for meeting them. What is required is to identify achievable goals, determine the nature of the effort needed to achieve them and commit to transparent implementation. The Convention of the Council for Arab Economic Unity, ratified in 1957, is one example of failure to meet what turned out to be unrealistic goals, which included freedom of employment, trade, mobility and ownership. Council membership remains limited to a small number of States that have failed, even after 40 years, to realize any of the set goals. A second example is provided by the resolutions of the 1980 Amman Economic Summit, which were never implemented, despite being ratified, because they lacked credibility and failed to attract commitment;

- *the limited effectiveness of ratified agreements* and the bodies charged with their implementation. In addition to the inter-country differences already noted and the tendency of governments to be preoccupied with domestic problems and pressures, this weakness reflects poor follow-up by country-level implementing agencies, sometimes compounded by conflicts of interest. Guarding against this problem entails careful evaluation of country-level factors, including social composition, political system and vested interest groups, political parties, and factors relating to households and even individuals. Effectiveness in the economic sphere, and especially in the field of trade, has also been undermined, as noted earlier, by the similarity of countries' production and export systems and structures along with the legacy of 1960s-style protectionism. Meanwhile, labour mobility and investment have been hampered by domestic tensions and economic and social instability in some countries. Finally, reflecting unclear or conflicting national and social and economic policies, not all States have acceded to all agreements and joint Arab projects have not emerged from coordinated production policies;

- *the limitations on effective cooperation imposed by State inaction*. One example in this regard concerns the Arab Organization for Economic Development, which is sup-

posed to achieve, through its constituent bodies and its ministerial council, a reasonable degree of industrial coordination at least with respect to important industrial projects requiring substantial investment, advanced technological skills and a large market. Putting these factors in place would ensure the success of these projects and their benefits in Arab and foreign markets. This end, however, has not been achieved. Similarly, the Arab Economic Council, the Arab Monetary Fund and the Council of Presidents of Arab Banks have been unable to ensure freedom with respect to Arab money transfers among Arab countries, even among those that enjoy relatively close relations with each other such as the GCC Member States, which could have taken steps towards monetary union along the lines of the European Union's introduction of the Euro but have not done so;

Finally, a number of broad contextual factors that have tended to put obstacles in the way of Arab cooperation. These include the oil effect; the vast social differences, which, in certain cases, are accentuated by discrepancies in income and standard of living; and the far-reaching political and social implications of integration despite its huge potentially positive impact on economies and people.

ARAB COOPERATION: LOOKING TO THE FUTURE

Today's Arab world faces substantial internal and external challenges to its habitat and its people's livelihoods. Awareness of these challenges has driven Arab countries to take a greater interest in all forms of cooperation.

Externally, the likely defining feature of the new millennium is the rapid trend towards globalization, which is transforming all aspects of economic and financial activity, notably trade, along with associated economic, financial and legal structures and institutions. Other effects of globalization include developments already discussed in this and other chapters of this Report. These include the expanding role of powerful new groupings of countries in the world economy; new developments in transportation and ICT, which have not only permeated all areas of cultural, social

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and economic life but have also increased the intensity of international competition; unprecedented rates of technological change and new production systems based on just-in-time methods and outsourcing, transcending national barriers; the increased global integration of financial markets; the redefinition of traditional attributes of production in favour of technical and organizational knowledge that requires labour forces with advanced technological expertise and skills; the changing role of the state, in which it becomes a referee, not a player, in production and markets, concerned particularly with ensuring balanced and fair competition and preventing monopolies that distort pricing mechanisms and detract from the efficiency of markets; and finally, the growing demand for human development and for the freedom and dignity of individuals.

Arab countries have not been, and cannot be, immune to these and other new developments at the outset of the 21st century. The implication of such developments is that Arab cooperation or Arab integration is increasingly becoming a prerequisite for a decent life, a better future, and the preservation of an appropriate Arab status in the world community. Such cooperation or integration is needed as globalization changes the way the global economy works, helps to eliminate obstacles posed by geographic location and distance, remakes traditional economic concepts, integrates economic activities that link all parts of the world, and reinforces the market power of multinational corporations and economic coalitions of states worldwide.

The establishment of WTO is itself symbolic of a new world of reduced trade barriers, increased international competition, and transformation of the world trading system. This new world poses risks to Arab countries individually and offers another reason for their working to coordinate and cooperate with one another--in this case in the context of WTO negotiations so as to develop a strong negotiating position in areas such as textiles, agriculture, petrochemicals and cultural property.

Moreover, it is not only economics that presents compelling arguments for greater Arab cooperation. International political relations are also being transformed by the rise of

a supranationalism exemplified by the formation of giant coalitions with their own institutions and systems that take precedence over national authorities in the member states. The ability of small entities such as almost all Arab countries to deal individually with the emergence of these coalitions, which include the most important economically advanced states, is highly doubtful.

All these developments suggest the need for Arab countries to deepen cooperation among themselves at all levels--economic, political and social--and to consider their national interest in terms of a wider Arab interest. Much of this chapter has focused on institutions of Arab cooperation because these institutions, properly reinvigorated, form a strong foundation and a comprehensive structure that can help Arab countries to work together and move forward into the global arena as a coherent, unified force with common mutual interests—provided, of course, that the finance and the political will are present to implement existing agreements, strengthen existing structures and mechanisms, and improve working procedures and performance.

In addition to external challenges, however, Arab countries face serious internal challenges that threaten their future economic and social development. Among the most important are poverty, unemployment and mounting environmental problems, including depletion and degradation of natural resources such as water and land. The seriousness of these challenges is heightened by a weak production base and deteriorating education systems in the Arab world. As noted in previous chapters, these challenges put a special premium on reinvigorating Arab education, training, research systems and institutions region-wide, based on the re-evaluation of the content and the objectives of education and scientific research and development and of the structure of the corresponding institutions, together with improving region-wide economic performance and management to improve international competitiveness.

The future of the Arab States is to a large extent contingent on the responsiveness and the will of their governments, their business-

men and their investors to initiate effective collective action to meet global challenges, especially those stemming from increased economic openness, and to deal with internal structural problems and technological challenges so as together to reap the benefits of globalization.

The need is to deepen Arab political, social and economic cooperation in coming years, based on mutual understanding and support and a clear strategy that enables all classes of society to work together as partners. Achieving such cooperation means going beyond lifting trade restrictions and enlarging trade through the Arab Free Trade Area to embrace other key priorities. These include building human, technological and productive capabilities across the Arab region and establishing what can be called "a zone of Arab citizenship" that guarantees the freedom of movement of factors of production, including labour, capital, goods and services. This will require an institutional structure able to work towards these goals in ways that secure widespread popular assent and participation in line with the theme running throughout this Report, namely, that the human being must be at the centre of development processes and goals.

The dignity and the freedom of the Arab people demand that countries join together to provide human services: health, education and training, particularly for girls and women and people living in rural areas, along with strong efforts to abolish illiteracy, especially in the less developed Arab countries. Cooperation in financing and implementing such programmes (whether at the regional or the individual country level) is in essence the true basis of all other forms of cooperation. It deserves to be given priority in joint Arab action because such initiatives are at the heart of human development—and human development is at the heart of securing a freer, more secure and more fulfilled future for every citizen of all the Arab States.

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