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AFRO-ARAB ECONOMIC RELATIONS

By

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Presented May 2-3, 1980 at a conference
on "African-Arab Relations" at the U.S.
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AFRO-ARAB ECONOMIC RELATIONS

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This paper attempts to clarify some of the obstacles facing social scientists and political observers in their efforts to comprehend the Afro-Arab economic relationship. It then proceeds to summarize how this relationship has been described in the literature. It outlines a theoretical framework within which the Afro-Arab economic relationship can be understood and analyzes the scope and terms of this relationship. The paper concludes with some reflections on the limitations and future course of this relationship. <

OBSTACLES TO THE STUDY OF AFRO-ARAB RELATIONSHIPS

The economic relationship between the oil producing Arab countries and sub-Saharan Africa¹ is showered with controversy based on misinformation or lack of information. Several reasons can be advanced for this state of affairs.

¹The countries in this category include Zambia, Zimbabwe, Cameroon, Ghana, Senegal, Botswana, Togo, Equatorial Guinea, Kenya, Madagascar, Sierra Leone, Mauritania, Gambia, Central African Empire, Guinea, Rwanda, Tanzania, Uganda, Malawi, Mozambique, Zaire, Benin, Niger, Burundi, Lesotho, Ethiopia, Upper Volta, Mali, Chad, Somalia, Ivory Coast, Liberia and Djibouti.

Many of the programs contributing to this relationship are only of recent vintage, as recent as 1974. There has not been enough time for patterns of relationships to develop nor for systematic studies of whatever patterns exist to be undertaken. Instead all of our generalizations are based on impressionistic evaluations of relationships still in the making and patterns yet to develop.

Another reason for this misinformation or lack of information is that both the oil producing Arab countries and their African counterparts lack the institutional framework and the modern technology to produce and to disseminate the necessary information. Both cultures rely heavily on oral communication and face-to-face interaction. Furthermore the nature of the political systems are such that important decisions are still essentially reached by an individual or group of individuals who are under no constraint to account for their decision in front of their legislatures, investigative press or inquisitive public. Most of the Afro-Arab political regimes operate on the logic that the less the information the better. In fact, the Saudi-Arabian government, for example, has made it a Moslem virtue not to release information about its aid program to other countries. Such a disclosure, it was argued, negates the "philanthropic" intention behind the aid contribution. For social scientists or even concerned citizens in those countries this information

blackout is unfortunate since it leaves the field open to rumors and misinterpretation. A third reason for the confusion is political. The Afro-Arab economic interactions became embroiled with the Arab-Israeli controversy. Those social scientists and commentators who support the Arab side in this controversy looked at the Afro-Arab economic interaction in optimistic positive terms; while those who support the Israeli side viewed the relationship negatively and stressed its exploitative nature. We shall return to this point when we review how the Afro-Arab economic relationship was viewed by social scientists and political commentators.

Finally, the analysis of the Afro-Arab economic relationship suffered because it fell a victim to the North-South rivalry and the rhetoric it engendered particularly in relation to the New International Economic Order. Instead of devising theories to understand this relationship on its terms, social scientists and political commentators borrowed heavily from the theories and methodologies that were devised to describe, analyze, and understand the economic relationship between the industrialized countries and the less developed countries of Africa, Asia and Latin America. Motivations which may have been relevant to our understanding the relationship between Europe and its former colonies were carried forth as being relevant to the Afro-Arab economic relationship.

The goal became to compare and to evaluate the performance of the Arabs as compared to the performance of the industrialized west in the context of foreign assistance program with no attempt to distinguish the diametrically different nature of the programs being compared in terms of motivation, patterns, terms and constraints. In the conclusion of this paper we shall have a chance to touch on this point.

Afro-Arab Economic Relationship: Two Prevailing Views

In spite of the dearth of information and the absence of systematic studies on the topic, the Afro-Arab economic relationship has been, since 1974, the topic of heated controversy among political observers and commentators. Recently social scientists found the controversy irresistible and decided to join in the debate. It is not our aim in this short paper to undertake an exhaustive review of the literature on both sides of the controversy; rather we shall outline the basic elements of the controversy.

At the risk of oversimplification, two models have been proposed to explain the Afro-Arab economic relationship. I shall call the first the Exploitive Model and the second the Benevolent Model.

The Exploitive Model. Writers and political commentators who characterize the Afro-Arab economic relationship as essentially exploitive view this relationship in terms similar to the economic relationship between the industrialized west

and the less developed countries. Essentially, they argue that the Afro-Arab economic relationship is based on the desire of the Arab countries to extend their political, military and economic influence over Africa. African countries, it is suggested, have been misled by Arab promises that for their support of the Arab side in the Arab-Israeli conflict they will receive substantial economic aid to compensate for the loss they may suffer as a result of severing their relationship with Israel. It is further argued that the African countries have unduly suffered economic hardship as a result of increases in the price of oil. This, it is suggested, is the Arab responsibility to rectify. After they impressionistically review the Afro-Arab economic relationship, they conclude that the Arab economic assistance was inadequately and unfairly distributed to benefit African countries with significant Moslem population. Instead of the aid going to the needy African countries, it either went to other Arab countries in Africa (Egypt, Sudan, Tunisia, Morocco, Mauritania and Somalia), or to African countries with Moslem populations. Since writers and commentators in this category are usually less interested in the economic relationship and more in its political implications, they usually conclude that the Arab bluff is beginning to be discovered by the Africans and that the political support that Africa has granted to Arab causes

is beginning to slip. Africans, it is argued, are realizing that their relationship with the Arabs is that of unequals reviving in their mind a historically antagonistic past of a master-slave relationship. The best illustration of this approach is the report that Levine and Luke prepared to the Department of State, External Research Project which appeared in a book form in 1979.¹

The Benevolent Model. Proponents of this model essentially attempt to refute the accusations levied by the advocates of the exploitative model. They argue that Afro-Arab political support for each other's causes is not a matter that is being bought or sold by the Arab aid to Africa. Afro-Arab political support was a historical reality long before the emergence of the Arab aid to Africa. The Africans have consistently supported the right of the Palestinians while the Arabs have consistently supported various African liberation movements against French, British, Portuguese and Belgian colonialism; most importantly they have consistently supported the Africans on the Rhodesian and South African issue. This mutual support is based on a common history of exploitation to which the two people have been subjected under colonialism, neocolonialism, and modern economic imperialism.

Furthermore, proponents of this model argue that the Arab support to African causes extends beyond political

issues. Within the context of the Group of 77 (now 119) at the United Nations, the Arabs and the Africans have taken similar positions on a series of economic, social and cultural issues which came to be known as the New International Economic Order. The logic behind this support is not that it is advantageous to one group, but that it is in their mutual interest. It is a struggle in the international arena against capitalist exploitation of the two peoples. Therefore, it is argued, it is in their mutual interest to support each other, and especially it is morally and politically imperative for the Arabs to help the Africans to control their own resources through a variety of mechanisms as advocated within the general framework of the New International Economic Order (NIEO)². Proponents of this approach reject the accusation that the Arabs' control of their oil resources and the fact that at long last they are able to extract a fair price for the only limited natural resource they have is responsible for the African economic difficulties. Instead, it is argued that those difficulties stem from centuries of economic exploitation by the industrialized West, either through outright occupation or the system of international trade, which unfairly priced the African exports at very low levels. Finally, it is argued that the Arabs, in the spirit of brotherly neighbors, have been forthcoming and generous in their aid to Africa given the fact that the oil producers are

themselves amongst the most socially, economically and politically disadvantaged countries in the region.

This group often concludes that the African-Arab economic relationship is healthy and continuous, and that it can be improved through proper planning to the mutual advantage of both sides.²

While the two approaches contain some elements of truth, they both suffer from over generalizations and lack of conceptual clarity. It is rather simplistic and quite erroneous to speak of an homogenous Arab or African entity and assume a set of generalizations that describe or characterize each of these two entities. The Arabs and the Africans are composed of a number of states ruled by specific political regimes that pursue political and economic strategies to insure the survival of those regimes. Since few of the states can claim they are representative of their own people--elections on the whole are not allowed--it is difficult to associate the action of the state as reflecting the interest of its own people. Furthermore, both the African and the Arab political regimes work within an international context that determines to a large extent what they can and cannot do. I would like to propose that a better way of looking at the Arab economic aid to Africa is to consider the national and international constraints within which the Arab oil producing countries operate. This I shall call the Political Regime Model.

The Political Regime Model. To understand the motivation for Arab aid, its scope, direction, and limitation, we have to look at the national and international forces that define the acceptable course of action. Regimes in oil producing countries can hardly be characterized as popularly elected and therefore representative of their people. Their legitimacy stems from international support and their ability to placate internal opposition either through coercion or through persuasion and cooptation. To be able to exercise the coercive function they depend on the international help they receive. This explains why the regimes' first priority is the maintenance of the international economic system and the satisfaction of the economic and energy needs of the principal beneficiaries of that system, namely, the United States of America, Western Europe, and Japan. By maintaining a level of production much beyond their developmental needs the principal beneficiaries are the industrialized countries and not the poor countries in Africa or elsewhere. The international constraints therefore force the regimes to undertake certain economic policies; otherwise the regimes lose international support and legitimacy. This explains Saudi Arabia's oil policy within OPEC, and it also explains the sending of Moroccan troops to Zaire in 1978. The regimes' interest in maintaining a healthy international economic system leads them to be concerned with some of the economic needs of the African countries. After all, if Africa, as a result of

the adverse affects of the rise of oil prices, inflation, and slow or negative growth, defaulted on its loans to industrialized banking institutions, this would not only be disastrous to Africa but also to the international economic system wherein Africa has received its loans, sells its raw materials and buys its finished products. For as we shall see, most of the aid that goes to Africa is not to buy Arab or African products, nor to hire Arab or African personnel, but rather to finance Africa's import needs (industrial products, financial loans, and personnel) from the industrialized West. Arab financial contributions to African development, while intended to benefit Africa directly--and in many cases they do--end up subsidizing the industries, banks, and other institutions of the industrialized countries. The Arab regimes' economic relationship with Africa is not a threat to the interest of the industrialized countries as the exploitive model suggests, it is supportive and complementary to western interests.

The other constraints affecting the regimes' economic policy towards Africa and other developing countries is the nature of their local and Arab opposition. As we mentioned earlier, practically all the regimes in the oil producing countries lack a popular legitimacy. To stay in power, in addition to the reliance on international support, they need to continue to coopt their opposition by responding to some of

their most popular demands. Within the context of the topic of this paper, there are two general national demands. The first demand is the need to change the international economic system and the creation of the New International Economic Order. The second, the need to reduce the dependency on the industrialized countries and to encourage economic and political solidarity with the developing countries, in this case Africa. The first demand explains the positions that the regimes of the oil producing countries have taken in the various international forces such as the IMF, IBRD, UNCTAD, Multilateral Treaty Negotiation, FAO, UN Law of the Sea, and the Paris North-South negotiations. The second demand explains in part the concern with African economic development.

The Political Regimes Model, in contrast to the Exploitive or the Benevolent models, provides full explanation for what seem to be contradictory policies towards Africa. By specifying the forces that compel the regimes to act and by showing their contradictory demands, it provides the dialectic of the regime's economic policy. In this instance, the regime's economic policy is not based on exploitation as the Exploitive Model argues, nor on benevolence as the Benevolent Model suggests. Rather the interest of the regime, which is defined by two contradictory forces, determines its economic policy. The international forces on which the regime depends determine the regime's zeal in maintaining the international economic

system and the economic measures to increase its, and that of the third world countries, interdependency on that system. It also explains the support that the regime has given to the economies of the industrialized countries, particularly the United States, in the form of increased oil production at below the spot market rate, acceptance of the declining dollar as a unit of currency for payment, and the increase in imports, investments, and capital transfers. The local and other Arab nationalist forces have forced the regimes to seek reforms in the international economic system and increase their economic relationship with African and other third world countries.

ECONOMIC RELATIONSHIP WITH AFRICA: SCOPE AND LIMITATIONS

What types of economic relationships developed between the Arab countries and the African countries and what are the impact and limitations of these relationships? To answer the above questions requires a thorough examination of available data and more importantly it requires extensive field work to generate the necessary data especially the data needed to evaluate the impact. For the purpose of this paper we shall limit ourselves to tentative generalizations based on existing data.

Volume of Trade Developing countries have been insisting that the best way the developed countries can help them is to open their markets to the products of those countries, to remove some of the trade restrictions and to improve the terms of trade by not insisting on reciprocal treatment at least for an initial period of time. Thus, the ability of the developing countries to export to the markets of the developed countries is the best form of aid.

If we take this as an indicator and examine the trade relationship between African countries and the Arab countries, we find a dismal picture. Outside of oil, the Arab countries exported very little to Africa, while African export to the Arab countries if compared to the export to Europe is simply insignificant (see Table 1 below). Thus, the increased

TABLE 1

Oil-exporting countries' trade with Africa 1975
(million US dollars)

Countries traded with	Oil-producers' Exports	Oil-producers' Imports
Algeria	1	1
Angola	36	9
Benin	5	8
Botswana	—	8
Burundi	2	6
Cameroon	4	4
Chad	—	7
Congo	59	1
Djibouti	4	6
Egypt	28	111
Ethiopia	40	35
Gabon	1	—
Ghana	100	5
Guinea	7	—
Ivory Coast	121	22
Kenya	199	20
Lesotho	—	1
Liberia	26	2
Libya	4	—
Madagascar	14	1
Malawi	3	1
Mali	1	1
Mauritania	—	3
Mauritius	26	2

AFRICAN ECONOMIC DEVELOPMENT

Morocco	152	49
Mozambique	62	11
Namibia	—	1
Niger	12	3
Nigeria	13	1
Reunion	8	—
Rwanda	3	—
Senegal	40	4
Sierra Leone	19	—
Somalia	9	84
South Africa	235	93
Sudan	25	44
Swaziland	19	2
Tanzania	131	21
Togo	7	3
Tunisia	80	88
Uganda	n.a.	4
Upper Volta	1	—
Zaire	57	7
Zambia	68	1
Spanish Africa	5	—
Africa not specified	17	79
Total trade with Africa	1,644	752

^a Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar.
^b Saudi Arabia, UAE, Venezuela.
 n.a. = not available

Source: IMF Direction of Trade

purchasing power of the Arab oil producers did not translate itself into opening their markets to African products or vice versus. This is not due to official trade restrictions but to other reasons. In the first place there is an absence of financial and communication infrastructures to carryout trade, trade routes and consumers' tastes have historically been developed around European and other industrial countries and products. More importantly, what the Arabs need for their consumption, security and development (consumers' goods, durable goods, capital goods, arms supplies and science and technology) are available in the industrialized countries of Europe, the United States and Japan. What Africa can export has been historically geared to satisfy the raw materials and food needs of the industrial Europe. The same with the Arab export. Therefore contrary to the assumption of the Benevolent Model that there is complimentarity between the Afro-Arab economy needs, the patterns of trade clearly illustrate the absence of such a complimentarity. It is safe then to conclude that at least within the existing international economic system, the Afro-Arab trade relationship is divergent. Both dependent on exporting to and importing from the industrialized countries. It is, however, conceivable to establish some complimentarity at least as far as food products are concerned within the framework of a

newly established regional common economic market. Such a development is a far fetched eventuality for a number of complex political and economic reasons. Thus, we can conclude that a major opportunity to help Africa economically is missed.

DIRECT AND INDIRECT ECONOMIC AID TO AFRICA

The two primary beneficiaries of the Arab oil producing countries' economic aid to other countries are the industrialized countries and the Arab countries. The industrialized countries benefit because the oil producing countries continue to produce oil to meet the international market needs rather than the development needs of the oil producers and because the money spent for internal consumption, developmental projects, military and security needs, as well as the money spent in the form of aid to Arab or non-Arab countries, most of it ends up in the industrialized markets financing the purchase of the needed products. Some Arab countries and the people of the oil producing countries are the other beneficiaries of the oil money. This can be seen in the pattern of internal expenditure that the oil producing countries have followed, such as free education, health and increased welfare and other social benefits to all citizens, higher wages, subsidized staple food, generous loans, tax breaks and public housing. Certain Arab countries such as

Egypt, Sudan, Jordan, Tunisia, Morocco and Syria were also some of the main beneficiaries of Arab economic aid (see Table 2 below).

African economic aid, as expected, while by any international standard appears to be generous, received a second priority and was motivated less by any economic or political interest as some have suggested, but more by the concern of the regime to maintain a viable international economic system and by the nationalistic pressure that was placed on the regime, by groups in the oil producing countries and the Arab countries at large who for historical political, religious or ideological reasons identified with the African needs.

Irrespective of the motivation of the Arab economic aid to Africa, it is important to examine its scope and terms.

Scope and Terms of Arab Aid

Arab aid to Africa has been handled through a variety of direct and indirect methods using various types of institutions. Table three below summarizes the type of institutions that handled the aid, and identifies the primary intended beneficiary of the aid, points out the second unintended beneficiary and finally charts the possible impact of the aid to the economies of the oil producers, the industrialized countries and the African countries. The classification of aid by the type of institution that disburses

TABLE 2

NET RECEIPTS OF BILATERAL OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC COUNTRIES AS COMPARED TO RECEIPTS FROM OPEC 1974 - 1977 \$Million

Region	1974		1975		1976		1977	
	DAC	OPEC	DAC	OPEC	DAC	OPEC	DAC	OPEC
Africa North of Sahara	438.80	883.27	647.22	2288.66	867.36	1078.11	1064.11	996.07
Africa South of Sahara	1755.78	251.95	2242.94	401.43	2228.21	455.15	2550.46	453.69
Middle East	235.87	1114.38	651.81	1225.14	837.32	1337.44	1133.72	1182.70

SOURCE: OECD Development Cooperation, 1978 Annual Review-Paris p. 230-231, and p. 266-267

TABLE 3

TYPES OF ARAB AID, THEIR INTENDED AND UNINTENDED BENEFICIARIES, AND THEIR CONTRIBUTION TO ECONOMIC DEVELOPMENT

TYPES OF INSTITUTION HANDLING AID	INTENDED BENEFICIARY	UNINTENDED BENEFICIARY	IMPACT ON OIL PRODUCERS' ECONOMIES	IMPACT ON LDCs' ECONOMIES	IMPACT ON INDUSTRIALIZED ECONOMIES
1. Political Institutions	Arab States and some non-Arab Moslem countries	Industrialized countries	Negative; net drain of resources	Positive; net addition of economic resources	Positive; financing of sale of industrialized products to LDCs
2. National Funds (bilateral)	Arab and non-Arab countries	Industrialized countries	Negative; net drain of resources	Positive; net addition of economic resources	Positive; financing of sales of industrialized products to LDCs, and increasing of employment of their nationals in LDCs.
3. Multi-lateral newly established Funds or Authorities	Arab, African and Moslem countries	Industrialized countries	Negative net drain	Positive; net addition of economic resources	Positive; same as above
4. Already established international national Funds	Developing & Industrialized countries	Industrialized countries	Negative; some drain of resources especially under concessionary laws	Positive; addition of economic resources	Positive; addition of economic resources
5. Joint government/private ventures	Arab and African countries	Industrialized countries	Economic investment	Positive; availability of needed capital	Positive; improved sales to LDCs
6. Private investments	Industrialized countries	LDC	Increased profit or capital	Increased oil from industrialized countries	Flow of investment capital and support of dollar
7. Government investments	Industrialized countries, some LDC	LDC	Profit on investment	Increased aid to LDC from the industrialized countries	Flow of investment capital and support of dollar
8. Bureaucratic investment in local economic & social development	People of oil producing countries	Industrialized countries, Arab and non-African countries	Positive in short run	Positive	Positive

them is important because, as I have argued somewhere else, the projects that the aid can support and the countries that normally benefit from such aid.

1. Aid distributed through political institutions. This is the type of aid given as a result of a political decision reached by the government of the oil producing countries to support another government to meet its economic and security needs. Normally such aid is mostly spent for purchase of arms and military equipment as the aid given by the oil producing countries to the confrontation States of Egypt, Syria, Jordan and recently Lebanon, or the aid offered recently to North Yemen and Pakistan. Some of this aid could also be used for budgetary support to subsidize basic food costs, pay salaries and similar items.

The primary beneficiaries of this aid have been the Arab countries and some Moslem countries. Few African countries received such aid, Uganda, Zaire and Somalia are some of the African states that may have received such aid.

Since most of this aid is spent on armaments, the indirect beneficiaries of this aid are the countries with a significant arms industry especially the U.S.A., France, Britain and to a lesser degree the U.S.S.R.

The impact of such aid on the economy of the oil producing countries is a negative one, since it represents a

net drainage of resources that takes the form of a grant which is never repaid. Its impact on the receiving country is positive not from an economic point of view; since most of the money is spent on arms, but from a military-security point of view. Instead of borrowing the money in the international market and paying interest, the recipient country gets this aid in the form of a grant. The primary beneficiary of this aid is the economies of the industrialized countries where it represents jobs and profits to keep the arms industry and its subsidiaries going.

This aid is given under the pressure that comes from nationalistic forces and represents an investment in the perceived security of the regime.

2. Aid given through National Funds. Most economic aid addressed to developmental needs is still distributed by national funds established by the various oil producing countries (see Table 4 below). The most prominent of those funds is the Kuwait Fund for Arab Economic and Social Development, which served as a prototype for other similar funds in Saudia Arabia, United Arab Emirates, Libya and Iraq. Although these funds were intended originally to meet the economic and social developmental needs of the Arab countries, after 1974 they extended their scope of operation to African and other LDC's. The funds operate under a clear

TABLE 4
TOTAL OFFICIAL FLOW OF RESOURCES TO AFRICA AND MIDDLE EAST FROM OPEC COUNTRIES
1974-1977 \$Million

Region	1974	1975	1976	1977
Africa North of Sahara	1158.71	3159.29	1446.51	1081.73
Africa South of Sahara	538.15	532.77	593.94	498.69
Middle East	1845.80	2177.50	3001.61	1770.39

SOURCE: OECD, Development Cooperation, 1978 Annual Review-Paris, p. 268-269

charter which defines its scope of operation, the permissible activities and the process by which these conditions need to be met. The fund has a subscribed capital and operates under a governing board and a director. Decisions are reached basically on the economic developmental merit of the proposed project and less on political considerations. This does not mean that politics never enter into the decisionmaking process. Obviously when selecting which country is to receive aid and how much, political considerations are taken into account. However, in determining which projects are to be supported in those countries, economic and developmental considerations prevail. Projects supported by these funds include; agriculture, transportation, communication, energy, education and industry. The policy of these funds is to provide loans at a high concessionary rate with 3-5 years grace period and payment over 20-25 years. The element of grants in these loans averages 75%.

The primary beneficiaries of these loans have been traditionally the poor Arab countries, especially Egypt, Sudan, Tunisia, Morocco, Yemen and Jordan. After 1974 African and non-African countries became eligible for loans from these funds.

The unintended beneficiaries, however, are the industrialized countries that are supplying the specialists and the equipment for the implementation of those projects

approved by the funds. Since loans provided by these funds cannot be used to cover local costs, most of the money ends up spent in the industrialized countries.

The impact of these loans on the economy of the oil producing countries is negative, since those countries, unlike the industrialized countries, end up transferring monetary resources rather than goods and services as in the case of the aid given by the industrialized countries. Aid given by industrialized countries, as has often been pointed out, is primarily spent in the donor country supporting jobs, productivity and research. This is not the case with the oil producing countries.

The impact of this form of aid on the recipients is very positive, since it comes as an unconditional transfer of financial resources that could be used to attract other international loans and to bargain for the best bid regardless of the country of origin. However, since the loans received from these funds cannot be used to cover local costs, the productivity and employment of the recipient countries does not benefit. Rather than using the money to buy local products and hire local talents (if both are available) the recipient country ends up buying and hiring foreign products and personnel respectively.

Obviously the impact of those loans to the economies of the industrialized countries is positive since it provides

financing for the export of manufactured goods and technical skills to the LDC.

This type of aid is mostly motivated by nationalistic pressures on the regime since most of this type of aid goes directly to Arab governments and some African states. A common front with Africa, these nationalistic forces believe, is important to build political support in order to achieve common goals.

3. Aid administered through newly established Funds. After 1974 a number of Funds and Authorities were established to serve a particular area or to promote the development of a particular economic sector.

These Funds or Authorities are usually subscribed to by a number of Arab countries, oil producers and non-producers with the major subscription by the oil producers. They have the same organizational structure and governing boards as the national Funds, however, they are manned by the nationals of the various countries involved. Voting rights in these Funds are proportional to the subscription share with a minimum voting right guaranteed regardless of the amount subscribed. These Funds and Authorities provide grants and loans with a very high concessionary element similar to the national funds (see Table 5 below).

The principal beneficiaries of these multi-national Funds and Authorities are African and Arab countries. However,

TABLE 5

TOTAL OFFICIAL FLOW OF RESOURCES TO AFRICA AND MIDDLE EAST FROM OPEC COUNTRIES AND ARAB MULTILATERAL INSTITUTIONS 1974-1977 \$million

Region	1974	1975	1976	1977
Africa North of Sahara	1183.20	3199.75	1763.83	2342.32
Africa South of Sahara	627.74	683.41	741.27	619.52
Middle East	1175.66	1360.99	1484.41	1314.04

SOURCE: OECD Development Cooperation, 1978 Annual Review-Paris p. 270-271.

as in the case of the loans of the national funds, the indirect beneficiaries end up being the industrialized countries that can supply the manufactured goods and the trained and skilled personnel needed for the implementation of the various projects. Projects supported by these Funds and Authorities include grants to subsidize oil imports to Africa, to agriculture, construction and armament industries. As in the case of the national funds, loans are normally given to governments and not to private establishments.

The impact of these loans on the economies of the oil producers, as in the case of the loans offered by the national funds, is negative since those countries are in no position to supply either the equipment or the personnel to implement the financed projects. These loans represent net losses of financial resources. In some agricultural projects in the Sudan, for example, there was the expectation that eventually Sudan would develop into a breadbasket for the oil producing countries, lessening the dependency of the oil producing countries on food imported from the industrialized countries.

African and Arab recipients of the loans experienced a positive economic impact since these are untied loans representing a net addition of financial resources. The impact of these loans to the recipients and to the industrialized countries is similar to those loans administered by the national Funds.

4. Aid through already established International Funds.

After 1974 the contribution of the oil producing countries to the already established UN Funds such as IMF, IBRD, UNDP and others has drastically increased (see Table 6 and 7 below). The administration and terms of aid given by these Funds are governed by the existing rules and structures of these Funds. However, OPEC countries have spearheaded the attempts to change the existing voting rights in these international organizations and have been insisting that developing countries be given special considerations when applying for loans from these Funds.

The primary beneficiaries of these Funds are those who can afford the loans; i.e., countries with occasional balance of payments problems in the case of IMF loans and developing countries in the case of concessionary loans given by the IMF, IBRD, and UNDF.

Once again the main beneficiaries of these loans, in addition to the recipients, are the industrialized countries who can export the machinery, the goods and technology and skills needed by the recipients. The oil producing countries do not benefit from this form of aid. Its contribution to these institutions is because of the international pressure and not because of nationalists' sentiments. In fact, nationalists are opposed to contribution through some of

these institutions, especially IMF and IBRD, because they are under the control of the industrialized countries, especially the West.

5. Aid given through joint government-private ventures. This is essentially a business venture where government and private funds join together. Investments are undertaken in both developing and industrialized countries. While the primary motive is profit, occasionally oil producing countries use this type of investment to avoid the restrictions of the Funds such as working with private instead of government institutions. Through this method some investments were undertaken in developing countries in areas in which it would have been difficult to attract purely private commercial funds. The oil producing governments acted as a guarantor of the investment, making it possible for the private sector to take the risk (see Table 8 and 9 for OPEC revenues and reserve available for investment).

As stated above, the primary beneficiaries of this type of economic activity could be the industrialized or the developing countries. These funds could be used to buy local goods and services--unlike the Funds loans--and to attract regular bank loans. It could also be used to encourage the local private sector. Its impact is positive on the market of the oil producers, the LDCs and the

TABLE 8
OIL REVENUES-ARAB AND AFRICAN OPEC
(in Millions of SDRs)

COUNTRY	1971	1972	1973	1974	1975	1976	1977
Algeria	657	939	1,198	3,351	3,135	4,065	4,841
Gabon	97	105.9	162.3	589.2	714.4	782.8	770.5
Kuwait	6,500	7,747	7,732
Libya	2,701	2,264	2,944	5,992	5,279	7,568	8,886
Iraq	1,479	1,169	1,757	5,707	6,718
Nigeria	1,373	1,661	2,562	7,489	6,392	8,180	9,408
Saudi Arabia	3,488	3,972	6,289	24,990	22,267	30,622	34,260

Source: Balance of Payments Yearbook, Vol. 29 (Washington, DC: International Monetary Fund, 1978).

- Notes:
1. For Algeria, oil revenue includes also that of gas
 2. Qatar and United Arab Emirates are not included in the 1978 IMF Balance of Payment Yearbook.

TABLE 9

INTERNATIONAL RESERVES OF ARAB AND AFRICAN OPEC
(in Millions of U.S. Dollars)

COUNTRY	1971	1972	1973	1974	1975	1976	1977	1978
Algeria	506.5	493.0	1,143.2	1,688.8	1,352.5	1,987.4	1,917.4	2,232.6
* Egypt	140.0	139.0	363.0	356.0	294.0	339.0	354.0	605.0
Iraq	600.4	781.5	1,553.1	3,273.2	2,727.3	4,600.7	6,995.7	...
Kuwait	287.9	363.2	501.0	1,399.3	1,654.9	1,928.6	2,989.9	2,615.6
Libya	2,665.4	2,924.8	2,126.7	3,615.5	2,194.9	3,205.5	4,890.5	4,216.4
* Oman	157.6	161.8	107.1	193.7	239.0	308.8	426.7	414.5
Qatar ¹	21.6	28.7	75.5	71.7	104.4	137.1	162.2	206.1
Gabon ²	25.4	23.2	47.9	103.3	146.1	116.2	10.2	54.1
Nigeria	429.0	376.0	583.0	5,626.0	5,609.0	5,203.0	4,259.0	1,917.0
Saudi Arabia	1,444.0	2,500.0	3,877.0	14,285.0	23,319.9	27,025.0	30,034.0	19,407.0

Source: UNCTAD: Handbook of International Trade and Development, 1979 (New York: UN, 1979)

- Notes: 1. Data for reserves in 1978 refer to end of month September.
2. Data for reserves in 1978 refer to end of month November.

industrialized countries. The oil producers own equity and insure a fair return on their investment, the LDCs acquire capital in needed areas that generate jobs and productivity, and the industrialized markets also benefit by attracting capital if the investment is done directly in its market or exporting goods and services for the government.

6. Aid through government investment. Some oil producing countries have been forced to accumulate significant foreign currency reserves through their willingness to produce oil to satisfy the international market rather than their developmental needs. To hedge against rampant inflation-governments found it necessary to invest their savings in secure but profitable ventures. While this type of economic activity is not undertaken with aid to other countries in mind, its economic impact leads to significant benefits to the country where the money is invested. The pattern thus far has been for this money to be invested either in real estate, short-term savings accounts, or treasury bonds of the U.S. and some European countries. Some oil producing governments had limited success in investing in industrial stocks and institutions. The choice of industrialized countries rather than LDCs as a site for investment is due to the security, stability and predictability of their economics. It is also done with the hope of providing the

oil producing countries with access to managerial skills, scientific and technological innovations of the markets of the industrialized countries. While the intended beneficiaries are the governments of the oil producing countries, the primary beneficiaries have been the economies of the industrialized countries that receive easy capital which can be used for domestic and international investments. Unfortunately for the LDCs, their markets have not been able to provide the necessary security, stability, predictability and profitability to attract this type of capital. Every now and then the nationalist actors in the oil producing countries and the rest of the Arab world warn against the danger of further investments in the industrialized countries and call for more investment in the LDC. Their warnings and calls have had limited impact.

7. Aid through private investment. A new, rich and entrepreneurial class has, in the last decades, emerged in many of the Gulf oil producing countries (Kuwait, Saudi-Arabia, Qatar, and United Arab Emirates). Having accumulated its wealth through its intermediary role between the exporting industrialized countries and the oil producing countries or through acting as agents and distributors of industrialized products to an increasingly affluent and consumer-oriented local population; this class has increasingly turned to

investment in the markets of the industrialized countries. Similar to government investment, the primary goal for these investments is to hedge against inflation, insure a fair profit and sometimes facilitate access to managerial skills, and the acquisition of science and technology. The market of the industrialized countries, especially investments in real estate, has been the primary target of these private economic activities. The advantages of the economic markets of the industrialized countries discussed above prevented these funds from being invested either domestically in the oil producing countries or in other LDCs. Consequently, the primary beneficiaries of this type of investment are the investors and the economy where the money was invested.

8. Bureaucratic investment for internal socio-economic development. Perhaps the largest investment made by the oil producing countries is in projects and activities aimed at internal socio-economic development and strengthening their defensive capability. The Five-Year Plan of Saudi-Arabia calls for over \$142 billion in spending. The intended beneficiaries are the people of the oil producing countries. However, as indicated earlier, most of the funds are used for importing goods and services and skilled labor and professional expertise. Again, the primary beneficiaries have been the industrialized countries, followed by the Arab countries, and recently some Asian countries such as the Phillipines,

South Korea, Taiwan, India, and Pakistan. Africa, unable to export the needed goods or to provide the required skilled labor, has been left out of the most significant possible source of aid, namely trade.

Conclusions

Eight patterns of economic interactions, their scope and characteristics as well as their economic impact were identified and discussed. These patterns are identified by the type of institutions that take the leading role in determining who gets what and how much. Economic aid is dispensed through political institutions (the ruling families and the Cabinet), National Bilateral Funds, Multi-lateral newly established Funds, existing multi-national and international Funds, joint government private ventures, private investments, government investment and bureaucratic developmental expenditures.

There are two generalizations that appear to hold true. The first is that Arab aid to Africa appears to have no positive contribution to the economies of the oil producing countries. It represents a net outflow on their limited and temporary financial resources. The second is that in all the economic patterns of the oil producing countries, the economies of the industrialized countries are always the primary beneficiaries.

The impact of Arab aid to Africa or to the economies of the recipient country is, while overall positive, nonetheless falls short of the needs of African societies.

For economic reasons Arab aid to Africa not only is a direct contribution to economies of the African countries, but also contribute to the U.S. and other Western economies. It is therefore in the interest of the U.S. to encourage the contribution and expansion of this aid. The real question becomes what can the U.S. do to encourage such a development and to make it profitable to the oil producers to continue in such a relationship. The fear is that since the oil producing countries are unable to economically benefit from their economic relation with Africa, they may either terminate it or as is the case now, slow it down. What can be done is a subject that requires further exploration.

The relevance of Arab aid to Africa is unquestionably positive regardless of its motives or volume. It is untied flexible and represents cash flow to the recipient country. Contrary to other bilateral or international aid, the Arab aid does not represent a development ideology or institutional prerequisite. The recipient countries are able to use the aid to attract other international financing. Arab aid was successfully used by African countries to extract bilateral and multilateral concessions from the industrialized countries and the international institutions respectively.

Its basic weakness, however, is its transitory nature as the various tables show, the volume of aid is either stabilizing or decreasing both to Africa and to other Arab and non-Arab countries. The GNPs of OPEC countries if compared to industrialized countries is stabilizing while their development needs are increasing. (Compare Table 10 to 11 below). Their oil production has either stabilized or declined. (see Table 12 below). Arab OPEC aid has failed to stimulate local production. It represents net outflow of resources. The internal and Arab pressure on the oil producing countries will be such that aid will be curtailed or limited to internal development and some Arab countries. The challenge as I see it is how to persuade the Arabs to continue their aid. Two strategies are logically feasible, one is to entice them by positive gains, political or economic, The other is to scare them by creating political or security problems for them. In the short and the long run the first strategy of positive inducement is preferable.

TABLE 10
 GNP OF ARAB AND AFRICAN OPEC COUNTRIES
 (in billion \$ and value data in 1978 dollars)

COUNTRY	1975	1976	1977	1978	1978 GNP PER CAPITA
Algeria	16.41	17.39	18.43	19.53	1,056
Iraq	15.35	17.65	19.42	21.36	1,737
Kuwait	13.53	14.41	13.72	15.16	22,000
Libya	14.22	15.92	16.88	18.57	6,750
Qatar	4.19	4.82	4.30	4.94	8,793
Saudi Arabia	43.45	46.93	53.97	54.51	8,400
United Arab Emirates	6.68	7.62	8.23	7.76	9,700
Gabon	2.03	2.23	2.23	1.98	3,530
Nigeria	32.46	36.52	38.93	40.10	570
Egypt	12.48	13.89	15.04	16.09	394

Source: Planetary Product: Progress Despite "The Blues" 1977-78
 (ASI:79, Annual, Oct. 1979).
 MF7144-12 (US Bureau of Intelligence and Research -
 Annuals and Biannuals).

TABLE 11
GNP OF EUROPEAN COUNTRIES AND USA AND CANADA
(in billion \$ and value data in 1978 dollars)

COUNTRY	1975	1976	1977	1978	GNP 1978 PER CAPITA (dollars)
USA	1,828.60	1,932.80	2,027.50	2,106.90	9,640
Canada	174.80	184.94	189.93	196.58	8,323
Sweden	72.82	73.91	72.11	73.73	8,894
Switzerland	53.37	52.63	54.05	54.59	8,651
Federal Germany	457.97	483.62	496.19	513.06	8,372
Norway	27.89	29.56	30.77	31.94	7,867
France	367.16	387.72	399.35	411.33	7,719
Denmark	35.56	37.44	38.11	38.87	7,607
Belgium	63.71	67.34	68.15	69.72	7,085
Luxembourg	2.32	2.39	2.42	2.48	6,889
Netherlands	81.02	84.42	86.36	88.09	6,324
Iceland	1.13	1.16	1.21	1.26	5,706
Austria	37.41	39.36	40.74	41.35	5,491
Finland	23.11	25.18	23.07	23.76	5,002
United Kingdom	236.73	242.89	243.78	254.18	4,556
Italy	192.53	203.31	206.77	210.68	4,211
Ireland	8.86	9.14	9.64	10.27	3,189
Greece	20.85	22.08	22.90	24.16	2,576
Spain	88.19	90.04	92.20	95.00	2,560
Malta	0.54	0.64	0.69	0.75	2,225
Cyprus	0.99	1.13	1.26	1.36	1,954
Portugal	13.27	14.10	14.95	15.40	1,570
German Democratic Republic	73.85	75.45	78.44	81.01	4,834
Czechoslovakia	64.79	66.13	69.01	70.72	4,673
USSR	940.40	980.84	1,014.19	1,046.64	4,004
Roumania	56.14	62.70	64.71	67.45	3,083
Poland	98.58	102.66	105.50	108.34	3,094
Hungary	29.79	29.77	31.25	32.06	3,000
Bulgaria	22.81	23.75	23.71	24.75	2,799
Yugoslavia	47.16	48.93	52.15	55.97	2,541
Albania	1.59	1.64	1.69	1.74	647

Source: Planetary Product: Progress Despite "The Blues" 1977-78
(ASI:79, Annual, Oct. 1979) MF.7144-12 (US Bureau of
Intelligence and Research-Annuals and Biannuals).

CRUDE OIL PRODUCTION FOR MAJOR PETROLEUM EXPORTING COUNTRIES

Country	1973-1978						March 1979		
	1973 Year	1974 Year	1975 Year	1976 Year	1977 Year	1978 Year	Production	Maximum Sustainable	Unused
Thousand barrels per day									
Algeria	1,070	960	960	990	R1,122	1,230	1,230	1,230	0
Iraq	2,020	1,970	2,260	2,415	R2,493	2,630	3,300	3,300	0
Kuwait ¹	3,020	2,545	2,085	2,145	R1,969	2,130	2,290	2,900	610
Libya	2,175	1,520	1,480	1,935	R2,064	1,990	2,140	2,200	60
Qatar	570	520	440	495	R445	490	370	600	230
Saudi Arabia ¹	7,585	8,480	7,075	8,575	9,200	8,290	9,770	10,300	530
United Arab Emirates	1,535	1,690	1,665	1,935	R1,999	1,830	1,820	2,380	540
Subtotal: Arab OPEC	17,985	17,675	15,965	18,499	R19,292	19,590	20,920	22,990	1,970
Ecuador	210	175	160	185	R183	200	230	230	0
Gabon	150	200	225	225	R222	230	230	230	0
Indonesia	1,340	1,375	1,305	1,505	R1,685	1,640	1,630	1,650	20
Iran	5,860	6,020	5,350	5,885	R5,699	5,210	2,350	16,800	4,250
Nigeria	2,055	2,255	1,785	2,070	R2,097	1,910	2,440	2,400	(²)
Venezuela	3,365	2,975	2,345	2,295	R2,238	2,160	2,430	2,400	(²)
Subtotal: Non-Arab OPEC	12,980	13,800	11,170	12,165	R12,124	11,350	9,310	13,510	4,270
TOTAL OPEC	30,965	30,675	27,135	30,665	R31,416	29,940	30,230	36,400	6,240
Canada	1,800	1,695	1,460	1,300	R1,321	1,320	1,540	1,690	140
Mexico	465	580	720	850	R981	1,210	1,400	1,500	100
TOTAL OPEC, Canada, Mexico	33,230	32,950	29,315	32,865	R33,718	32,470	33,170	38,590	6,480
TOTAL WORLD	55,755	55,575	52,990	57,340	R66,062	60,190	62,150		

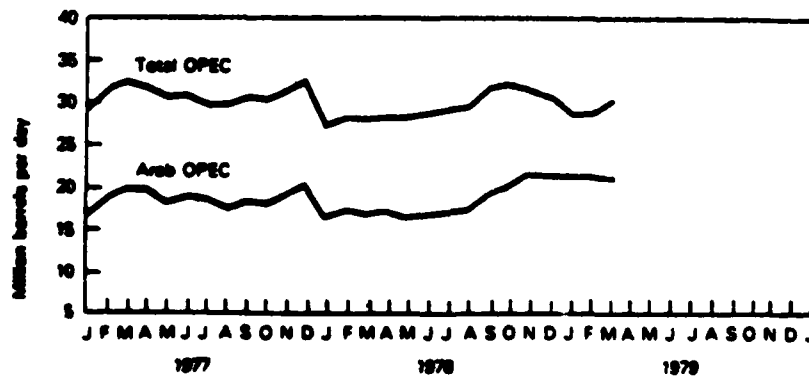
¹ Includes about one-half of the former Kuwait-Saudi Arabia Neutral Zone. Production in March 1979 amounted to approximately 570,000 barrels per day.

² Production may exceed maximum sustainable capacity for brief periods.

³ The impact of the recent shutdown of Iranian oilfields on capacity is not yet known.

Sources: Central Intelligence Agency, National Foreign Assessment Center, *International Energy Statistical Review*, May 2, 1979, *Petroleum Intelligence Weekly*, May 14, 1979, National Energy Board of Canada, and U.S. Department of Energy.

OPEC Countries Crude Oil Production



Source: Department of Energy, "Monthly Energy Review," June 1979.

