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SUMMARY

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EXECUTIVE SUMMARY

Economic and social developments in the ESCWA region in 1994 were affected by several major factors, including a decline in oil prices in the international markets; continuation of the United Nations sanctions on Iraq; the Middle East peace process; and the armed conflict in Yemen.

The fall in oil prices precipitated declines in oil revenues in most of the 10 oil-exporting ESCWA member countries. This, in turn, negatively affected the balance of trade and government budgets and consequently obliged Governments to curtail planned expenditure. The continuation of the sanctions on Iraq have severely obstructed economic and social developments in the country for several years. In addition, countries that traditionally had strong economic and trade relations with Iraq, such as Jordan, continued in 1994 to suffer from the negative effects of these sanctions. On the other hand, the signing of the peace treaty between Jordan and Israel on 26 October 1994 has so far resulted in the restoration of water and land to Jordan and an increase in tourism and tourism-related construction in that country. Furthermore, Jordan was granted some debt relief. The armed conflict in May and June of 1994 in Yemen cost this least developed country billions of dollars in damage to its infrastructure in addition to human losses and exacerbated the country's socio-economic problems.

After growing by an annual rate of 3.7 per cent in 1993, the aggregate gross domestic product (GDP) of the ESCWA region is estimated to have registered a negative growth rate of 0.4 per cent in 1994. This overall decline in the ESCWA region's GDP is mainly attributed to the poor economic performance in the Gulf region. The countries of the Gulf Cooperation Council (GCC), whose economies remain greatly dependent on the contribution of their respective oil sectors, witnessed a negative growth of 1.7 per cent in their aggregate GDP in 1994. Among this group of countries, only Kuwait registered a positive growth rate in 1994 (4 per cent), while the other GCC members recorded growth rates ranging from -2.7 per cent and -2.5 per cent in Saudi Arabia and the United Arab Emirates, respectively, to -1.0 per cent and -1.8 per cent in Oman and Bahrain, respectively. Meanwhile, the GDP of the more diversified economies of the region, excluding Iraq (for lack of data), is estimated to have registered a growth rate of 3.7 per cent in 1994, up from 3.4 per cent in 1993. Among this group of countries, Yemen was the only country to register a negative growth rate (preliminarily estimated at 1.5 per cent) in 1994. The rest of the countries in this group achieved positive growth rates ranging from 6.0 per cent in Lebanon and 5.7 per cent in Jordan, to 3.8 per cent and 3.5 per cent in Egypt and the Syrian Arab Republic, respectively. It may be noted, however, that only Egypt's economy grew at a faster rate in 1994 than in the preceding year.

High unemployment rates continued to be a severe problem confronting most of the more diversified economies, particularly Yemen and the West Bank and Gaza Strip, where unemployment rates are estimated at 30 per cent. The unemployment rates are preliminarily estimated at over 12 per cent in Jordan and over 15 per cent in Egypt. In addition, the problem of under-employment is prevalent in many ESCWA member countries, particularly those with dominant public sectors. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven to be difficult to implement. It is estimated that expatriate labour currently represents 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and around 60 per cent in both Bahrain and Oman.

Inflation is another problem that continued to confront some of the more diversified economies in 1994, particularly Yemen, where the inflation rate is preliminarily estimated at over 70 per cent, and Iraq, which suffered from runaway inflation. Egypt and Jordan, on the other hand, were able to continue their progress in reducing their inflation rates to generally acceptable levels of 7.5 per cent and 4.2 per cent, respectively. In the GCC countries, the inflation rate remained subdued in 1994, ranging from 4.5 per cent in the United Arab Emirates to 0.6 per cent in Saudi Arabia.

As has been the norm for many years, the exports of the countries with more diversified economies were less than their imports in 1994, thus registering considerable trade balance deficits. Most of these countries depend heavily on labour remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994 preliminarily estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, outflow of remittances by expatriate workers and net payment for other services and transfers resulted in current account deficits in 1994 in all GCC countries, with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

Efforts were made in most ESCWA member countries to narrow budget deficits and reduce them in relation to GDP in 1994. Among the more diversified economies, only Egypt and Jordan were successful in this endeavour. The GCC countries, witnessing continued declines in their government revenues, which are heavily dependent on oil revenues, curtailed government expenditure primarily by postponing or cancelling planned projects. Inasmuch as actual budget deficit cuts were not sufficient to restore fiscal soundness, non-oil revenues were sought in 1994 in several GCC countries. Government subsidies were reduced and fees have been charged and/or increased for various government services.

As is the case in many developed and developing countries in the world, privatization is being undertaken in countries of Western Asia, albeit at a very slow pace. Governments are moving cautiously in privatizing public sector companies owing to their concern about the negative ramifications this process may have, at least in the short run, on both employment and prices and hence their negative social ramifications. Egypt is leading the privatization process in the more diversified economies, and Oman in the Gulf subregion.

In 1994, economic reform and liberalization programmes continued to progress steadily in several ESCWA member countries, most notably in Egypt, Jordan and the Syrian Arab Republic. Yemen, however, postponed the implementation of major economic reform and restructuring policies to 1995 as it attempted to first confront the adverse socio-economic conditions precipitated by the two-month armed conflict in the country. Efforts continued to alleviate some of the negative social conditions exacerbated by the implementation of structural reform programmes in Egypt and Jordan. Endeavours to reduce unemployment and alleviate poverty by various social development funds, though commendable, have proven to be insufficient. Other specific measures and policies, as well as support from the international community, are needed.

Stock markets were rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed extremely well in 1994, growing by 140 per cent in United States dollar terms. Given the successful economic liberalization programme and the expected acceleration of privatization, similar performance is projected for 1995. In the light of globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

I. OVERALL ECONOMIC PERFORMANCE

1. The overall economic performance of the ESCWA region declined sharply in 1994, owing mainly to the recession experienced by the Gulf Cooperation Council (GCC) countries.[1] The economic activity, as measured by the gross domestic product (GDP) in the region (excluding Iraq), is estimated to have recorded a negative growth rate of 0.4 per cent in 1994, down from a positive growth of 3.7 per cent in 1993. This negative performance came about despite the noticeable improvement in the international economic environment reflected in the continued robust growth in the economy of the United States of America and the end of the recession in Western Europe. The general improvement in the world economy did not reach the ESCWA region in 1994, owing mainly to the modest growth in world oil demand, the continued downward trend in oil prices, and trade barriers facing the industrial exports of the region, particularly petrochemicals. Moreover, at the regional level, the continued depressed state of regional cooperation, continued United Nations sanctions on Iraq and the armed conflict in Yemen were among the main factors limiting economic growth in 1994. However, measures to contain fiscal imbalances and intensified efforts to implement economic reforms, including a more prominent role for the private sector, continued in 1994. With more emphasis given to streamlining fiscal policies, government expenditure has been cut, thus reducing public investment and therefore contributing to the contraction in economic activities, particularly in the GCC countries.

2. In the GCC countries, the recessionary trends that started in 1993 became stronger in 1994, and the combined GDP of this group of countries is estimated to have registered a negative growth rate of 1.7 per cent, down from a positive growth of 3.8 per cent in 1993. Economic activities in the GCC countries have been affected by a 2.4 per cent decline in oil revenues, a cut in public spending and the continued repercussions of the Gulf war, which led to fiscal imbalances in most countries of this group.

3. Bahrain's economy slowed down considerably in 1994, with GDP growth falling from positive 4.6 per cent in 1993 to negative 1.8 per cent. A cut in public spending, lower oil revenues and a cut in grants from neighbouring countries, particularly Saudi Arabia and Kuwait, were the main factors behind the contraction in economic activities, despite an improvement in aluminium exports, which benefited from the rise in world prices.

4. There was a sharp drop in economic growth in Oman in 1994. The aggregate GDP is estimated to have recorded a negative growth rate of 1 per cent, down from 4 per cent in 1993. A drop in oil revenues and a contractionary fiscal policy, reflected in a 10 per cent cut in public expenditures, were the main factors behind the decline in economic activity in 1994. The economy of Qatar continued to perform poorly in 1994, registering a negative growth rate of 2.0 per cent owing to both an estimated 5 per cent drop in oil revenues and reduced public spending.

5. The Kuwaiti economy continues to suffer from the repercussions of the Gulf crisis of 1990-1991, as reflected in the ongoing restoration of vital services and industries and the sharp increase in defence expenditure. The economy slowed down considerably in 1994, achieving a growth rate of only 4 per cent, down from 22.6 per cent in 1993, owing mainly to (a) the completion of essential repairs to and reconstruction of damaged facilities and (b) a large budget deficit that led to abrupt cuts in public investment.

6. Saudi Arabia's economic performance in 1994 was negatively affected by a cut of approximately 12 per cent in public expenditure, a 4.3 per cent drop in oil prices and a 0.6 per cent decline in oil production. These factors led to a contraction of economic activity during 1994 despite the continued strong performance of the private sector. The cut in public expenditure has especially affected the construction and agricultural sectors owing to a freeze on new government projects in the former and a reduction in

[1] The Gulf Cooperation Council countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

government subsidies in the latter. Preliminary estimates point to a negative growth rate of 2.7 per cent in 1994, down from positive 1.6 per cent in 1993.

7. In the United Arab Emirates, GDP is estimated to have registered a negative 2.5 per cent growth rate in 1994, compared with a positive growth rate of 1.0 per cent in 1993. This was attributed to a 3.5 per cent decline in the oil sector, which contributes 37 per cent of GDP, and zero growth in public spending. The negative growth rate occurred despite continued improvement in the non-oil sectors, particularly the construction and manufacturing sectors, and in re-export activities, which are estimated to have achieved a 5.6 per cent growth rate in 1994.

8. In the more diversified economies,[2] the expansion of 1993 continued in 1994. The combined GDP of this group of countries registered a 3.7 per cent growth rate, compared with 3.4 per cent in 1993. The highest growth in this group was estimated to have been achieved by Lebanon (6.0 per cent), followed by Jordan (5.7 per cent), Egypt (3.8 per cent) and the Syrian Arab Republic (3.5 per cent). This group of countries performed better overall than the GCC countries in 1994 owing to the more diversified nature of their economies, which are relatively less dependent on the oil sector, despite the fact that both Egypt and the Syrian Arab Republic are oil-exporting countries. Moreover, the continued improvement in the economic situation in this group was mainly due to the improved performance in agriculture and tourism in Egypt and the Syrian Arab Republic; construction and tourism services in Lebanon and Jordan; and increases in workers' remittances in Jordan and Egypt. Containing the fiscal deficit in Egypt and Jordan contributed to the general improvement of economic conditions and precipitated, particularly in Egypt, an increase in the inflow of private capital.

9. In Egypt, the economy is estimated to have achieved a 3.8 per cent growth rate in 1994, up from 1.8 per cent in 1993, boosted by growth in agriculture, tourism, construction and services sectors. Remittances also increased in 1994 to $6.16 billion, up from $5.9 billion in 1993, while the number of tourists increased by 3.3 per cent, reaching 2.5 million. As a result of the stabilization programme, budget deficits have been curtailed, narrowing to only 2.6 per cent of GDP during the 1993/1994 fiscal year, down from more than 20 per cent before the introduction of the structural adjustment programme in 1991. The economy also benefited from the debt cancellation that was granted as part of the economic reform programme; however, further debt cancellation has been delayed owing to a disagreement with the International Monetary Fund (IMF) over the proposed devaluation of the Egyptian pound. Moreover, streamlining of fiscal and monetary policies has helped to reduce inflation and stabilize the currency, thus inducing an inflow of capital from abroad. The Egyptian Government initiated a long-term development strategy for the development of Upper Egypt, which has the highest unemployment and poverty levels in the country.

10. Jordan's GDP is estimated to have grown by 5.7 per cent in 1994, compared with 5.8 per cent in 1993. The signing of a peace treaty between Jordan and Israel on 26 October 1994 resulted in the restoration of water and land to Jordan and an increase in tourism activities and tourism-related construction. However, the construction sector as a whole, which boomed after the Gulf war owing to the return of 300,000 expatriates from the Gulf, grew by only 4.2 per cent in 1994 after registering growth of 12 per cent the previous year. The economy benefited from an increase in remittances ($1.3 billion, up from $1.0 billion in 1993) and a 16 per cent rise in exports. In addition, external debt cancellation and/or debt rescheduling by the United States and some European countries have reduced the Kingdom's debt-servicing burden.

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[2] The more diversified economies are Egypt, Iraq, Jordan, Lebanon, the Republic of Yemen, the Syrian Arab Republic and the West Bank and Gaza Strip.

11. The Lebanese economy continued its trend towards robust growth despite a slight slow-down, with GDP growing by an estimated 6.0 per cent in 1994, compared with 7.0 per cent in 1993. The economic growth in 1994, as in the previous three years, was led by the construction boom to rebuild the country after years of civil strife and to restore vital services and industries. Growth in the agriculture and tourism sectors also contributed to the economic growth in 1994. Work began on a project to rebuild the Beirut city centre; the project will cover an area of 1.8 million square metres at an estimated cost of $475 million. The Lebanese Government issued its first Eurobond, which was initially worth $300 million but was later increased to $400 million in response to massive oversubscription. Proceeds from the bond are to be spent mainly on infrastructure projects. Both the improvement in the political climate and the reconstruction projects attracted large inflows of foreign capital and therefore helped stabilize the Lebanese currency, which appreciated by 3 per cent against the United States dollar in 1994. The tourism sector continued to recover, with revenues reaching $500 million in 1994.

12. In the Syrian Arab Republic, economic growth is estimated at 3.5 per cent in 1994 compared with 3.9 per cent in 1993. Economic growth was supported by the agriculture, tourism and oil sectors as well as the inflow of private capital induced by investment Law No. 10 of 1991. However, the stabilization of oil production at around 575,000 barrels per day (b/d) in 1994 and a 4.3 per cent decline in oil prices reduced oil revenues. Moreover, the economy is still confronted with several major problems, namely inflation, underemployment and a large external debt.

13. In Yemen, the economy suffered from a deep recession in 1994, exacerbated by armed conflict and a drop in public investment precipitated by high inflation and unemployment rates. The non-oil sectors, particularly agriculture, performed poorly in 1994. The country's GDP is estimated to have recorded a negative 1.5 per cent growth rate in 1994, down from a positive 2.1 per cent growth in 1993. The economy is in need of a stabilization programme to reduce macroeconomic imbalances, inasmuch as both fiscal deficits and inflation must be contained to stabilize the country's currency, which plunged to about 100 Yemeni rials to the dollar in the parallel market from 12 Yemeni rials to the dollar (the official rate).

14. In the West Bank and Gaza Strip, the economy plunged into a recession in 1994, owing to reduced tourism revenue, the repeated closure of the territories by the Israeli authority, a drop in aggregate demand owing to high unemployment rates and an inflow of economic aid lower than that agreed upon after the signing of the Declaration of Principles on Interim Self-Government Arrangements in September 1993. The GDP, which was estimated to have grown by 2.1 per cent in 1993, is expected to have declined in 1994. The stalemate in the peace process has also discouraged the inflow of private capital to the territories, in addition to the continued drop in workers' remittances. High unemployment remains a serious problem in the West Bank and Gaza Strip owing to high population growth rates, the repeated closure of the territories, the return of expatriates from the Gulf and economic recession.

15. The main objectives of economic reform programmes currently under way in the region are to correct macroeconomic imbalances, to streamline financial policies, to mobilize domestic savings through more efficient mobilization of domestic resources, to upgrade domestic skills and to establish or develop financial markets. Despite the fact that economic reforms have been debated for some time in the region, they were brought into the forefront of the economic agenda during the late 1980s and in particular after the Gulf war. With lower oil revenues and an increase in military spending precipitated by the war, member States, particularly the GCC countries, faced enormous budget deficits. This situation has accelerated the implementation of economic reforms to correct fiscal imbalances by both cutting public spending and raising revenues. However, despite the fact that economic reforms, particularly privatization, gained momentum in the region in 1994, the process can still be described as slow. Many countries in the region have pursued the economic reform policies with caution to reduce and minimize their adverse social impact, as reflected

in high inflation and unemployment rates, which are already causing problems, particularly in the more diversified economies.

16. In the GCC countries, several new economic measures were introduced in 1994 to reduce growing fiscal deficits. Oman introduced corporate taxes in 1991, the first in this group to do so, while Kuwait has decided to raise fees for electricity, water, telephone and health services so as to increase revenues and reduce excessive use of such services. In the United Arab Emirates, among the new measures introduced in 1994 were increased fees and taxes on various services, including visa applications, airport taxes and fees for rental properties. However, one of the most noticeable developments in this group in recent years has been the rapid growth of the non-oil sector. The performance of the non-oil sector has outpaced that of the oil sector, which has been hit by lower prices and production. With the exception of Bahrain and Oman, however, economic reform policies introduced in the GCC countries remained very limited in scope and slow in pace.

17. In the more diversified economies, both Egypt and Jordan are implementing structural adjustment programmes in cooperation and coordination with the IMF and the World Bank. The main objective of the structural adjustment programme in Egypt is to transform the public-sector-dominated economy into a market-oriented one. The main economic policy changes introduced during the past four years have been the decontrol and unification of the currency exchange rate, the liberalization of interest rates and the cut in public spending to reduce the budget deficit. Moreover, since 1991, the Government has introduced treasury bills as a means to finance budget deficits instead of borrowing from the Central Bank, thus reducing excess liquidity in the market, which contributed to the reduction in inflationary pressures in the country. However, the implementation of the next stage of economic reform policies in Egypt has been delayed by the disagreement between the Government and the IMF on the currency devaluation and the pace of privatization. While the IMF argues that devaluation will lead to an increase in the country's non-oil exports, the Government believes that there is no need for a devaluation in view of its $17.5 billion international reserves and that a devaluation would not necessarily increase exports, while it would increase the cost of imports. The Government also believes that devaluation will lead to a surge in inflation and a loss of confidence in the Egyptian pound, which in turn may negatively affect transfers of remittances by Egyptian expatriates.

18. In the Syrian Arab Republic, economic reform policies have been pursued with great caution to avert a sharp rise in both inflation and unemployment, which are already major problems confronting the economy. In 1994, an additional package of economic reform was introduced, including dismantling of export taxes, the gradual removal of foreign exchange restrictions and further trade liberalization. Despite the fact that investment during the last four years focused on small-scale industries and services, particularly transportation, there is a tendency towards channelling investment funds into industrial fields, such as textiles, building materials, processed food, chemicals and pharmaceuticals. However, lack of financial resources is one of the principal problems facing the private sector, and limited investment channels remain a major hurdle. Among the measures under consideration are the modernization of the banking system, unification and liberalization of the exchange rate, gradual elimination of subsidies and gradual price decontrol. Recently the country opened the tourism sector to private investment, involving joint ventures with the public sector.

19. During 1994, lower economic growth and reduction in fiscal deficits helped most countries in the ESCWA region to curb inflation. In the GCC countries, where inflation rates have traditionally been low, inflation rates dropped in 1994 compared with 1993, with the exception of the United Arab Emirates, owing mainly to restrictive monetary and fiscal policies, recessionary conditions and stable currencies. Inflation rates in this group of countries ranged from 0.6 per cent in Saudi Arabia to 1.0 per cent in Kuwait to 4.5 per cent in the United Arab Emirates in 1994.

20. Among the more diversified economies, Egypt and Lebanon have been most successful in combating inflation during the past few years. In Egypt, the inflation rate dropped from close to 20 per cent three years

ago to about 7.5 per cent in 1994 owing to restrictive fiscal and monetary policies and the general stability of the Egyptian pound. In Lebanon, the inflation rate dropped sharply from about 100 per cent in 1992 to 9 per cent in 1993, before rising to 12 per cent in 1994, pushed by an increase in credit and a surge in capital inflow. In Jordan, the inflation rate also dropped in 1994 to 4.2 per cent from 5.4 per cent in the previous year, helped by high interest rates and the ceiling on credit, which was lifted towards the end of the year.

21. On the other hand, in Yemen, where the armed conflict in mid-1994 aggravated the budget deficit and led to the depreciation of the local currency, inflation surged in 1994 to over 70 per cent, up from 55 per cent in 1993. In the absence of a stabilization programme, inflation will continue to be a major problem facing the economy. However, authorities are apparently hesitant to implement such a programme owing to social and political considerations.

22. Iraq suffered from runaway inflation precipitated by the continuation of United Nations economic sanctions, which led to a general crippling of economic conditions, including acute shortages in goods and services and the depletion of foreign exchange reserves. The sharp depreciation of the local currency has aggravated the inflation problem in the country.

23. Unemployment remained a major problem facing the region, particularly in the more diversified economies. Owing to high population growth rates, lower economic growth and the implementation of economic reform policies, countries with more diversified economies have not been able to generate enough jobs to reduce their unemployment rates significantly. Fear of rising unemployment rates has been one of the major factors behind the slow pace of economic reforms undertaken in most countries of the region. Yet, unemployment may increase in the short run with the implementation of economic reforms, which are associated with both cuts in public spending and privatization.

24. In Yemen and the West Bank and Gaza Strip, unemployment rates have been estimated at 30 per cent in 1994. In Jordan and Egypt, preliminary estimates point to rates over 12 per cent in the former and over 15 per cent in the latter. The unemployment situation in the Syrian Arab Republic remains a problem, though the unemployment rate is officially estimated at only 5 per cent. In addition, the problem of underemployment is prevalent in many ESCWA member countries, particularly those with dominant public sectors.

25. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven difficult to implement. It is estimated that expatriate labour currently represents about 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and around 60 per cent in both Bahrain and Oman.

II. SECTORAL DEVELOPMENTS

26. During 1994, the international oil markets remained relatively calm, with oil demand growing by a meagre 1.5 per cent over its 1993 level of 67.2 million barrels per day (m/b/d). World oil demand continued to be constrained by the drop in economic activities in the former Union of Soviet Socialist Republics, despite the growing demand in the United States and Western Europe, particularly Germany and the United Kingdom of Great Britain and Northern Ireland. Demand continued to show strong growth in Asia, particularly in China.

27. On the supply side, production increased from non-OPEC sources, particularly from the North Sea region. The non-OPEC supply increased by almost 1.5 per cent in 1994, to 41.2 m/b/d, up from its 1993

level of 40.6 m/b/d. OPEC production averaged 24.97 m/b/d in 1994, representing a 1.2 per cent increase over its 1993 level of 24.68 m/b/d.

28. Oil production in the ESCWA region increased by 2.8 per cent in 1994 to an average of 15.97 m/b/d, up from 15.54 m/b/d in 1993. This came mainly as a result of the increase in oil production in Yemen by 51.0 per cent, in Iraq by 24.6 per cent, in Kuwait by 10.7 per cent, in Egypt by 2.6 per cent and in Oman by 3.9 per cent, and despite a slight fall in the production levels of Saudi Arabia and the United Arab Emirates by 1.15 per cent and 0.6 per cent, respectively.

29. After tumbling by more than 11.3 per cent in 1993 owing to weak world oil demand, oil prices continued their downward trend in 1994, falling by 4.3 per cent to an average of $15.6 per barrel, down from $16.3 per barrel in 1993.[3] The oil price decline in 1994 may be attributed to the rise in non-OPEC oil production, generally stable world oil demand and continued improvement in energy efficiency. Oil prices in 1994 were $5.4 short of the OPEC reference price of $21 per barrel. Moreover, oil prices in 1994 reached their lowest level since 1988, when oil prices plunged to $14.24 per barrel, and remained lower in real terms than their 1974 level of $10.4 per barrel. This declining trend in oil prices resulted mainly from an increase in oil production by non-OPEC sources, lower than expected world oil demand and production over quota levels by some OPEC countries. Non-OPEC oil production in 1994 absorbed more than 75 per cent of the increase in world demand and therefore prevented oil prices from rising.

30. Oil revenues in the ESCWA region are estimated to have declined in 1994 by 1.4 per cent to $74.3 billion, down from its 1993 level of $75.4 billion, despite a 2.8 per cent increase in production. Out of the 10 oil-exporting countries in the region, only Kuwait and Yemen managed to increase their oil revenues by increasing production sufficiently to compensate for the fall in oil prices. The continuous decline in oil revenues in the region has exerted strong pressure on the financial situation in almost all ESCWA member countries and thus negatively affected macroeconomic performance. For example, the 1994 oil revenues of the region's major oil-exporting countries, namely Saudi Arabia, Kuwait and the United Arab Emirates, represented only 38 per cent, 66 per cent and 65 per cent, respectively, of their 1980 level in current prices, while in constant prices those proportions were considerably lower.

31. Proven oil reserves in the region in 1994 fell by 0.7 per cent to 569.4 billion barrels, down from their 1993 level of 573.4 billion barrels, owing mainly to the 2.6 per cent drop in the proven oil reserves of Kuwait and a 0.7 per cent drop in Qatar's proven oil reserves. The proven oil reserves of Oman and the Syrian Arab Republic rose by 2.7 per cent and 47 per cent, respectively, while proven oil reserves in the rest of the region remained unchanged. Proven oil reserves in the ESCWA region represented, in 1994, about 74 per cent of OPEC proven oil reserves and almost 57 per cent of the world total. Furthermore, proven oil reserves in the region can sustain the 1994 production level for another 98 years, compared with 85.1 years for members of OPEC and only 40 years for the world, which means that the importance of the region as an oil producer and exporter will grow in the years to come.

32. The ESCWA region remained a large importer of agricultural products in 1994. The value of agricultural imports was estimated at US$ 15.4 billion in 1993, or 2.7 per cent above that of the previous year. The value of the food gap was estimated at US$ 10.6 billion, representing an increase of 2.6 per cent over 1992. The gap represented 28.5 per cent of the total food gap, compared with 33 per cent in 1992. The main importers of agricultural products in the region are Saudi Arabia, Egypt and the United Arab Emirates, whose imports represented 56.5 per cent of the ESCWA region's total in 1993. Egypt, the Syrian

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[3] The average price of the seven OPEC crudes.

Arab Republic, Jordan, Lebanon and Saudi Arabia are the main exporters of some agricultural products, such as cotton, horticultural products and cereals.

33. The self-sufficiency ratio in cereals improved in 1993 as a result of increased production relative to consumption. Cereals production in the region in 1993 represented 61.4 per cent of total consumption, compared with 57 per cent in 1992, while the production of wheat amounted to 63.7 per cent of total consumption, compared with 58 per cent in 1992.

34. In Egypt, 1994 wheat production fell by an estimated 8 per cent to 4.4 million tons. The Government expects the country to produce three quarters of the total domestic requirements of wheat by the late 1990s. Imports of wheat and wheat flour in 1994/1995 are forecast at 5.8 million tons, some 300,000 tons more than in the previous year, while imports of coarse grains (mainly maize) are expected to increase by 200,000 tons to reach 2 million tons.

35. Output of wheat and barley in Iraq in 1994 totalled 2.7 million tons. While the 1994 output was similar to the 1993 harvest, it represented an increase of 138 per cent over the 1989 level. This achievement was the result of a doubling of the cultivated area from 1,500 hectares in 1989 to 3,000 hectares in 1994 and an increase in productivity per hectare. This performance is remarkable in view of the continued shortages of farm equipment and supplies.

36. In Jordan, production of cereals in 1994 is estimated at 82,000 tons, virtually unchanged from the previous year. Domestic cereal production normally covers about 10 per cent of the consumption requirements, and the balance is imported, mostly on commercial terms. Imports of wheat and coarse grains in 1994/1995 are projected to increase by 7,000 tons and 100,000 tons, respectively, to 720,000 tons and 670,000 tons.

37. In Lebanon, wheat production in 1994 has been estimated at 40,000 tons, which is lower than the 1993 level and covers less than 10 per cent of total requirements. Thus, about 700,000 tons of cereals (mainly wheat) must still be imported in the year ending June 1995.

38. In Saudi Arabia, the 1994 wheat output is estimated at 2.2 million tons, or 38.8 per cent less than that of 1993, owing to new measures introduced by the Government to reduce the wheat-planted area in favour of barley. Restrictions on barley production and marketing were imposed for the first time in 1994. Large commercial agricultural firms were given production quotas well below their previous level of production. Production of barley in 1994 is expected to have increased by about one third to reach 1.5 million tons.

39. In the Syrian Arab Republic, as a result of a large planted area and favourable weather conditions, production of wheat in 1994 has been estimated at 3.64 million tons. This is similar to the previous year's harvest, which enabled the country to become self-sufficient in wheat. The output of the barley crop is estimated to be about 100,000 tons lower than that of the previous year.

40. In Yemen, the recent armed conflict has aggravated the already precarious food supply situation. In some areas, crops have been neglected, and summer and fruit crops have not been irrigated, causing a total loss of production. The import requirement of cereals in 1994, mainly wheat, is estimated at 1.7 million tons, an increase of about 10 per cent over 1993.

41. Most ESCWA member countries introduced some privatization measures in the marketing of and trade in agricultural products as part of a broad policy shift towards market liberalization and reform. Yet, wheat price support policies are being maintained in most countries. In all countries, consumer purchases of wheat, flour and bread have been subsidized, which has helped transform the region into a mature wheat market with

per capita consumption that is among the highest in the world. In some countries, recent policy reforms have included reducing or eliminating consumer subsidies for staples, including some types of bread.

42. Five ESCWA member countries (Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates) have signed the final act of the Uruguay Round of multilateral trade negotiations. Member countries are making efforts to minimize the negative effects of the GATT agreement, particularly in the areas of textile exports and food imports. Since most ESCWA member countries are food importers, the implementation of the GATT agreement will result in higher food import bills as a result of restrictions on agricultural subsidies. For example, to reduce the negative impact on its 1994/1995 wheat imports, Egypt imported about 5 million tons of its 1994/1995 total wheat requirements before the end of 1994 and in so doing saved about 471 million Egyptian pounds.

43. In general, the manufacturing sector in the ESCWA region performed poorly in 1994, with manufacturing income contracting by an average of close to 1 per cent, down from 1.5 per cent in 1993. This was mainly due to a deterioration in economic and manufacturing conditions in Iraq owing to the United Nations economic sanctions. Elsewhere in the region, manufacturing activities experienced a slow-down in 1994 influenced partly by faltering overall economic activity in many countries, as a result of the continued weakness in oil markets, the slow pace of implementation of economic reforms and slow progress in the peace process. Growth in manufacturing income, excluding Iraq and the West Bank and Gaza Strip, averaged around 1.5 per cent in 1994, down from 3.5 per cent in 1993. In Iraq, manufacturing activity is estimated to have contracted by 24 per cent in 1994. In the West Bank and Gaza Strip, the slow-down in overall economic activity in both 1993 and 1994 had negative effects on manufacturing investment and demand for domestic manufactured goods.

44. The modest expansion in manufacturing activities, excluding Iraq and the West Bank and Gaza Strip, is due mainly to: the growth achieved by the private sector; additional efforts in GCC countries to promote non-oil private sector activities in manufacturing; and the progress achieved in reconstruction works in the manufacturing sectors in Kuwait and Lebanon. Expansion in manufacturing was stimulated in some countries by increased activity in other commodity-producing sectors in response to increased demand for consumer goods in the domestic market.

45. In the GCC countries, growth in manufacturing income averaged around 2 per cent in 1994, compared with 2.5 per cent in 1993. The relatively low growth rates are mainly attributed to the low growth in oil-related manufacturing income. This was partly offset by the strong domestic non-oil private sector activities that began to expand following the end of the Gulf crisis; it is expected to continue in the coming years. While growth is expected to continue in activities such as food and beverage production, it will slow down in sectors that are influenced by public sector expenditures, such as the construction industry. The performance of the export-oriented industries, particularly petrochemicals, plastics and metal products, will depend on the ability of manufacturers to benefit from better growth prospects in the main export markets as well as the gradual implementation of the GATT agreement. Nevertheless, despite significant expansion in light industries in most GCC countries, which has indeed contributed to the growth of the manufacturing sector, expansion to the full potential of the sector continued to be restrained by restrictions imposed on petrochemical exports to the European Union (EU) and by difficulties facing Gulf producers in finding new markets.

46. In the more diversified economies, and apart from Iraq and the West Bank and Gaza Strip, overall growth in the manufacturing sector is estimated to have slowed down to about 1 per cent in 1994, compared with 4 per cent recorded in 1993. However, growth varied from one country to another. In Jordan and the Syrian Arab Republic, the strong growth in the manufacturing sector was due to the improved export performance of the phosphate and pharmaceutical industries in the former, and of the textile, garment and

food industries in the latter. In the Syrian Arab Republic and Egypt, there were expansions in private sector exports of manufactured goods, attributed mainly to progress made in economic reform, though still at a slow pace, particularly in the Syrian Arab Republic. In Jordan, expansion in private construction activities and increased domestic demand continued to be important contributors to the manufacturing sector.

47. Growth of the manufacturing sector in countries of the ESCWA region continued to be restrained by the lack of adequate investment and the inability to penetrate new export markets. The following are all important factors that will affect the course of short- and medium-term manufacturing development and growth in the region: progress made in the implementation of the structural adjustment programmes, the lifting of United Nations sanctions on Iraq, improved oil prices and the degree of economic recovery in the GCC countries, improved regional cooperation and progress made in the peace process.

48. Countries of the ESCWA region are undergoing an important transitional period, the outcome of which will have a profound impact on industrial growth prospects in the short and medium term. In this regard, manufacturing prospects will be affected by: (a) success in introducing economic reforms; (b) the economic challenges of a changing world environment, including the giant economic and trade blocs that are emerging; (c) the conclusion of the Uruguay Round of multilateral trade negotiations; (d) increasingly rapid advances in applications of high technology in industry; and (e) the impact of the peace process on the region. Other developing countries will bring stiffer competition to textile exports from the ESCWA region, particularly exports to the EU, where the region's textile exports currently enjoy duty-free access. Most manufacturing industries in the ESCWA member countries are not fully prepared to face the new global challenges. These challenges have come at a time when the economies of ESCWA member countries are generally suffering from relatively weak, and in some cases inefficient, industrial sectors, and when the manufacturing sectors in many countries of the region are still recovering from the devastating effects of wars and civil strife.

49. The region's exports and imports (excluding Iraq and Yemen) changed only slightly during 1993 inasmuch as the region was affected by low oil prices, a slow-down in economic growth and continued economic sanctions against Iraq. Exports decreased by 1.3 per cent to $97.6 billion, while imports increased by 3.4 per cent over 1992 levels to $90.3 billion. The GCC countries accounted for $90.3 billion of total exports, which represented a decrease of less than 1 per cent over 1992 levels. The largest increase in exports in this group was witnessed by Kuwait, which registered a rise in exports of $3.8 billion (56.8 per cent), as oil exports continued to increase following complete cessation during the Gulf war. Bahrain followed with an increase of 6.5 per cent. Other GCC members reported declines that were led by 7.9 per cent in Saudi Arabia, 3.4 per cent in Qatar, 2.4 per cent in Oman and 1.6 per cent in the United Arab Emirates, owing mainly to lower oil prices. The more diversified economies witnessed a decline in exports of $1.1 billion (13.7 per cent) largely influenced by a substantial decline in Egypt's exports of $829 million (27 per cent) owing to lower oil prices and limited oil production capacity. Increases were reported in Jordan (2 per cent), the Syrian Arab Republic (1.7 per cent) and Lebanon (12.5 per cent). Although data are not available for Iraq, its exports were subject to the terms of the economic sanctions and were therefore minimal.

50. The slight rise in the region's imports reflected an overall increase in the imports of the GCC countries of $2.1 billion (3 per cent) to total $70.1 billion in 1993. Saudi Arabia's imports constituted the bulk of GCC imports, totalling $34.2 billion, which represented an increase of $839 million (2.5 per cent) over 1992 levels. Increases also occurred in the imports of the United Arab Emirates (12.1 per cent), Oman (9.2 per cent) and Qatar (6.2 per cent). These increases largely compensated for the decline in the imports by Bahrain of 10.3 per cent and Kuwait of 12.2 per cent. Kuwait's decline was due to budgetary constraints and cutbacks. The more diversified economies of the region witnessed a decrease in imports of $1.6 billion (7.5 per cent), with imports amounting to $20.2 billion in 1993. Declines in imports by Egypt (2.2 per cent) were offset by increases in imports by the Syrian Arab Republic (18.6 per cent), Jordan (8.7 per cent) and

Lebanon (4.7 per cent). Although data is unavailable for Iraq, its imports continued to be adversely affected by the economic sanctions.

51. The region's ability to finance imports from its export proceeds, as measured by the export/import ratio, has been declining since 1991. The ratio for the region declined to 1.08 per cent in 1993 from 1.11 per cent in 1992. On the group level, the ratio for the GCC countries dropped from 1.34 to 1.29, while for the more diversified economies it declined from 0.39 to 0.36.

52. Partial and preliminary data on the geographical distribution of trade for the first seven months of 1994 showed no major changes in the distribution of the region's exports and imports. Exports to developed market economies continued to constitute the bulk of the region's exports, though they decreased on a relative basis from 51.6 per cent to 47.7 per cent, largely owing to the decreased importance of the region's exports to the EU by both the GCC countries and the more diversified economies. This followed a trend that has been evident since the 1980s towards a decline in the value of oil exports to the European Union countries as a result of (a) policies by many EU countries to diversify their energy sources; (b) greater energy efficiency; (c) the recent slow-down in economic activity in Europe; and (d) the declining dollar value of oil imports from ESCWA member countries owing to lower prices in 1993. Exports to the rest of the world increased during the first seven months of 1994, while intraregional exports remained relatively constant at 10.2 per cent.

53. The geographical distribution of imports by the ESCWA region showed a decline in the relative share of imports from the developed market economies from 68 per cent in 1993 to 61 per cent during the first seven months of 1994. Slight increases in the share of all other regions compensated for the decline. Imports from the ESCWA region, however, remained relatively constant, recording only a slight decline from 6.9 per cent to 6.8 per cent. However, they remained lower than the pre-Gulf-war level of over 10 per cent witnessed in 1989 and 1990.

54. The region's total current account balance (excluding Iraq, Lebanon, Qatar, the United Arab Emirates and Yemen) recorded a deficit of $7.7 billion during 1993, representing a significant improvement over the 1992 deficit, which was over $19 billion. The most significant change in the region was the increase in Kuwait's surplus by $7.2 billion owing to increases in oil revenues and the fulfilment of financial commitments incurred during the Gulf war. Saudi Arabia's current account balance also improved significantly as its deficit declined by $5.2 billion (26 per cent), also owing to a drop in the financial commitments that the country had incurred during the Gulf war. Among the GCC countries, only Kuwait recorded a surplus in its current account balance for 1993. Among the more diversified economies, Jordan reported an improvement in its deficit by 39 per cent, while the current accounts of both Egypt and the Syrian Arab Republic deteriorated in relation to 1992.

55. As has been the norm for many years, the exports of countries with more diversified economies were less than imports in 1994, thus registering considerable balance of trade deficits. Most of these countries depend heavily on expatriate remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994 preliminarily estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, outflow of remittances by expatriate workers and net payment for other services and transfers have resulted in current account deficits in 1994 in all GCC countries, with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

56. The region's international reserves, which have been increasing since 1990, rose during 1993 by $4.4 billion (11.5 per cent) to total $42.3 billion (excluding Iraq, the Syrian Arab Republic and Yemen). The

GCC countries' reserves, accounting for slightly more than half of the region's reserves, totalled $21.3 billion, which represents a slight increase over 1992 levels, while the more diversified economies showed a significant increase of $4.2 billion, bringing total reserves to $21 billion. Egypt's reserves increased by $2.1 billion (18.3 per cent). Jordan's reserves also increased significantly by $771 million (88.7 per cent), while Lebanon's reserves increased by $1.3 billion (28.5 per cent). Data for the first 10 months of 1994 indicate that the region's reserves continued to rise, albeit at a slower rate.

57. The increase in reserves and the slow growth in imports resulted in an increase in the region's reserve/import ratio from 5.1 months in 1992 to 5.6 months in 1993, indicating an improvement in the ability of the region to cover the cost of imports in 1993. Estimates for 1994 indicate that the reserve/import ratio increased further to approximately 5.9 months.

58. The external debt of the ESCWA region is estimated to have dropped from around $186 billion in 1993 to around $182 billion in 1994. Compared with other developing regions, the ESCWA region is seen as heavily indebted in terms of GDP (66.6 per cent), export of goods and services (214 per cent) and debt per capita, which is estimated at $814 compared with $780 for Latin America and the Caribbean and $548 for sub-Saharan Africa.

59. The region's external debt has been expected to drop even further in the light of the forgiveness and rescheduling of a significant part of the external debt of a number of the ESCWA region's more diversified countries, namely Egypt, Jordan, the Syrian Arab Republic and Yemen. However, the rise in the external debt of the GCC countries from around $95 billion in 1993 to over $115 billion in 1994 not only eliminated these expectations but has also led to an increase in the region's debt service payments from around $24 billion in 1993 to $30 billion in 1994, mainly because most of the GCC countries' debt is short- or medium-term commercial debt bearing relatively high interest rates.

60. Fiscal developments in the GCC countries, particularly Kuwait and Saudi Arabia, were still affected in 1994 by the ramifications of the Gulf crisis and war, while the drop in oil revenues further burdened their budgets. To finance budget deficits, the GCC countries either continued to draw on their foreign reserves or resorted to domestic and foreign borrowing. To reduce the budget deficit in the coming years, a number of GCC countries have introduced measures aimed at increasing revenues and reducing expenditure. In Saudi Arabia, the Government's decision to raise the prices of some utilities is seen as an indicator that domestic revenues are planned to play an important role not only in financing budget expenditure in 1995 but also as a long-term fiscal policy aimed at establishing a more diversified domestic revenue base.

61. The Saudi Arabian budget expenditures in fiscal 1995 are set to drop by around 6.3 per cent below their revised level of 1994; and revenues are expected to increase by over 12.5 per cent. In Bahrain, the oil revenues of the biennial budget 1995/1996 are projected to drop by around 40 per cent below the levels of the two preceding years, thus resulting in budget deficits of almost twice those recorded in recent years, despite a cut of around 5 per cent in expenditure. In Kuwait, the inclusion, for the first time, of defence expenditure in the budget resulted in a deficit in the 1994/1995 budget of around 23 per cent above the deficit reported in the previous fiscal year. The federal budget of the United Arab Emirates for 1994 was projected with expenditure at 17.6 billion dirhams (Dh) and revenues at Dh 16.2 billion, resulting in a deficit of Dh 1.4 billion. In the federal budget for 1995, expenditure is planned to be held at around the same level as 1994.

62. The 1994 budgets of most ESCWA member countries with more diversified economies have been deflationary, with expenditure increasing at a rate below that of inflation, thus reducing expenditure in real terms. However, Governments continued in 1994 to look for alternative means to reduce budget deficits, either by increasing budget revenues through a reform of revenue-raising measures such as improvement of

tax collection methods or by reducing expenditure by cutting subsidies or deferring debt service payments. With this new approach in practice, Egypt's budget for the fiscal year 1994/1995 envisages an increase of 8.4 per cent in expenditure against a 10 per cent increase in revenues over the previous budget. For the first time, Jordan issued a balanced budget in 1994 wherein current expenditure was planned to be covered by domestic revenues, while capital expenditure depended almost entirely on foreign sources (mainly aid and grants). However, actual figures released recently revealed a deficit of 156 million Jordanian dinars (JD) owing to external aid and grants that never materialized. In the Syrian Arab Republic, the budget deficit in 1994 was set to drop by 10.6 per cent below the deficit of 1993 with no grants or concessional loans being projected, as has been the case in previous years.

63. The difficult conditions of the banking sector in the ESCWA region resulted in most banks recording lower profits and slower balance sheet growth in 1994 compared with 1993. Most of these conditions have resulted from a liquidity squeeze caused by increased government borrowing. Although the situation of the banking sector improved slightly in late 1994, significant improvement is not expected in 1995. The increased government borrowing from the banking system in many ESCWA member countries has crowded out the private sector, consequently limiting its capabilities to participate in the Government's privatization efforts.

64. To counteract difficulties in the banking sector, a number of ESCWA member countries have been planning a restructuring of their banking sector (Egypt, Jordan, Kuwait and Lebanon) and/or have strengthened their central banks' supervisory capacity and ability to monitor banking activities (Egypt, Jordan, Kuwait and the United Arab Emirates).

65. Banks in the ESCWA region continued in 1994 to retreat from the international markets to their home markets following the more stringent application of the rules and regulations of the single European market by the European Union's member countries.

66. Stock markets were rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed exceptionally well in 1994, growing by 140 per cent in United States dollar terms. In view of the successful economic liberalization programme and expected acceleration of privatization, similar performance is projected for 1995. In the light of the globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

67. The economic outlook in the region for 1995 largely depends on international oil market conditions, successful implementation of the economic reform policies, the state of regional economic cooperation and progress made in the peace process. Although indications are that world oil demand will be higher in 1995, oil prices are expected to remain at current levels owing to an expected increase in oil production from non-OPEC sources, particularly from the North Sea area. In addition, most countries of the region are adopting restrictive fiscal and monetary policies as part of their economic reform programmes, which are expected, in the short-run, to affect economic growth adversely. On the other hand, the private sector in the region is expected to continue the relatively fast growth it has achieved during the last few years. The contribution of this sector to economic growth in the majority of the countries of the region is expected to be enhanced by the ongoing implementation of the economic reform programmes, whereby privatization is encouraged. If the current efforts under way to improve regional cooperation reach a successful conclusion, they will have a positive impact on regional economic growth and development. If significant progress is made in the peace process, the political and economic environments will improve, entailing positive effects on economic growth and development in Western Asia. Moreover, the lifting of the United Nations economic sanctions on Iraq will have a considerable and positive effect on the economic situation in the country and will also help

contribute to the economic growth of those countries that have traditionally had strong economic ties with Iraq, particularly Jordan.

III. SOCIAL DEVELOPMENTS

68. The population of the ESCWA region was estimated in 1994 at 145.4 million, representing 57.4 per cent of the population of the Arab world and 2.6 per cent of the world total. During the period 1990-1995, the population of the region is estimated to have grown by an average annual rate of 2.7 per cent. However, the average annual population growth rate varied from one country to another. The fastest growth rate was achieved by Jordan (4.9 per cent) and Yemen (5.0 per cent) owing mainly to the return of expatriates as a result of the Gulf crisis.

69. The crude birth rate for the total population of the ESCWA region during 1985-1990 was 35 births per 1,000 population, exceeding that of the developing countries (31 per 1,000), and far higher than the more developed regions. During the period 1990-1995, the crude birth rate decreased to 34 births per 1,000 population and is expected to continue decreasing slowly and steadily until it reaches 28 births per 1,000 population in the period 2005-2010 and 22 births per 1,000 population in the period 2020-2025.

70. The ESCWA region's crude death rate, which was 8.5 deaths per 1,000 population during the period 1985-1990, declined to 7.4 deaths per 1,000 population during 1990-1995. The rate is expected to continue declining steadily for each five-year period until it reaches 4.7 deaths per 1,000 population in the period 2020-2025.

71. Life expectancy at birth for the ESCWA region was 65.6 years during the period 1990-1995, which is higher than the world average (64.7 years). The highest life expectancy was found in the GCC countries. In Kuwait it reached 74.5 years, followed by 70.4 in Bahrain and 69.9 in the United Arab Emirates. In Yemen it is still 50 years. By the period 2020-2025, life expectancy at birth is projected to increase in all countries, but it will remain highest in Kuwait (79.4 years), followed by Bahrain and the United Arab Emirates (70.4 and 69.9 years, respectively), while in Yemen it is expected to reach 67.3 years.

72. During the period 1990-1995, the infant mortality rate for the ESCWA region was 56 deaths per 1,000 live births. However, in Yemen it was still above 100 per 1,000 (106 per 1,000), and in Egypt it was 57 per 1,000. In Iraq, infant mortality rates rose to dangerously high levels owing to shortages of food and medical supplies. Bahrain had the lowest infant mortality rate among the ESCWA member countries (12 per 1,000), followed by Kuwait with 14 per 1,000. The infant mortality rate is expected to decrease slowly but steadily in all the countries of the ESCWA region, and by the period 2020-2025, it will be highest in Yemen (39 per 1,000), followed by Egypt and Iraq (close to 20 and 19 per 1,000, respectively), while in Bahrain it will drop to 5 per 1,000.

73. All of the countries of the ESCWA region have started to realize the effects of rapid population growth, its linkages to socio-economic development and the high dependency ratios resulting from the young age structure because of high fertility levels. In 1991 these countries were classified into five groups according to their perception of the level of population growth and whether intervention is required. The first group includes those countries that viewed their growth rates as too high and have formulated explicit policies to slow them. Only Egypt has had such policies since the mid-1960s, and although Yemen finds its population growth satisfactory, it has adopted a population strategy intended to reduce its fertility level. The second group contains Jordan and the United Arab Emirates. These two countries considered their growth rates to be too high, but they have no explicit policy in that respect, although Jordan is adopting a birth-spacing policy through an active family planning programme. The third group, consisting of those countries that considered their population growth rates satisfactory, comprises Bahrain, Lebanon and the

Syrian Arab Republic. The Syrian Arab Republic has started preparing for the formulation of population policies; it is supporting family planning activities that are directed at reducing the high rate of natural population growth and has issued some guidelines that reflect intentions for further action. Similarly, Lebanon has no explicit policy, although family planning is widespread; it has achieved the lowest population growth rates owing to lower fertility and higher emigration. The fourth group contains Kuwait, which considers its population growth rate satisfactory, but at the same time it wishes to raise its fertility level. The last group includes countries such as Iraq, which desire to increase their growth rates by raising fertility levels.

74. Several ESCWA member countries have applied structural adjustment policies (SAP) to correct macroeconomic imbalances and transform public-sector-oriented economies into market-oriented ones. Concerned with the adverse social impact of these programmes, these countries have pursued SAP with caution to minimize their negative effects, particularly on unemployment. Several measures were taken to soften the social impact of the economic reform policies being implemented in several countries, particularly Egypt and Jordan.

75. In Egypt, the contractionary fiscal and monetary policies and the reform being undertaken in the public sector have resulted in a reduction in the number of public sector employees from 1,078,379 in fiscal year 1990/1991 to 1,013,667 in fiscal year 1991/1992, a decrease of 6.4 per cent. This trend is expected to continue at the same, if not a higher, rate with the privatization efforts that are taking place at present and as a result of overstaffed public enterprises. The total number of lay-offs is expected to reach 380,000, or about one quarter of the public sector employees by the time that implementation of the structural adjustment policies is completed.

76. The decrease in government subsidies on goods and social services such as basic food commodities, medical services, water and electricity, education and transport has resulted in significantly higher costs and thus lowered the real income of the poor. To mitigate the heavy burdens of the poor, the Social Fund for Development (SFD) was established in 1991 as a temporary step to enhance the SAP as well as to protect the vulnerable population and low-income groups and contribute to their well-being. The SFD executes six programmes that deal with: Public Works, Community Development, Enterprise Development, Employment and Retraining, Institutional Development and Public Transport. Although all the programmes were created to attend to both the poor and the unemployed, they are not exclusively targeted at these two groups. Some programmes place more emphasis on the poor while others are geared more towards the unemployed. By mid-1994 the SFD had contracted 165 projects that were able to create about 64,000 temporary and 153,000 permanent job opportunities with total financing of 890.2 million Egyptian pounds.

77. Jordan has also taken steps to minimize the adverse social effects of the economic reform programme being implemented in the country. Protection of vulnerable groups from further social deterioration was foreseen in the programme inasmuch as basic food subsidies for the poor were not altered, and a safety net (Employment and Development Fund and the National Assistance Fund) was created in 1990 to assist the most affected vulnerable groups through targeting. However, the main problem that Jordan faced, and continues to face, is the increasing rate of unemployment, especially among the poor.

78. Despite the efforts being made by these countries within their limited resources, these programmes are expected to have a negative short-term impact on unemployment and inflation and hence poverty.

TABLE. SOCIO-ECONOMIC INDICATORS FOR THE ESCWA REGION, 1992-1994

	1992	1993	1994
Gross domestic product (GDP) (billions of US dollars)[a/] at constant 1985 prices	265.0	274.8	273.7
GDP growth rate (percentage)	6.8	3.70	(0.4)
Population in the ESCWA region[a/]	120.2	123.0	126.3
Population growth rate (percentage)	2.3	2.6	2.7
Per capita GDP (in US dollars)[a/]	2 204.0	2 234.0	2 165.0
External debt (billions of US dollars)	180.0	186.0	182.0
Debt service payment (in billion US dollars)	16.2	24.0	30.0
External debt/GDP (percentage)[a/]	68.0	67.7	66.5
Exports (billions of US dollars)[b/]	99.4	97.6	..
Imports (billions of US dollars)[b/]	89.9	90.3	..
Balance of trade (billions of US dollars)[b/]	9.5	7.3	..
Current account balance (billions of US dollars)[c/]	(19.6)	(7.7)	..
International reserves (billions of US dollars)[d/]	37.9	42.3	42.5
International reserves/import ratio (months)	5.1	5.6	..
Oil production (millions of barrels per day)	14.9	15.5	15.9
Oil revenues (billions of US dollars)	78.1	75.4	74.3
Proven oil reserves (billions of barrels)	574.8	573.4	569.4
Proven oil reserves/total world oil reserves (percentage)	57.7	57.3	57.0
Proven oil reserves/production (years)	105.2	100.6	98.0
Natural gas reserves/total world	17.0	17.0	17.0
Agricultural imports (billions of US dollars)	15.0	15.4	..
Agricultural exports (billions of US dollars)	2.8	2.8	..
Agricultural trade balance (billions of US dollars)	(12.2)	(12.6)	..
Crude birth rate in the ESCWA region (per 1,000)	35.5	..	35.0
Life expectancy at birth (years)	..	..	65.6

Source: Economic and Social Commission for Western Asia, based on national and international sources.

Notes: Parentheses ( ) denote deficit or negative. Two dots (..) indicate that data are incomplete or not available.

a/ Excluding Iraq.
b/ Excluding Iraq and Yemen.
c/ Excluding Bahrain, Iraq, Lebanon, Qatar and the United Arab Emirates.
d/ Excluding Iraq, the Syrian Arab Republic and Yemen.

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Corrigendum

Page v, fourth paragraph, line 4

For under-employment read diguised unemployment

Page 3, paragraph 12, line 6

For underemployment read disguised unemployment

Page 5, paragraph 24, line 5

For underemployment read disguised unemployment