

IMPACT OF COVID-19 ON TRANSPORT IN THE ARAB REGION



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Introduction

The COVID-19 pandemic has triggered a global health and economic crisis that has transformed the world. The United Nations Conference on Trade and Development (UNCTAD) expects world gross domestic product (GDP) to contract by 4.3 per cent in 2020 and trade to shrink by around one-fifth. Meanwhile, foreign direct investment and remittances are set to fall by up to 40 per cent and by over \$100 billion, respectively.¹

The Arab region is not immune to the shock triggered by the pandemic, with the region's GDP projected to decline by 5.7 per cent in 2020.² Inflows of foreign direct investment to the region are projected to fall by 45 per cent in 2020, while unemployment is set to rise to unprecedented levels.³

The disruption caused by the pandemic directly affects global supply chains and their underlying transport networks. Border closures and the introduction of various safety restrictions and sanitary protocols limiting the movement of people and goods have directly impacted the transport and logistics sectors.



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Note: The Policy Brief draws upon ESCWA-UNCTAD Technical Note on "COVID-19: Impacts on transportation in the Arab region", October, 2020, www.unescwa.org.


¹ UNCTAD, Trade and Development Report 2020. From Global Pandemic to Prosperity for All, 2020.


² UN, The impact of COVID-19 on the Arab region: an opportunity to build back better, 2020. Available at http://www.unescwa.org/sites/www.unescwa.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf.

³ Ibid.


Impact

Maritime transport in the Arab region


 Maritime transport underpins international trade and global value chains. Shipping is estimated to deliver over an estimated 80 per cent of world global trade by volume and more than 70 per cent of its value. The outbreak of COVID-19 has underscored the resilience of the sector to disruptive factors such as pandemics, and the critical importance of ensuring business continuity to enable delivery of essential goods in times of crises and to sustain trade flows. The projected fall in global maritime trade volumes in 2020⁴ and trends in global ships port calls, for example, provide some indication of the magnitude of the COVID-19 impact on maritime transport and trade.⁵

 Member States of the Economic and Social Commission for Western Asia (ESCWA) account for an estimated 14.5 per cent of world maritime exports by volume (with oil and gas trade constituting most of these shipments) and 5.6 per cent of world maritime imports.⁶ Port calls by ships in the Arab region recorded some decline in the first 31 weeks of 2020 compared with the same period in 2019 (figure 1).

 Port calls by all types of ships in the Arab region recorded a decline of 6.1 per cent in the first half of 2020 compared with the same period in 2019. Although port calls by passenger and roll-on/roll-off vessels declined by 40.1 per cent and 18.6 per cent, respectively, port calls by all commercial cargo vessels declined by 1 per cent. Container vessel port calls remained steady across the first 31 weeks of 2020 compared with the same period of 2019.

 While port calls can shed some light on the disruptive nature of the pandemic, not all changes in weekly port calls are necessarily caused by COVID-19 and related response measures. Seasonal factors, trade policy changes resulting in shifting trade patterns, and regulatory measures that may affect shipping and ports can also impact the number of port call. Moreover, ship capacity deployment strategies by carriers and decisions by shipping alliances can all influence port call choices.

Air and land transport

 The impact of COVID-19 on air transport in the Arab region has been significant (figure 2). The number of passenger flights dropped by 53 per cent in the first six month of 2020 compared with the same period in 2019. The total number of cargo flights increased by 5.6 per cent in the same period to compensate for the reduced cargo capacity usually provided by belly-holds of passenger air transport.


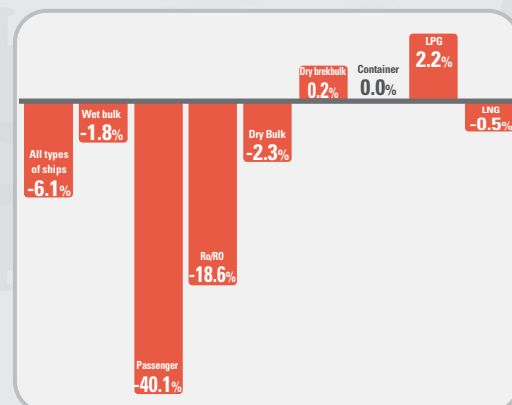
 In 2020, the total number of air passengers to, from and within the Arab region is expected to drop by 52.7 per cent to around

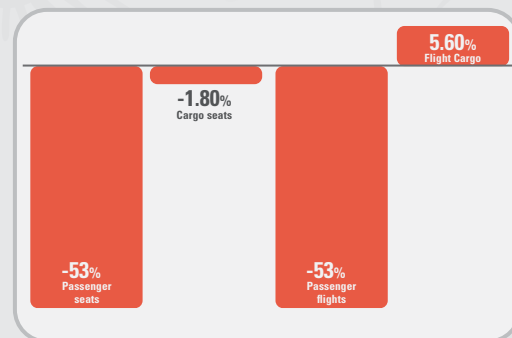
Figure 1. Port call changes in the first 31 weeks of 2020 compared with the same period of 2019 (percentage change)



Source: Calculations based on UNCTAD data sourced from MarineTraffic (<https://www.marinetraffic.com>).

Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 tons. Only arrivals are taken into account to measure the number of port calls.

Figure 2. Air transport activity in the Arab region (percentage change, H1 2020 - H1 2019)



Source: ESCWA calculation based on data from ICAO, available at <https://data.icao.int/COVID-19/> (accessed on 25 July 2020).

⁴ UNCTAD, Review of Maritime Transport 2020 (forthcoming).

⁵ UNCTAD, Navigating through the coronavirus crisis and uncertainty: How maritime transport data can help. Transport and Trade Facilitation Newsletter N°87, 2020.

⁶ UNCTAD, Review of Maritime Transport, 2019.

154 million, taking the number of passengers back to the 2009 level. Total revenue losses of airline companies in the Arab region are estimated at \$38 billion in 2020 (some 53 per cent of 2019 revenues).⁷ Global air travel is not expected to return to pre-COVID-19 levels before 2023.⁸



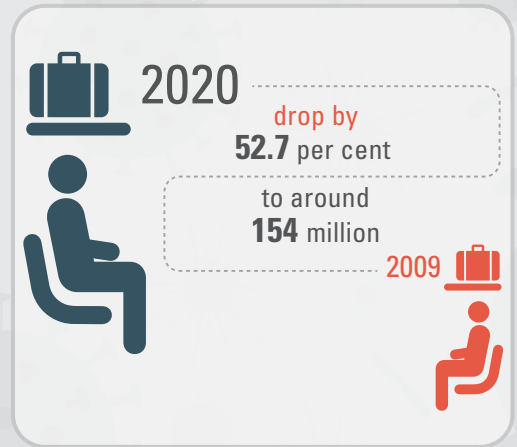
Regarding land transport, some land borders were entirely closed by COVID-19 restrictions while others remained open for trade in all goods. Many countries introduced safety measures, and some have introduced additional trade facilitation measures to facilitate the flow of goods. Road freight transport turnover in the MENA region is expected to decline by 22 per cent in 2020 compared with 2019 owing to the pandemic.⁹

Policy Response

COVID-19 has impacted the transport sector globally. In the Arab region, the impact is likely to have long-lasting implications, especially for the aviation industry. Almost all Arab Governments have introduced policy measures to support various economic and social aspects.¹⁰ However, the success of these measures in propelling a sustainable recovery while addressing existing challenges (political tensions, conflict), and mitigating the effect of collapsing oil prices, remains to be seen.

Some priorities for the region were recently emphasized in a joint statement signed by eight United Nations agencies,¹¹ including UNCTAD and ESCWA, reaffirming the contribution of international trade and supply chains to sustainable socioeconomic recovery. For the Arab region, some priorities include the following:

1. Arab Governments should implement support measures and packages that enable the recovery of the transport and logistics sector. Such measures may include financial support, implementing subsidy programmes, tax rebates, other duties exemptions, waivers, advancing payment for future government purchases of transport services, and subsidizing workers' salaries and training.
2. Governments are encouraged to pursue collaborative efforts to identify and remove any unnecessary regulatory obstacles to a post-pandemic recovery, and to facilitate transport and trade in these difficult times and beyond.
3. Governments should strengthen international and regional collaboration for coherent and concerted action in response to the pandemic and its impact on transport and logistics. This is crucial in times of crises and includes sharing information and mutual recognition of certificates and compliance documents. Making use of regional platforms such as ESCWA, the League of Arab States and its regional transport professional unions should be encouraged.



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⁷ Arab Air Carriers Organization (AACO), The effects of COVID-19 on Global and Arab Air transport, 2020.

⁸ International Air Transport Association (IATA), Recovery delayed as international travel remains locked down. Press release No. 63, 2020.

⁹ International Road transport Union, COVID-19 Impacts on the road transport industry: Executive Summary, 2020.

¹⁰ ESCWA, COVID-19 Stimulus Tracker, 2020. Available at <http://covdata.unescwa.org/RPT/RPTDSH1.aspx>.

¹¹ United Nations, http://www.uneca.org/fileadmin/DAM/206_Final_Joint_Statement_IMO-ICAO-5_RegComms_without_signatures.pdf, 16 September 2020.

4. Arab countries should support the resilience building process, including through investment in risk assessment and preparedness to shocks and disruptions. Lessons learned from COVID-19 should serve as guidance to inform the future-proofing of transport and logistics systems in the region.
5. Arab countries should promote digitalization, dematerialization and standardization of operations and processes. Efforts should enable enhanced efficiencies and productivity in transport and trade, and contactless operations and procedures when required (in case of sanitary threats, for example).
6. Arab countries should leverage trade and transport facilitation measures to ensure business continuity during disruption, and enhance processes and procedures taking advantage of digitalization and automation. Promoting customs automation through the Automated System for Customs Data (ASYCUDA), for example, and adopting contactless procedures in transport, such as the eTIR and eCMR, are vital to contain the pandemic while keeping goods flowing across borders.
7. Arab countries should encourage border management coordination. Single windows enable traders to communicate electronically with all agencies involved. Moreover, international standards for data exchange, such as those developed by UN/CEFACT, can reduce physical contact and further streamline processes.



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