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PREFACE

The Survey of Economic and Social Developments in the ESCWA Region is an annual publication prepared by the secretariat of the Economic and Social Commission for Western Asia (ESCWA). The first issue in this series appeared in 1980. The Survey provides a policy-oriented analysis of current economic and social developments in Western Asia.

The 1994 issue of the Survey provides a clear illustration of the continued susceptibility of the economies of the region to the developments in the oil sector and the ramifications of the Gulf crisis of 1990-1991. These developments, coupled with restrictive budgetary measures implemented in 1994, negatively affected the economic performance of the region and led to a zero GDP growth rate in 1994, in contrast in a growth rate of 3.7 per cent in 1993. The lack of growth in the region as a whole in 1994 was mainly due to the negative growth rates registered by the major oil-exporting countries in the region.

Several countries in the region, such as Egypt, Jordan and the Republic of Yemen, have embarked upon programmes of economic structural adjustment and liberalization to correct macroeconomic imbalances, enhance the efficient use of resources, reactivate growth and promote the role of the private sector. However, given the limited scope of the diversification so far achieved, the economic performance of the region in the foreseeable future will continue to be influenced by the performance of the oil sector. The social part of the Survey analyses the demographic situation in the region, which is characterized by a high percentage of youth and a high population growth rate, compared with world averages.

It is hoped that the Survey will continue to contribute to a deeper understanding of current economic and social conditions and potentials for further development in the ESCWA region.

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ABBREVIATIONS AND EXPLANATORY NOTES

b/d	Barrels per day
BCM	Billion cubic metres
BD	Bahrain dinar
c.i.f.	Cost, insurance, freight
CIS	Commonwealth of Independent States
EFF	Extended fund facility
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
f.o.b.	Free on board
FRNs	Floating rate notes
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council (includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates).
GDP	Gross domestic product
GNP	Gross national product
ID	Iraqi dinar
IMF	International Monetary Fund
JD	Jordanian dinar
KPIC	Kuwait Petrochemical Industries Company
KD	Kuwaiti dinar
LE	Egyptian pound
LNG	Liquefied natural gas

ABBREVIATIONS AND EXPLANATORY NOTES (*continued*)

LPG	Liquefied petroleum gas
m/b/d	Million barrels per day
MCM	Million cubic metres
NAFTA	North American Free Trade Agreement
NCB	National Commercial Bank
NGOs	Non-governmental organizations
QANTAR	1 qantar = 157.5 kg; 1 metric qantar = 50 kg
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	Special drawing rights
t/y	Tons per year
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WTO	World Trade Organization

Notes: References to dollars ($) are to United States dollars, unless otherwise stated.

Two dots (..) indicate that data are not available or are not separately reported.

An em dash (—) indicates that the amount is nil or negligible.

A hyphen (-) indicates:
(1) The item is not applicable;
(2) Between years or months (for example, 1990-1992 or January-June), the years or months covered, including the beginning and ending of years or months.

An oblique (/) between years (i.e., 1993/1994) indicates fiscal (financial) year.

OVERVIEW

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 the Republic of 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 for several years on Iraq has severely obstructed economic and social developments in the country. 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. Jordan also was granted some debt relief. The armed conflict in May and June of 1994 in the Republic of Yemen cost this least developed country billions of dollars in damage to infrastructure in addition to human losses and exacerbated the country's socio-economic problems.

After growing by an annual rate of 3.5 per cent in 1993, the aggregate gross domestic product (GDP) of the ESCWA region (excluding Iraq) is estimated (in constant 1985 prices) at $274.2 billion, representing only a slight change from its 1993 level of $274.1 billion. This sharp deterioration in economic performance in the ESCWA region in 1994 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 1.2 per cent in their aggregate GDP in 1994. Among this group of countries, only Kuwait and the United Arab Emirates registered a positive growth rate in 1994 of 4.0 per cent and 1.1 per cent, respectively, while the other GCC members recorded growth rates ranging from a negative 2.7 per cent in Saudi Arabia to a negative 1.0 per cent and a negative 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, the Republic of Yemen (the region's least developed country) was the only country to register a negative growth rate (preliminarily estimated at negative 1.5 per cent) in 1994. The rest of the other 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. However, 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 the Republic of 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 disguised unemployment 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 part of the large expatriate labour force with nationals has so far proved 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 the Republic of Yemen, where the inflation rate is preliminarily estimated at over 70 per cent, and Iraq, which suffered from runaway inflation. Egypt and Jordan, however, 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 in check in 1994, ranging between 4.5 per cent in the United Arab Emirates and 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 these countries' imports in 1994, thus resulting in 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 1994 current account, preliminarily estimated at $2.8 billion. In the GCC group, most countries registered a surplus in 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 current account surpluses 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, several GCC countries looked for sources of non-oil revenues in 1994. 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 the 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 with the consequent negative social impact. Egypt is leading the privatization process in the more diversified economies, and this role is being carried out by 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. The Republic of Yemen, however, postponed the implementation of major economic reform and restructuring policies to 1995 as it attempted first to tackle the adverse socio-economic conditions precipitated by the two-month armed conflict in the country. There was a continuation of efforts 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 proved 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, a 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.

I. INTERNATIONAL DEVELOPMENTS

A. ECONOMIC GROWTH AND TRADE DEVELOPMENTS

1. World economic growth

The turnaround in world output, which started in 1993, gathered momentum in 1994, with the industrial countries showing clear signs of a pick-up in economic growth. World GDP is estimated to have grown by 2.2 per cent in 1994, and is projected to grow by 3 per cent in 1995 (table 1). The better than expected growth in world output is due to the increasing recovery in all developed market economies, which are estimated to have grown by 2.6 per cent in 1994 as a group, up from 1.1 per cent in 1993. Leading this growth in output is the United States of America, where expansion is estimated to have peaked at 3.8 per cent in 1994 before slowing moderately in early 1995. The European Union experienced a rebound in growth, with expectations of further growth in 1995; this rebound did not include the economies in transition, where output declined by 10.3 per cent in 1994.

TABLE 1. WORLD OUTPUT AND GROWTH, 1990-1995
(Annual percentage change in gross domestic output)

	1990	1991	1992	1993	1994[a]	1995[b]
World	1.6	0.4	0.7	1.2	2.2	3.0
Developed market economies	2.5	0.8	1.5	1.1	2.6	2.8
United States	1.2	(0.6)	2.3	3.1	3.8	2.8
Japan	4.8	4.3	1.1	0.1	0.6	2.0
European Union	2.8	0.8[c]	1.1	(0.4)	2.4	3.0
Economies in transition	(6.2)	(8.8)	(15.6)	(8.6)	(10.3)	(5.0)
Developing countries	3.0	3.4	4.9	5.1	4.8	5.5

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

Note: ( ) Indicates negative.

a Estimates.
b Projections.
c Indicates discontinuity in series; from 1991 Germany includes the Länder territories.

Although the rapid pace of recovery in the industrialized countries in 1994 generated expectations of a buoyant world output growth in the years ahead, it has also given rise to apprehensions about inflationary pressures associated with a rapid expansion in some countries, such as the United States, where a high rate of capacity utilization has already been achieved. As a result, the slight contraction of monetary policy since early 1994 is expected to curtail demand and slow the pace of economic growth. In Europe, which is still in the recovery phase, with large margins of economic slack, fears concerning inflation in the medium term will need to be addressed by structural reforms to minimize possibilities of overheating as this economic slack is reduced. Fiscal imbalances have led to high levels of public debt and continue to generate fears of associated inflationary pressures. There is a pressing need for fiscal restructuring in many of the developed market economies which would reduce the pressure on the interest rates, generate greater private sector investment and consolidate efforts towards a sustainable recovery.

In the developing countries as a group, output is estimated to have grown by 4.8 per cent in 1994, but with different growth rates among regions and countries. Although moderated, owing to tightening of the monetary policy to reduce the inflationary pressures in an overheated economy, much of the continued strong growth in output in the developing countries as a whole can be attributed to China, where GDP is estimated to have grown by 11.5 per cent in 1994 (table 2). Countries in South Asia and East Asia, which are estimated to have registered a growth rate of 6.4 per cent in 1994, are among the few where growth was higher than that registered in 1993. In Latin America, growth remained robust at 3.3 per cent, with the successful implementation of structural reforms in many countries helping to restore macroeconomic stability, reduce debt burdens and increase price stability. Growth in output in West Asia, which includes all ESCWA member countries (except Egypt) as well as the Islamic Republic of Iran and Israel, declined by 1.6 per cent in 1994 as oil prices remained relatively weak and economic activity slowed. In Africa, economic growth is estimated to have accelerated to 2.6 per cent in 1994, up from 0.7 per cent in 1993. Whereas in many of the African countries that are in the process of implementing structural reforms, the growth in GDP was robust, in others, issues of domestic savings, inflation and resource allocation need to be addressed to strengthen economic activity.

TABLE 2. ECONOMIC ACTIVITY IN DEVELOPING COUNTRIES, 1990-1994

(Annual percentage growth in GDP)

	1990	1991	1992	1993	1994[a]	1995[b]
Developing countries	*3.0*	*3.4*	*4.9*	*5.1*	*4.8*	*5.5*
Latin America	(0.1)	2.9	2.1	3.1	3.3	3.8
Africa	2.2	1.3	0.6	0.7	2.6	3.3
West Asia[c]	1.9	(0.2)	5.7	3.7	(1.6)	2.0
South and East Asia	6.4	5.3	5.3	5.4	6.4	6.8
China	3.9	8.0	13.2	13.4	11.5	10.0
Mediterranean	1.1	(5.6)	(1.4)	(0.2)	(2.5)	2.8

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

Note: ( ) Indicates negative.

a Estimates.
b Forecast.
c West Asia includes all countries in the ESCWA region plus the Islamic Republic of Iran and Israel, but does not include Egypt.

2. *World trade*

The strengthening of world output was reflected in buoyant world trade which continued to grow at a much higher pace than the world output. The economic expansion in the developed market economies, and a consistently high rate of growth and strong import demand in the developing countries, led to a higher rate of growth in world, trade which was estimated in 1994 at 7.1 per cent and is expected to remain at 7 per cent in 1995 (table 3).

TABLE 3. WORLD TRADE, 1990-1995

(Annual percentage growth)

	1990	1991	1992	1993	1994[a]	1995[b]
World	5.4	5.1	6.0	3.9	7.1	7.0
Developed market economies	5.1	3.6	4.4	2.5	5.5	6.0
Developing countries	8.7	8.5	8.1	7.6	9.0	10.3

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

a Estimates.
b Forecast.

Led by the recovery in the United States, trade in developed market economies is estimated to have grown by 5.5 per cent in 1994, up from 2.5 per cent in 1993. Although consumer demand remains strong in Europe, much of the increase in output this year was driven by exports, primarily to the economies in transition in Eastern Europe. Export demand was the major factor behind the faster recoveries registered in France, Germany and the United Kingdom of Great Britain and Northern Ireland.

Trade in developing countries grew by a robust 9 per cent in 1994, and hence contributed to increasing world trade and output. Although the developed economies account for over 70 per cent of world trade, the developing countries' trade has been growing at a faster rate in the 1990s and is expected to grow by 10.3 per cent in 1995. The bulk of the merchandise exports, mostly from countries of Asia and Latin America, are concentrated in manufactured goods, while in the Middle East and Africa exports of minerals dominate.

B. UNEMPLOYMENT

Despite growth in output and considerable idle capacity in many of the developed economies, unemployment remained high at 8 per cent in 1994 (table 4). With the exception of Canada, the United Kingdom and the United States, where the expansion process is at an advanced stage and business cycles are rapidly being adjusted to reflect the increase in output, the rate of unemployment is estimated to have increased marginally in all other developed market economies in 1994. In Japan, although there are signs of the recession bottoming out, a strong yen and relatively low levels of private investment have constrained economic expansion, and thus the country's unemployment rate is estimated to have risen to 3 per cent in 1994.

Ensuring sustainable economic output in the developed market economies in the long run will depend on the elimination of structural imbalances, such as the high levels of unemployment. Whereas the cyclical component of unemployment will be reduced as the recovery gets under way, the structural component of unemployment will need to be addressed through labour market and other reforms in many European countries, such as France, Germany and the United Kingdom.

TABLE 4. UNEMPLOYMENT IN DEVELOPED ECONOMIES, 1990-1995

(Annual percentage change)

	1990	1991	1992	1993	1994[a]	1995[b]
Developed market economies	*6.0*	*6.6*	*7.3*	*7.7*	*8.0*	*7.5*
Canada	8.1	10.2	11.2	11.1	10.5	9.8
France	8.9	9.4	10.4	11.7	12.6	12.3
Germany	4.9	4.2	4.6	5.8	6.7	6.3
Italy	10.3	9.9	10.5	10.2	11.1	10.8
Japan	2.1	2.1	2.2	2.5	3.0	3.0
United Kingdom	6.8	8.8	9.9	10.3	9.4	8.5
United States	5.4	6.6	7.3	6.7	6.2	6.0
Other industrialized countries	7.9	8.6	9.8	11.8	13.1	12.8

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

a Estimates.
b Forecasts.

C. INTEREST RATES AND INFLATION

The rise in long-term interest rates since 1993 reflects the strength of the world recovery, which has spread to all developed economies. Long-term interest rates increased in the United States from 5.6 per cent in the second half of 1993 to 6.6 per cent in the first half of 1994 as the recovery continued. Interest rates increased during the first half of 1994 in all other major developed countries except Italy (table 5). However, the rising trend in interest rates, starting from the second half of 1993 and continuing into the first half of 1994 in most of the developed economies, may point to a progressively greater competition for financial resources. Indeed the rise in interest rates in these economies has already diverted capital flows from the developing to the developed economies.

The foremost challenge to sustained economic growth remains the provision of a stable macroeconomic environment with low levels of inflation and high investment. Inflation tends to reduce the efficacy of macroeconomic policy and erode confidence in investment. A positive aspect of the recent recession has been the low levels of inflation in the developed market economies. Although inflation remains low in these countries during the current phase of global recovery, the speed of economic expansion and the rapidly diminishing slack in a few of the countries that are in an advanced stage of recovery, such as the United

States, have led to fears of an imminent increase in inflationary pressures, as foreshadowed in the rising interest rates. In many European countries such fears have resulted in tighter monetary policies to defuse inflationary pressures.

TABLE 5. LONG-TERM INTEREST RATES IN DEVELOPED ECONOMIES, 1990-1994

(Annual percentage change)

	1990	1991	1992	1993	1993 Second half	1994 First half
Canada	10.9	9.8	8.8	7.8	7.4	8.1
France	10.0	9.1	8.6	6.9	6.3	6.7
Germany	8.9	8.6	8.0	6.3	5.9	6.2
Italy	11.9	11.4	11.9	9.6	8.1	7.9
Japan	7.4	6.5	4.9	3.7	3.2	3.5
United Kingdom	11.1	9.9	9.2	7.9	7.2	7.6
United States	8.6	7.9	7.0	5.8	5.6	6.6

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

TABLE 6. INFLATION IN DEVELOPED ECONOMIES, 1990-1995

(Annual percentage change)*

	1990	1991	1992	1993	1994[a]	1995[b]
Developed economies	*5.0*	*4.3*	*3.1*	*2.7*	*2.3*	*2.5*
Canada	4.7	5.6	1.5	1.9	0.4	1.8
France	3.4	3.2	2.4	2.1	1.8	2.0
Germany	2.7	3.5	4.0	4.1	3.0	2.5
Italy	6.5	6.3	5.2	4.5	3.8	3.8
Japan	3.1	3.3	1.7	1.2	0.7	0.5
United Kingdom	9.5	5.9	3.7	1.6	2.5	3.5
United States	5.4	4.2	3.1	3.0	2.7	3.3

Source: United Nations Economic and Social Council, "The world economy at the start of 1995: world recovery spreads, and inflation falls, but with unemployment problems left in their wake" (E/1995/INF/1), 17 January 1995.

* Data for country groups are weighted averages; the weights for each year are the consumption expenditures for the year valued at 1988 prices and exchange rates.

a Estimates.

b Forecast.

Inflation in developed market economies as a whole declined, although marginally, from 2.7 per cent in 1993 to 2.3 per cent in 1994 (table 6). As economic activity strengthened, the improved outlook for 1995 in terms of lower inflationary pressures was reflected in further reductions in consumer price indices in many economies—except Canada, France, the United Kingdom and the United States, where the cycle of recovery is more advanced and where inflationary pressures appear to be rising.

Inflation in the developing countries as a whole remained high, increasing from an aggregate of 52.9 per cent in 1993 to 64.9 per cent in 1994 (table 7). The aggregate average, however, masks great variation in inflationary pressures between regions and individual countries. Inflation was relatively moderate in Asia and the Middle East, but figures indicated a rising inflationary trend in Asia, and China in particular. Hyperinflation in Latin America and the European countries in transition continued in 1994, rising to a rate of 301.5 per cent in the former and 71.8 per cent in the latter. Inflationary pressures also increased in Africa, where some countries remained in the grip of a hyperinflationary spiral.

TABLE 7. INFLATION IN DEVELOPING COUNTRIES, 1990-1994

(Annual percentage change)

	1990	1991	1992	1993	1994
Developing countries	*77.7*	*43.2*	*46.7*	*52.9*	*64.9*
Africa	16.6	31.5	44.9	37.2	60.5
Asia	6.0	8.9	8.6	10.4	10.8[a]
Europe[b]	153.8	82.2	86.7	66.2	71.8[a]
Middle East	10.1	13.2	11.4	11.2	12.5
Latin America and Caribbean	505.1	148.0	170.8	240.3	301.5

Source: International Monetary Fund, *International Financial Statistics*, April 1995.

a Third quarter.
b Economies in transition.

D. EXTERNAL DEBT AND CAPITAL FLOWS

The total debt of all developing countries increased by about 7 per cent in 1994 to reach $1,944.6 billion (table 8). Whereas in 1993 the debt-to-export ratio had increased commensurate with the increase in overall debt, in 1994 this trend was reversed. The debt-to-export ratio of the developing countries as a group declined from 172 in 1993 to 167 in 1994 (table 8).

With the economic recovery in the industrialized countries, the increase in long-term interest rates could affect the debt of developing countries depending upon when these increases are passed on to the debt-service payments.

After a period of stagnating resource inflows to the developing countries in the late 1980s, the efforts at liberalization and opening up of markets to foreign investors in the developing countries, coupled with the low levels of interest rates in the industrialized countries in the last few years, resulted in a surge of capital flows to the more lucrative fields in the developing countries. Private capital flows increased from $45.5 billion in 1990 to $172.9 billion in 1994 (table 9). The fact that more than two thirds of the total long-term resource flows were private in 1994 is indicative of the changing pattern of resource flows to the developing countries in the 1990s. This contrasts with the experience of the 1980s, when the financial flows were in the form of debt-creating official transfers.

TABLE 8. TOTAL DEBT OF THE DEVELOPING COUNTRIES, 1990-1994

(Billions of United States dollars)

	1990	1991	1992	1993	1994[a]
Developing countries	*1 539.3*	*1 626.7*	*1 695.8*	*1 811.7*	*1 944.6*
East Asia and Pacific	268.4	301.6	331.2	367.7	415.2
Europe and Central Asia	286.4	311.3	332.9	369.8	402.6
Latin America and Caribbean	476.0	490.9	500.0	525.7	546.9
Middle East and North Africa	188.7	193.4	195.0	201.9	213.3
South Asia	127.5	133.6	141.2	146.1	155.8
Sub-Saharan Africa	192.2	196.3	195.4	200.4	210.7
Memo item:					
Debt-to-export ratio	160	164	167	172	167

Source: World Bank, *World Debt Tables*, 1994-1995.

a Estimates.

In 1990, total aggregate flows to the developing countries were $103.4 billion, of which private flows were $45.5 billion or 44 per cent. By 1994, total flows had increased to $227.4 billion, more than two thirds of which were in the form of private flows.

TABLE 9. AGGREGATE NET RESOURCE FLOWS TO DEVELOPING COUNTRIES, 1990-1994

(Billions of United States dollars)

	1990	1991	1992	1993	1994[a]
Aggregate net resource flows	103.4	124.7	153.0	213.2	227.4
Official development finance	57.9	61.9	50.3	53.9	54.5
Total private flows	45.5	62.9	102.7	159.2	172.9
Private debt	15.0	18.5	41.4	45.7	55.5
Foreign direct investment	26.7	36.8	47.1	66.6	77.9
Portfolio equity investment[b]	3.8	7.6	14.2	46.9	39.5

Source: World Bank, *World Debt Tables*, 1994-1995.

a Projected.

b Estimates.

E. Regional economic blocs

The conclusion of the Uruguay Round of multilateral trade negotiations and the establishment of the World Trade Organization on 1 January 1995 are expected to encase the world trading system in a more free but systematic international trade framework. The reduction in tariff and non-tariff barriers, especially for developing countries' exports to the developed countries, is expected to exert a beneficial effect in terms of greater access and opportunities for boosting worldwide trade and output, although the impact, in terms of an increase in food prices in the short term, may have adverse effects on food-importing developing countries, including those of the ESCWA region. Similarly, removal of barriers affecting other commodities such as the dismantling of the MultiFiber Arrangement (MFA) on the exports of textiles and clothing is expected to provide developing countries with greater access to world markets and boost overall trade and output.

In recent years there has been a drift towards the formation of regional economic blocs. With the establishment of the North American Free Trade Agreement (NAFTA) in 1993 followed by the Single European Market (SEM), regional groupings among developing countries have been formed for fear of losing the ability to maintain preferential trading systems among themselves. In 1993, Brazil launched an initiative for the formation of a regional common market (Mercosur). Mexico and Costa Rica signed agreements for removal of tariff and non-tariff barriers and providing preferential treatment for each country's national investors. Other Latin American countries signed similar bilateral agreements to open up their economies and liberalize trade.

In 1994, the SEM was broadened to include Austria, Finland and Sweden, making a total of 15 countries within the ambit of the European Union. In the former States of the Soviet Union regional integration measures were advocated by Belarus, Kazakhstan and the Russian Federation for the creation of a common market covering most of the former Soviet Union States. Members of Asia-Pacific Economic Cooperation (APEC), which was launched in 1989, met in 1994 to further the aims of the regional bloc in terms of a free trade area in the region.

F. World economic prospects

The world economic recovery is expected to continue to grow stronger in 1995 as output growth becomes more firmly established in the industrialized countries. The forecast for global output growth of 3 per cent in 1995 is tied to continuing recovery in the industrialized countries, coupled with efforts to remove structural fiscal deficits, boost employment and prevent inflationary pressures from rising. At the same time, world economic growth will depend upon the maintenance and improvement of macroeconomic stability in the developing countries and further progress in liberalization of financial and trade regimes. This is particularly relevant to many of the countries of the ESCWA region which are seeking to restore growth and restructure economic policies for greater economic efficiency.

Fears about a resurgence of inflation in the developing countries, caused by the rising interest rates in a few of the developed countries, will need to be addressed. These interlinkages in the developed economies need to be monitored by the developing countries as they have implications for debt-servicing and for private capital flows. Overall sustainability in developing countries' growth will depend upon the continued progress in providing a stable macroeconomic environment with low price variability and increasing opportunities for export-led growth. In trade, the implementation of the Uruguay Round Trade Agreements as of January 1995, and the establishment of the World Trade Organization, should help to foster the linkages between world trade and output in the coming years.

II. OVERALL ECONOMIC PERFORMANCE AND POLICIES

A. ECONOMIC GROWTH AND DEVELOPMENT

The overall economic performance of the ESCWA region deteriorated in 1994 compared with 1993. The GDP of the region as a whole, excluding Iraq, was estimated (in constant 1985 prices) at $274.2 billion in 1994, representing a meagre change from its 1993 level of $274.1 billion (table 10).[1] Considering the relatively high population growth rate in the countries of the ESCWA region (2.6 per cent in 1994), the near zero growth of GDP resulted in an estimated 2.7 per cent decline in per capita income in Western Asia in 1994 (table 11).

TABLE 10. GROSS DOMESTIC PRODUCT BY COUNTRY AND COUNTRY GROUPING, 1991-1994

	GDP in millions of United States dollars at constant 1985 prices				Growth rates *(percentage)*		
	1991	1992	1993	1994*	1992	1993	1994
GCC countries							
Bahrain	4 531	4 750	4 970	4 880	4.8	4.6	(1.8)
Kuwait	10 400	19 759	24 225	25 193	90.0	22.6	4.0
Oman	13 400	14 309	14 880	14 731	6.8	4.0	(1.0)
Qatar	7 081	7 768	7 869	7 712	9.7	1.3	(2.0)
Saudi Arabia	117 000	122 000	124 000	120 652	4.3	1.6	(2.7)
United Arab Emirates	30 531	31 126	30 680	31 017	1.9	(1.4)	1.1
Subtotal	182 943	199 712	206 624	204 185	9.1	3.5	(1.2)
More diversified economies[a]							
Egypt	38 860	40 414	41 142	42 705	4.0	1.8	3.8
Jordan	4 910	5 466	5 783	6 112	11.3	5.8	5.7
Lebanon	3 600	3 300	3 531	3 743	(8.3)	7.0	6.0
Syrian Arab Republic	11 950	12 558	13 458	13 929	5.0	3.9	3.5
Republic of Yemen	5 719	3 467	3 540	3 487	(39.0)	2.1	(1.5)
Subtotal	65 039	65 205	67 454	69 976	0.30	3.4	3.7
Total ESCWA region[a]	*247 982*	*264 917*	*274 078*	*274 161*	*6.8*	*3.5*	*0.00*

Source: Economic and Social Commission for Western Asia, *National Accounts Studies of the ESCWA Region*, Bulletin No. 14, 1994.

Note: ( ) Indicates negative.

* Estimates.

a Excluding Iraq, the West Bank and the Gaza Strip.

[1] Although Iraq is excluded owing to lack of data on its economic growth and the overall economic conditions in the country have deteriorated further as a result of the United Nations economic sanctions in force since August 1990.

TABLE 11. PER CAPITA GROSS DOMESTIC PRODUCT IN THE ESCWA REGION, 1991-1994

(United States dollars at constant 1985 prices)

	United States dollars				Growth rates (percentage)		
	1991	1992	1993	1994*	1992	1993	1994
GCC countries							
Bahrain	8 972	9 134	9 290	8 888	1.8	1.7	(4.3)
Kuwait	5 024	14 113	16 368	14 396	180.0	16.0	(12.0)
Oman	7 231	7 176	7 373	7 001	(0.80)	2.7	(5.0)
Qatar	14 077	15 025	14 875	14 281	6.7	(1.0)	(4.0)
Saudi Arabia	7 097	7 252	7 243	6 914	2.2	(0.2)	(4.5)
United Arab Emirates	17 740	17 292	16 894	16 667	(0.9)	(3.9)	(1.3)
Subtotal	7 906	8 673	8 794	8 418	9.7	1.4	(4.3)
More diversified economies[a]							
Egypt	674	685	682	694	1.6	(0.40)	1.8
Jordan	1 263	1 363	1 393	1 423	7.8	2.3	2.2
Lebanon	1 379	1 223	1 258	1 284	(11.3)	2.8	2.1
Syrian Arab Republic	935	949	983	982	1.5	3.6	0
Republic of Yemen	482	277	268	251	(42.0)	(3.2)	(6.3)
Subtotal	732	713	716	723	(1.3)	0.45	1.0
Total ESCWA region[a]	*2 215*	*2 314*	*2 329*	*2 265*	*4.5*	*0.65*	*(2.7)*

Source: Economic and Social Commission for Western Asia, *National Accounts Studies of the ESCWA Region*, Bulletin No. 14, 1994.

Note: ( ) Indicates negative.

* Estimates.

a Excluding Iraq, the West Bank and the Gaza Strip.

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

The fall in oil prices precipitated declines in oil revenues in most of the 10 oil-exporting ESCWA member countries.[2] 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 for several years has severely obstructed economic and social development in that country. In addition, countries that traditionally have had strong economic and trade relations with Iraq, such as Jordan, continued in 1994 to suffer from the negative effects of these sanctions. However, the signing of the peace treaty

[2] Ten of the 13 ESCWA members are oil exporters, namely all the GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), as well as Egypt, Iraq, the Syrian Arab Republic and the Republic of Yemen.

between Jordan and Israel on 26 October 1994 has so far resulted in the full restoration of water and land to Jordan and a surge in tourism and tourism-related construction in that country. Jordan was also granted a measure of debt relief. The armed conflict in May and June of 1994 in the Republic of Yemen cost this least developed country billions of dollars in damage to infrastructure in addition to human losses and exacerbated the country's socio-economic problems. 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, hence reducing public investment and therefore contributing to the contraction in economic activities, particularly in the GCC countries.

The performance of the countries of the GCC, whose economies remain greatly dependent on the contribution of their respective oil sectors, differed from that of the group of ESCWA member countries with more diversified economies. In addition, even among these two groups of countries, economic development and growth differed from one country to another.

1. *The GCC countries*

In the GCC countries, the recessionary trends that started in 1993 became stronger in 1994: the combined GDP of this group of countries is estimated to have registered a negative growth rate of 1.2 per cent, down from a positive growth of 3.5 per cent in 1993. Economic activities in the GCC countries have been affected by the 2.4 per cent decline in oil revenues, the cut in public spending and the continued repercussions of the Gulf war, which led to fiscal imbalances in most of the countries in this group.

Bahrain's economy slowed considerably in 1994, with GDP growth falling from a positive 4.6 per cent in 1993 to an estimated negative 1.8 per cent. Bahrain has the most diversified economy among the GCC countries, and hence declining oil revenues *per se* are not as devastating to its economy as they would be in countries that are more dependent on oil as a major source of revenue. Nevertheless, declining oil revenues did reduce government revenues. Moreover, Bahrain's economy is greatly dependent on economic developments in neighbouring countries, particularly Saudi Arabia, with respect to tourism revenues, trade, banking, and financial assistance. Thus, the cut in public spending, lower oil revenues and a cut in grants from neighbouring countries, especially Saudi Arabia and Kuwait, were the main factors behind the contraction in economic activities, despite the improvement achieved in exports of aluminium, which benefited from the rise in world prices.

The Kuwaiti economy continues to suffer from the negative repercussions of the Gulf crisis of 1990-1991, as reflected in the ongoing repair of vital services and industries and the sharp increase in defence expenditure. The economy slowed considerably in 1994, achieving a growth rate of only 4 per cent, down from 22.6 per cent in 1993, owing mainly to a large budget deficit which led to abrupt cuts in public investment and the completion of essential repair and reconstruction of damaged facilities. The bulk of GDP growth in 1994 is attributed to the contribution of the oil sector. Non-oil sector activities were subdued, partly owing to uncertainty over the final form of the Bad Debt Law,[3] and the Government's attempts to rein in the fiscal deficit. The industrial sector continued to suffer from the changes in the population level and composition, and the higher priority given by the Government to completing restoration work on basic services and oil production facilities. The real estate market remained in a prolonged slump, with little hope

[3] Law No. 32 of May 1992 deals with debt of companies and individuals that resulted from the crash of Souk Al-Manakh and the Gulf crisis in August 1990.

for improvement in the near future. Rents remained at far below pre-Gulf war levels.[4] Inflation in Kuwait in 1994 remained subdued at an estimated rate of 1.2 per cent. However, inflation may accelerate in 1995 owing to the drastic drop in the value of the United States dollar in the first quarter of 1995; the dollar depreciated by more than 15 per cent against the Japanese yen and the German deutsche mark. Since the Kuwaiti dinar is closely linked to the dollar, this would precipitate a significant rise in Kuwait's import bill, particularly since goods imported from Japan and the European Union account for about 45 per cent of Kuwait's total imports.[5]

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. Oil revenues account for 75 to 80 per cent of government revenues.[6] Thus the drop in oil revenues and the ensuing contractionary fiscal policy, reflected in a 10 per cent cut in public expenditure, were the main factors behind the decline in economic activity in 1994.

The economy of Qatar performed poorly in 1994, registering a negative growth rate of 2 per cent, in comparison with a positive 1.3 per cent growth rate in 1993, and 9.7 per cent growth a year earlier. This was primarily due to an estimated 4.8 per cent drop in oil revenues and the ensuing reduced public spending.

Saudi Arabia's economic performance in 1994 was negatively affected by a cut of approximately 12 per cent in public expenditure, a 4.9 per cent drop in oil prices and a 1.2 per cent decline in oil production. These factors led to a contraction in economic activity during 1994, despite the continued strong performance of the private sector. The cut in public expenditure was translated into a freeze on new government projects which affected construction and a reduction in government subsidies which affected agriculture. Preliminary estimates point to a negative GDP growth rate of 2.7 per cent in 1994, down from a positive 1.6 per cent growth rate in 1993. Given that Saudi Arabia's GDP in 1993 accounted for 60 per cent and 45 per cent of the aggregate GDP of the GCC countries and ESCWA member countries, respectively, the decline of Saudi Arabia's GDP in 1994, in addition to the decline in GDP registered by the United Arab Emirates, explains the aggregate negative growth rate recorded in the ESCWA region in 1994.

In the United Arab Emirates, GDP is estimated to have registered a growth rate of 1.1 per cent in 1994, compared with a negative growth rate of 1.4 per cent in 1993. This was achieved despite the 4.4 per cent decline in the oil sector, which contributes 39 per cent of GDP. The growth rate can be attributed to the continued improvement in the non-oil sectors, particularly the construction and manufacturing sectors, and in re-export activities. The non-oil sectors are estimated to have achieved a 7.0 per cent growth rate in 1994 in nominal terms.[7] Owing to the growth of the non-oil sectors and the simultaneous decline in the oil sector, the share of non-oil sectors in GDP rose from 64 per cent in 1993 to 66.2 per cent in 1994, while the share of the oil sector in GDP fell from 36 per cent to 33.8 per cent in that year. The value added in

[4] *Middle East Economic Digest*, 18 March 1994, p. 6.

[5] The National Bank of Kuwait, *Economic and Financial Quarterly*, third quarter, 1994, pp. 8-9.

[6] *Middle East Economic Survey*, 28 November 1994, p. B3.

[7] United Arab Emirates, Central Bank, *Annual Report, 1994*, p. 6.

manufacturing, benefiting from the significant rise in aluminium prices in the international markets, increased by 5.7 per cent in 1994 and thus accounted for 8.4 per cent of the country's GDP.[8]

2. *Countries with more diversified economies*

In the more diversified economies,[9] the expansion of 1993 continued in 1994. The combined GDP of this group of countries registered a 3.7 per cent growth rate in 1994, compared with 3.4 per cent in 1993. The highest growth in this group was estimated to have been achieved by Lebanon (6 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 demonstrated a better overall performance 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 Egypt, the Syrian Arab Republic and Yemen 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 manufacturing in Egypt and the Syrian Arab Republic; construction and tourism services in Lebanon and Jordan; and increases in workers' remittances in both 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.

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 the agricultural, manufacturing, construction and services sectors. Efforts were undertaken to enhance quality and productivity, particularly in agricultural production and manufacturing. The Government also launched a $42 million tourism promotion campaign in an effort to reverse the decline in what was once one of Egypt's most promising industries and a major source of foreign exchange and employment opportunities. The number of tourists increased by 3.3 per cent in 1994, reaching 2.5 million. The increase in the number of tourists was partly due to an intensified tourism promotion campaign by the authorities during the second half of the year and partly to a decline in terrorist activities in the country. Workers' remittances also increased in fiscal year 1993/1994 to $6.16 billion, up from $5.9 billion in fiscal year 1992/1993.[10] As a result of the stabilization programme, budget deficits have been curtailed, narrowing to only 2.6 per cent of GDP during fiscal year 1993/1994, down from more than 20 per cent before the start of implementation of the structural adjustment programme in 1991. The economy was also helped by the debt cancellation granted as part of the economic reform programme; however, further debt cancellation has been delayed by the disagreement with the International Monetary Fund (IMF) over the proposed devaluation of the Egyptian pound. Moreover, streamlining of fiscal and monetary policies has helped in both reducing inflation and stabilizing the currency, hence inducing an inflow of capital from abroad. However, the conservative monetary policy with relatively high interest rates, while encouraging saving and capital inflows, has apparently also had adverse economic effects, such as deterring project investment because of the increased cost of borrowing.[11] The Central Bank of Egypt has cautiously and gradually reduced interest rates during 1994, so as not to jeopardize capital inflows. By October 1994, the

[8] Ibid., p. 3.

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

[10] Central Bank of Egypt, *Economic Review*, 1993/1994 (in Arabic), p. 68 (also available in English).

[11] Economist Intelligence Unit, *Country Report, Egypt*, fourth quarter,1994 (London), p. 7.

yield on three-month treasury bills had fallen to 11.18 per cent, down from over 14 per cent at the beginning of the year and 19 per cent a year earlier.[12] The Egyptian stock market performed extremely well in 1994, growing by 140 per cent in United States dollar terms.[13] Given the successful economic liberalization programme and the expected acceleration of privatization, a similar performance is projected for 1995. The Egyptian Government initiated a long-term development strategy for the development of Upper Egypt, where unemployment and poverty levels are the highest in the country.

Though there are no reliable data on Iraq's GDP (and many other economic indicators), there is no doubt that the United Nations-imposed economic sanctions on Iraq, in effect since August 1990, have continued to affect adversely economic as well as social conditions in the country. With the shortages of machinery, spare parts and various other inputs, economic conditions continued to deteriorate in 1994.[14] With runaway inflation and the tumbling of the Iraqi dinar, some estimates put Iraq's GDP, in United States dollars, at levels below those of least developed countries.

Jordan's GDP is estimated to have grown by 5.7 per cent in 1994, compared with 5.8 per cent in 1993. Its GDP growth in 1994 allowed the country to register a 2.2 per cent per capita GDP growth rate, which was the highest among all ESCWA member countries in that year. Furthermore, were it not for the United Nations-imposed economic sanctions on Iraq, Jordan's GDP would have most probably grown at a faster rate, owing to the traditionally strong trade and economic relations between these two countries. While the agricultural sector's growth rate was only 1 per cent in 1994 compared with 10 per cent in 1993, the growth of the manufacturing sector increased from 6 per cent in 1993 to 9.3 per cent in 1994.[15] Moreover, the mining sector improved in 1994, registering a 1 per cent growth rate after a 2.6 per cent decline in the preceding year. The signing of the peace treaty between Jordan and Israel on 26 October 1994 resulted in the full restoration of water and land to Jordan and a surge 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 a growth of 12 per cent in the previous year.[16] The economy benefited from an increase in both remittances ($1.3 billion in 1994, up from $1 billion in 1993) and a 16 per cent growth in exports. In addition, external debt cancellation and/or debt rescheduling by the United States and some European countries reduced Jordan's debt-servicing burden. Moreover, the prudent stance taken by the Government in its demand management policies, together with the combined effects of its monetary and fiscal policies in controlling both domestic liquidity and government expenditure, played a major role in maintaining the rate of increase in the cost of living index within acceptable limits: 4.2 per cent in 1994. As 1995 unfolds, the most pressing issue for the Jordanian Monetary Authorities will be maintaining the stability of the Jordanian dinar. The recent creation of the Palestinian Monetary Authority (PMA) has increased expectations that a Palestinian currency may be

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[12] Ibid.

[13] *International Herald Tribune*, 4-5 March 1995, p. 19.

[14] UNDP, *Human Development Report 1994*, p. 42.

[15] Jordan, Ministry of Planning (unpublished data), 1995.

[16] Ibid.

issued in the near future, creating fears of liquidation of Jordanian dinar holdings in the West Bank and the Gaza Strip, valued by the World Bank at between $500 million and $800 million.[17]

The Lebanese economy continued its trend towards robust growth despite a slight slow-down, with GDP growing by an estimated 6 per cent in 1994, compared with 7 per cent in 1993. The economic growth in 1994, as in the previous three years, was fuelled by the construction boom to rebuild the country after years of civil strife and to repair vital services and industries, as well as by the growth in the agriculture and tourism sectors. Work began on a project to rebuild the Beirut city centre, covering an area of 1.8 million square metres at an estimated cost of $475 million.[18] 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 infrastructural projects.[19] Both the improvement in the political climate and the reconstruction projects attracted large inflows of foreign capital and therefore helped to stabilize the Lebanese currency, which appreciated by 3 per cent against the United States dollar in 1994.[20] The tourism sector continued to recover, with revenues reaching $500 million in 1994.

In the Syrian Arab Republic, economic growth was estimated at 3.5 per cent in 1994 compared with 3.9 per cent in 1993. Economic growth was supported by the agriculture, manufacturing, and tourism sectors as well as the inflow of private capital induced by investment Law No. 10 of 1991. It is estimated that Law No. 10 was instrumental in the return of nearly $4 billion of expatriate holdings abroad during the past few years.[21] However, the stabilization of oil production at around 575,000 barrels per day (b/d) in 1994 and the 4.9 per cent decline in oil prices reduced oil revenues. Moreover, the economy is still confronted with several major problems, namely inflation, disguised unemployment and a large external debt.

In the Republic of Yemen, the region's least developed country, the economy suffered from a deep recession in 1994, exacerbated by an 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, the value of which plunged to about 100 Yemeni rials (YRls) to the United States dollar in the parallel market, depreciating from YRls 12 to the United States dollar (the official rate).

In the West Bank and Gaza Strip, the economy plunged into a recession in 1994, owing to reduced tourism revenues, the repeated closure of the territories by the Israeli authorities, 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. Following the signing of the Declaration of Principles in September

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[17] World Bank, *Peace and the Jordanian Economy* (Washington, D.C., October 1994), pp. 11-15.

[18] *Middle East Economic Digest*, 2 September 1994, pp. 2-3.

[19] *Middle East Monitor*, November 1994, p. 7.

[20] *Al-Hayat*, 1 January 1995 (in Arabic), p. 11.

[21] *The Middle East*, February 1995, p. 27.

1993, donor countries and organizations pledged $2.2 billion for the Palestinian National Authority, to be disbursed over a period of five years. Palestinian authorities, however, state that only $215 million were received out of a total of $720 million promised for 1994.[22] The GDP, which was estimated to have grown by 2.1 per cent in 1993, is estimated to have declined in 1994. The stalemate in the peace process, in addition to the continued drop in workers' remittances, has also discouraged the inflow of private capital to the territories. 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.

Box 1. Impact of tourism on the economies of selected ESCWA member countries

The importance of the tourism sector as a source of foreign exchange and provider of job opportunities is rapidly being realized by many ESCWA member countries. Tourism is expected to play an important role in the coming era of peace in the region.

The tourism sector has received a boost from the World Tourism Organization, which has declared 1995 Arab Tourism Year in recognition of the important role that tourism can play in the economies of the region. Jordan, Lebanon and the Syrian Arab Republic have quickly seized this opportunity by signing a joint Tourist Cooperation Accord to enhance intraregional tourism. With the advent of peace, Jordan has seen its tourism industry flourish, with the number of tourists up by 12 per cent in 1994 and revenues exceeding $600 million, roughly equivalent to 10 per cent of its gross domestic product. Private entrepreneurship has been the driving force behind the Syrian Arab Republic's thriving tourism industry. The number of visitors in 1994 is estimated to have reached 2 million and revenues around $850 million, thus putting proceeds from tourism on an equal footing in importance with oil and textile exports as a major source of foreign currency.

In Egypt, the tourism sector is a major source of employment opportunities. Tourism revenues, such as Suez Canal dues, oil exports and workers' remittances, are an important source of foreign exchange. Egypt's tourism sector was badly hit by an outbreak of violence in the past couple of years. However, improved security measures and a vigorous marketing campaign led to a gradual rise in the number of arrivals in 1994. In addition, the drop in the value of the United States dollar in early 1995 should make package tours for nationals of Japan and the European Community much cheaper, thus giving the tourism industry an added impetus.

TOURISM REVENUES IN SELECTED ESCWA MEMBER COUNTRIES, 1991-1994

(Millions of US dollars)

	1991	1992	1993	1994
Jordan	315	455	560	640
Syrian Arab Republic	n.a.	620	730	850
Egypt*	3 000	2 100	2 380	1 780

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

* Fiscal year ending 30 June.

[22] *Jordan Times*, 26 April 1995, p. 12.

B. Economic reform policies

The main objectives of economic reform programmes currently under way in the ESCWA region are to correct macroeconomic imbalances, streamline financial policies, mobilize domestic savings through more efficient mobilization of domestic resources, upgrade domestic skills and improve quality of local products, 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 economic reform policies with caution in order to reduce and minimize their initial adverse social impact, as reflected in the high inflation and unemployment rates that are already causing problems, particularly in the more diversified economies.

1. *The GCC countries*

The GCC countries continued to suffer from the Gulf war and its aftermath. Though a great deal of progress was made in the attempts of GCC countries to diversify their economies, dependence on the mining (mainly oil) sector remains considerable. Table 12 shows that the mining (mainly oil) sector's contribution to the GDP of the GCC countries fell from 65.3 per cent in 1980 to 36.8 per cent in 1993. There is, however, a difference in the degree of dependence on the oil sector among GCC countries. For example, while the shares of mining in the GDP of Kuwait and Oman in 1993 were 43.9 and 42.7 per cent respectively, mining accounted for only 17 per cent of Bahrain's GDP in that year.

Table 12. ESCWA region: percentage share of mining in GDP, 1980, 1985, 1991-1993

Country groups	1980	1985	1991	1992	1993
GCC countries	65.3	36.3	35.4	37.1	36.8
More diversified economies*	12.1	8.2	7.0	8.1	6.6
Total ESCWA region*	56.1	29.4	28.1	29.0	27.7

Source: Economic and Social Commission for Western Asia, *National Accounts Studies of the ESCWA Region*, Bulletin No. 14, 1994.

* Excluding Iraq, the West Bank and the Gaza Strip.

The dependence on the oil sector as a source of revenue for the Governments of GCC countries is far more overwhelming. In the GCC countries oil revenues account for more than 80 per cent of government revenues. Thus the declines in oil revenues (as shown in chapter III below) have caused severe financial problems in most GCC countries. In addition, as shown in table 13 below, the value of the United States dollar, in which oil revenues are denominated, has been on a declining trend versus some of the other major currencies since 1985, especially versus the Japanese yen and German deutsche mark. The decline in the United States dollar exacerbated the negative effects on the current accounts of GCC countries, primarily by inflating their import bills.

Confronted by financial difficulties and apparently not expecting major increases in oil revenues in the near future, most GCC countries have opted for increasing their non-oil revenues by imposing and/or increasing fees on government-provided goods and services. Several Governments are considering taxing foreign as well as domestic corporations. However, GCC countries have ruled out the imposition of income taxes on individuals as they fear that this could trigger a mass exodus of currently needed expatriate labour.[23]

At least since the mid-1980s, GCC countries have been encouraging the private sector to play a greater role in economic development. After the devastating effects of the Gulf war and the continued low levels of oil revenues, the Governments of GCC countries have taken steps, such as privatization, to enhance the contribution of the private sector at the expense of the public sector. Moreover, 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.

TABLE 13. UNITED STATES DOLLAR EXCHANGE RATE IN TERMS OF OTHER MAJOR CURRENCIES, 1985, 1990-1995

US dollar versus	1985	1990	1991	1992	1993	1994	1995[a]	1995/1994 percentage change	1995/1985 percentage change
Deutsche mark	2.94	1.61	1.65	1.56	1.65	1.62	1.37	(15.4)	(53.4)
Japanese yen	239.00	144.80	134.70	126.65	111.20	102.20	86.60	(15.2)	(63.8)
British pound sterling[b]	1.30	1.78	1.77	1.76	1.50	1.53	1.63	(6.5)	(25.4)
French franc	8.99	5.44	5.64	5.29	5.66	5.55	4.90	(11.7)	(45.5)

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

Note: ( ) Indicates negative.

a End of March.

b Shown in United States dollars per pound.

The policy pursued by GCC countries to replace a portion of the large expatriate labour force with nationals has so far proved 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.[24] Nationals of GCC countries prefer to work in the public sector, which is no longer able to accommodate all job seekers. In the private sector, where most new employment opportunities are found, the salaries and compensation

[23] *Jordan Times*, 30 January 1995, p. 8.

[24] *Jordan Times*, 6 February 1995, p. 8.

are often below what nationals would regard as adequate. Furthermore, some manual and service jobs are generally regarded by nationals as unacceptable.

In Bahrain, the Government's liberalization of the rules governing foreign investment in the country began to yield desired results. The number of foreign companies registered in the country increased considerably in 1993 and again in 1994.[25] In addition, the Bahrain stock exchange was expanded, and links with the Omani stock exchange were being completed in 1994.

In Kuwait, consideration is currently being given to the imposition of a sales tax, a tax on Kuwaiti-owned companies, and raising custom fees in a reform package designed to curb the country's large budget deficit. The proposed tax system would apply to commercial and industrial profits of Kuwaiti firms at rates starting at 10 per cent in 1996, rising to 21 per cent in the year 2000 and to 30 per cent in the year 2005.[26] Also being considered is an increase in the charges on public services that are currently heavily subsidized, such as electricity, water and telecommunications. It should be noted, however, that no consideration is being given to the imposition of income taxes, which are currently not levied in Kuwait. A new State-run Real Estate Investment Fund was established in June 1994. This Fund offers Kuwaitis, citizens of other GCC countries, and resident expatriates the chance to buy a stake in the country's real estate market. Foreigners are prohibited from purchasing property outright, but the KD 20 million ($59.4 million) Fund offers units in Government-owned commercial and investment real estate assets.[27] This was the second fund launched in 1994 with the aim of boosting investment, both from internal and external sources. In May 1994, the First Investment Fund, with units reflecting government stakes in 39 Kuwaiti companies, was established.[28] However, primarily owing to the lingering memories of the adverse effects of the Souk al-Manakh crisis, Kuwaitis apparently still prefer to invest in property rather than corporate enterprises. In early 1995, the Kuwaiti Government was considering studies on privatizing communications, electricity and water utilities. In addition, subsidiary companies of the Kuwait Airways Corporation may be privatized during 1995.[29] The Government will, however, retain a regulatory function. The Government's aim is to ensure majority ownership for the Kuwaiti private sector, with the Government and foreign investors splitting the rest.

Oman has gone further than most other GCC countries in actually implementing reforms and introducing economic policies in order to remedy existing internal and external imbalances. Oman's reform programme includes strengthening the Government's financial position and simultaneously implementing economic liberalization measures. Thus government expenditures were curtailed, in part by reducing defence expenditure. The Government also decided that all new major infrastructural projects are to be financed by private equity and loans. Government holdings in local companies are to be sold. Meanwhile, the banking sector was consolidated during the last two years, with the result that banks are now bigger and stronger, and thus have enhanced capacity to finance economic development initiatives that may be undertaken by the

[25] Economist Intelligence Unit, *Country Report: Bahrain, Qatar*, third quarter, 1994, p. 9.

[26] *Jordan Times*, 25 January 1995, p. 8.

[27] *Middle East Monitor*, August 1994, p. 5.

[28] Ibid.

[29] *Middle East Monitor*, February 1995, p. 9.

private sector.[30] The financing of private infrastructure has already taken place with the successful share issue and loan syndications for the $240 million Manah Power Station. Moreover, in an effort to attract additional capital, the Omani authorities are opening the Omani stock market to investment by non-Omanis by linking up with the Bahraini stock exchange. The Omani Government, however, declined to pursue the recommendation of the World Bank to devalue the rial Omani. The World Bank regards such a devaluation as necessary to encourage investment in the manufacturing and agricultural sectors, and move away from the country's over-concentration on construction and the service sectors.[31]

Owing primarily to the economic diversification efforts undertaken in Saudi Arabia, the share of the oil sector in the Kingdom's GDP declined over the years and is currently estimated at around 34 per cent. Oil revenues, nevertheless, are still estimated to account for 70 to 75 per cent of the Government's total income. The cost of the Gulf war and its aftermath, coupled with oil revenues at lower than half the levels reached in the late 1970s and early 1980s, accompanied by the depreciation of the United States dollar (table 13), to which the Saudi Arabian riyal is effectively linked, have together precipitated large current account and fiscal deficits and thus greatly weakened the Kingdom's financial position during the past several years. One of the usual Government reactions[32] to declining oil revenues in recent years was cutting planned expenditures on an ad hoc basis wherever possible. In 1994, the Government of Saudi Arabia decided that as of 1995 domestic revenues would be expected to play a significant role in funding government expenditure. In other words, though the Government will still be dependent on oil as its major revenue source, the contribution of non-oil revenues is expected to increase gradually and thereby provide a degree of stability on the revenue side of its budget. The Kingdom's budget for 1995 indicates large increases in the prices of petroleum products, electricity, water, and other items. Nevertheless, even after these increases, most prices will remain well below international levels.

While the Government of Saudi Arabia is attempting to combat internal and external imbalances, the private sector possesses vast financial resources, much of which are apparently held overseas. Privatization, if implemented in Saudi Arabia, will not only be one way of enhancing the efficiency of some of the State-owned enterprises: it would also raise greatly needed funds for the Government and may be expected to encourage the private sector to rechannel some of its investments abroad into the domestic economy.

The United Arab Emirates, like most other GCC countries, has for several years pursued a general policy that encouraged the private sector to play a greater role in the country's economic development. While the Government concentrated on oil, gas, petrochemicals and infrastructure projects, most industrial investment in the United Arab Emirates after the Gulf war came from the private sector. The non-oil sector, particularly trade, continued to register healthy growth rates ranging between 4 and 6 per cent during the past several years, and thus the share of the non-oil sectors in the country's GDP continued to rise. Nevertheless, the oil sector still accounts for 37 per cent of GDP and more than 90 per cent of government revenues. Thus declining oil revenues in 1994, added to the financial limitations of the Government, have obliged the Government to consider increasing its non-oil revenues. The Government decided to raise the fees for a wide range of government services and introduce new taxes in order to boost its relatively modest non-oil revenues. The fees, covering a wide range of government services, are projected to generate revenues worth more than

[30] *Middle East Economic Survey*, 28 November 1994, p. B4.

[31] *Middle East Economic Digest*, 2 December 1994, p. 34.

[32] In addition to the sale of government securities, direct borrowing, drawing down on its reserves and selling assets held abroad.

$272 million a year, which represents more than one third of the Government's non-oil income.[33] The increase in taxes and fees, endorsed in September 1994, was to be applied at the start of 1995. In addition, the Government introduced a uniform 4 per cent tariff on most imports in August 1994. The imposition of a uniform tariff in the United Arab Emirates is an essential initial step towards unifying tariff rates with other GCC countries; these rates currently vary considerably.[34] Previously, the United Arab Emirates had set varying tariffs, mostly at low rates and some as low as 1 per cent. As a consequence of the enforcement of the uniform 4 per cent tariff, customs revenues are projected to rise to 1.7 billion UAE dirhams ($460 million) in 1995, almost double the estimated level for 1994.[35]

2. *Countries with more diversified economies*

Many countries in the world are currently implementing structural adjustment programmes under the auspices of the IMF and the World Bank. Many such countries resort to the IMF for assistance when confronted with severe and chronic external and internal imbalances. The experience of countries implementing such structural reforms clearly indicates that countries that confront their imbalances at an early stage (such as Morocco and Tunisia) achieve successful reforms and targeted objectives with fewer adverse effects than countries that postpone seeking assistance until economic conditions deteriorate to dire levels.

In the more diversified economies of the ESCWA region, both Egypt and Jordan have for several years been applying structural adjustment programmes in cooperation and coordination with the IMF and the World Bank. The main objectives of the structural adjustment programme in Egypt are to transform the public-sector-dominated economy into a market-oriented one, reduce internal and external imbalances, and thereby enhance the efficient use of resources. The main economic policy changes 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 of financing budget deficits instead of borrowing from the Central Bank, thereby reducing excess liquidity in the market, which contributed to the reduction in the 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 would lead to a surge in inflation and a loss of confidence in the Egyptian pound, which in turn might negatively affect transfers of remittances by Egyptian expatriates.

Egypt has by and large been successful in its implementation of its structural reform programme, and its economy is in much better shape than four years ago. Since 1991, inflation rates have been reduced, budget deficits as a percentage of GDP declined, and the Central Bank's international reserves are at record

[33] Excluding income from Government-owned investments abroad.

[34] Among the GCC countries Bahrain has the highest level of tariffs at rates up to 30 per cent. Saudi Arabia, Kuwait and Oman also have high tariffs, while the United Arab Emirates and Qatar have the lowest levels of around 1 to 4 per cent (Economist Intelligence Unit, *Country Report, The United Arab Emirates*, third quarter, 1994, p. 10).

[35] *Jordan Times*, 7 November 1994, p. 8.

levels. The privatization process, however, is being implemented at a much slower rate than envisaged by the IMF. As in most other countries implementing privatization, the process was hampered by the lack of expertise on techniques of evaluation of assets, financial restructuring of heavily indebted public companies, and how to deal effectively and equitably with the problem of redundant labour. In 1991, the Egyptian Government initiated an ambitious programme to sell 314 public sector companies, many of which were in debt and needed restructuring. The 314 public sector companies earmarked for privatization are "soft" industries, such as hotels and centres of cinema production, and the Government has so far refused to consider selling off larger public-sector-controlled economic concerns such as those for the electricity, oil, gas, and water industries.[36] The World Bank recommends that Egypt should privatize the oil and gas industry, railways, airports and ports, as well as consider the denationalization of the Suez Canal.[37] By September 1994, three companies had been sold in full, the partial sale of another three companies had taken place, and shares in four joint ventures had been sold. The sum of receipts of these sales totaled about 725 million Egyptian pounds (LE), and the shares of 20 companies are currently available for purchase by the private sector.[38] The Egyptian Government is moving cautiously with the implementation of its privatization programme in order to guarantee transparency, to obtain a fair price on public sector enterprises that are sold, and to reduce negative side-effects such as an increase, in the short run, in the number of unemployed workers. Nevertheless, the Government is moving steadily towards its privatization goal. By the end of September 1994, the Government had completed its assessment of the value of 216 companies.[39] The restructuring programme covered 33 public sector companies in fiscal year 1993/1994; it should cover 35 companies in 1994/1995 and 30 companies during 1995/1996. The Egyptian Government is counting on a sustainable surge in private sector activities in order to create jobs for an annual additional 500,000 job seekers expected to enter the labour market in the next few years. Estimates indicate that the unemployment rate in Egypt in 1994 exceeded 15 per cent, and the Government is making every effort to contain it.

In Jordan, the Government adopted a programme of stabilization and adjustment with IMF support in 1989, which included a 35 per cent devaluation of the Jordanian dinar. Despite major setbacks to the Jordanian economy caused by the Gulf war and its aftermath, Jordan's stabilization policies were successful. During the past several years fiscal deficits declined, money supply growth was curtailed, the inflation rate was reduced, and most prices, interest rates and exchange rates became market-based.[40] In May 1994, Jordan introduced a new general sales tax and plans to further reform its tax system.

Though improvements have been made in reducing the unemployment rate, which increased with the return of 300,000 nationals to Jordan (mostly from Kuwait and other GCC countries) during 1990-1991, unemployment remains a major problem in Jordan. The country's unemployment rate in 1994 is estimated to have exceeded 12 per cent. The Government is undertaking policies that encourage private, domestic and foreign investment and thus accelerate economic growth and thereby reduce unemployment. In addition, almost half of the increase in the Government's planned expenditure for 1995 is allocated to capital

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[36] *Jordan Times*, 11 October 1994, p. 8.

[37] *Middle East Monitor*, November 1994, p. 6.

[38] *Al-Ahram*, 1 January 1995 (in Arabic), p. 3.

[39] Ibid.

[40] World Bank, *Trends in Developing Economies*, 1994, p. 244.

investment. Investment by the public sector is expected to increase from JD 358 million in 1994 to JD 443 million in 1995, an increase of 24 per cent. The Government of Jordan has prepared development projects for immediate implementation if, and when, the promised foreign aid is received. The Government is also considering privatizing several public sector companies, including the country's national airline, in the near future.

In the Syrian Arab Republic, economic reform policies were pursued with great caution to avert a sharp rise in both inflation and unemployment, which are already major economic problems. In 1994, an additional package of economic reform was introduced, including the 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 has focused on small-scale industries and services, particularly transportation, there is a tendency to channel investment funds to industrial fields, such as textiles, building materials, processed food, chemicals and pharmaceuticals. However, lack of financial resources is one of the major 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, the gradual elimination of subsidies and gradual price decontrol. Recently the country opened the tourism sector to the private sector, involving joint ventures with the public sector.

In the Republic of Yemen, reform measures pursued in 1994 to combat major internal and external imbalances were limited in scope and magnitude and thus did not form an overall structural reform and adjustment strategy to address the fundamental problems facing the country. In 1994, the country's unemployment rate was estimated at 30 per cent, the inflation rate was put at around 70 per cent, external debt was close to $8 billion, and the country's currency was deteriorating rapidly. The country was obliged to resort to the IMF and World Bank for assistance. The IMF/World Bank team recommended that major structural reform policies should be implemented starting in 1995 and without further delay. The recommendations advocate eliminating subsidies, unifying exchange rates, reducing the number of workers employed by the public sector, and raising the prices of water and electricity.

C. ECONOMIC PROSPECTS

The economic outlook in the ESCWA region for 1995 largely depends on the combined effect of several major factors, namely: (a) international oil market conditions; (b) successful implementation of economic reform policies; (c) the start of implementation of the GATT 1994 agreement; (d) the state of regional economic cooperation; (e) the removal of the United Nations-imposed economic sanctions on Iraq; and (f) progress made in the peace process. Preliminary indications are that world oil demand will grow in 1995 at a rate higher than the 1.2 per cent growth registered in 1994. However, owing to an expected increase in oil production from non-OPEC countries, oil prices may be expected to register only a modest increase in 1995. Oil production levels in most oil-producing countries in the ESCWA region are close to capacity levels, with the obvious exception of Iraq. Thus, given the small increases expected in oil prices and production, the oil revenues of the ESCWA oil-exporting countries are projected to register only a modest increase in 1995. Furthermore, the decline in the United States dollar, to which most currencies of the GCC countries are effectively linked and in which oil revenues are denominated, may negate much of the benefits of a rise in oil revenues to ESCWA member countries.

Box 2. Major economic declarations of the Casablanca Summit

The First Middle East/North Africa Economic Summit was held in Casablanca from 30 October to 1 November 1994, with representatives of 61 countries and 1,114 business leaders taking part.

A blueprint of 14 points, collectively referred to as the "Casablanca Declaration", was adopted by the Conference with the aim of achieving the following major economic objectives:

(a) The formation of a new Middle East Development Bank, with an initial capital of $5 billion to be furnished by the United States, the European Union, the World Bank, and the parties directly involved in the peace process. The proposed bank is expected to play a crucial role both in supplying credit and providing guarantees to projects which would otherwise have difficulty in attracting funding from the private sector. Several countries seized this opportunity to present extensive plans for infrastructural schemes requiring financing, notably Jordan, which circulated a report on possible projects worth more than $18 billion. Morocco sought financing to build a bridge across the Strait of Gibraltar to link Africa to Europe, while Egypt proposed a rail and road network linking North Africa and the Mediterranean countries;

(b) The establishment of a regional Tourist Board to facilitate tourism and promote the Middle East and North Africa as a unique and attractive tourist destination;

(c) The creation of a private sector Regional Chamber of Commerce and Business Council to facilitate intraregional trade relations.

A Steering Committee comprised of government representatives was entrusted with the task of following up issues to be submitted to the second Middle East and North Africa Economic Summit, scheduled to be held in Amman in late October 1995.

The economic reform and structural adjustment policies that were initiated several years ago are expected to bear fruit in 1995 in countries such as Egypt and Jordan. However, in countries where economic reform measures of significant scope and magnitude are to be introduced, an initial economic contraction—coupled with notable price increases of essential goods and services—may be expected in 1995. 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. Moreover, the pace of implementation of privatization is expected to accelerate in several ESCWA member countries, particularly in Egypt, Jordan, Oman and the United Arab Emirates. In addition, the fiscal budget deficits of most ESCWA member countries that are implementing economic reform policies are expected to narrow in 1995 as a consequence of cuts in government expenditure and a simultaneous rise in revenues.

The implementation of the GATT 1994 agreement commenced in January 1995; this will have some immediate effects on the economies of the ESCWA region, particularly in the area of agriculture. As a consequence of the GATT 1994 agreement, the price of agricultural products will rise in 1995. Most ESCWA member countries are large importers of agricultural products. Higher import bills associated with agricultural products will have a negative effect on the balance of trade of countries in the ESCWA region. On the positive side, however, higher prices are expected to lead to an increase in production of agricultural products in several ESCWA member countries, most notably in Egypt, Jordan and the Syrian Arab Republic.

If the efforts under way to improve regional cooperation reach a successful conclusion, they will have a positive impact on regional economic growth and development. At a time of emerging major regional economic blocs in various parts of the world, the need for greater cooperation and integration between ESCWA member countries is becoming more apparent.

The lifting of the United Nations economic sanctions on Iraq will have a considerable positive effect on the economic situation in that country and will also contribute to the economic growth of those countries that traditionally had strong economic ties with Iraq, particularly Jordan. However, OPEC will need to accommodate Iraqi oil supplies in order to alleviate the resulting downward pressure on oil prices.

If significant progress is made in the peace process, the political and economic environments will improve, with tremendous positive effects on economic growth and development in Western Asia. The sectors that would benefit the most from peace in the short run will be tourism, construction and transport, as proved to be the case in Jordan in 1994.

III. DEVELOPMENTS IN THE ENERGY SECTOR

A. Oil

1. *World oil demand*

During 1994, the international oil markets remained relatively calm. World crude oil demand, which fell by 0.3 per cent in 1993, increased by a meagre 1.2 per cent in 1994, to 65.89 m/b/d, up from 65.06 m/b/d in 1993. Excluding the former Soviet Union, world oil demand increased in 1994 by 2.6 per cent to 61.13 m/b/d, up from 59.57 m/b/d in 1993. In the OECD group, oil demand grew by about 2 per cent in 1994 compared with only 0.3 per cent in 1993, owing mainly to higher economic growth. The highest growth in oil demand continues to be achieved in the Pacific Rim[41] (6.9 per cent) and China (5.6 per cent), pushed by strong economic growth. Oil demand in 1994 in the former Soviet Union continued its downward trend, falling by 13.3 per cent to 4.76 m/b/d, down from 5.49 m/b/d in 1993 (table 14). The combined drop in oil production in the former Soviet Union during the period 1991-1994 totalled 3.53 m/b/d, representing a drop of 42.6 per cent. However, this has not had a major impact on the international oil markets owing to the fact that oil exports from the former Soviet Union have not been adversely affected by the drop in oil production, since it was coupled with a sharp drop in domestic oil demand. Although economic growth remains the main factor affecting oil demand, the increasing energy efficiency, reflected in a drop in the ratio of growth in the oil demand to that of GDP in recent years, has also affected demand. In OECD countries for example, this ratio dropped from 1.2 in 1986 to only 0.7 in 1994. Moreover, increased energy taxes also negatively affected oil demand, particularly in the EU countries, where oil products are heavily taxed.

TABLE 14. WORLD CRUDE OIL DEMAND, 1991-1994

(Millions barrels per day)

	1991	1992	1993	1994
OECD	36.73	37.27	37.39	38.17
Former Soviet Union[a]	8.29	6.90	5.49	4.76
Eastern Europe	1.03	0.96	1.08	1.12
China	2.43	2.63	2.88	3.04
OPEC	4.16	4.52	4.83	4.94
Pacific Rim[b]	2.92	3.34	3.59	3.84
Other	9.45	9.66	9.80	10.02
Total	65.01	65.28	65.06	65.89

Source: *OPEC Bulletin*, January 1995, p. 30.

a Consumption (production-net oil exports).

b Including Hong Kong, Republic of Korea, Singapore, Taiwan Province of China and Thailand.

[41] Including Hong Kong, Philippines, Republic of Korea, Singapore, Taiwan Province of China and Thailand.

2. *World crude oil production*

World oil production reached a new record in 1994 at 66.15 m/b/d, up by 0.9 per cent from its 1993 level of 65.55 m/b/d (table 15). However, excluding the former Soviet Union, world crude oil production rose by 2.5 per cent in 1994 to 59.18 m/b/d, up from 57.76 m/b/d in 1993. The bulk of this increase in oil production came from non-OPEC sources, particularly the North Sea area (805,000 b/d), followed by OPEC countries (about 200,000 b/d). In the North Sea area, the United Kingdom increased its oil production in 1994 by 502,000 b/d, to 2.39 m/b/d, up by 26.6 per cent, followed by Norway with 258,000 b/d, representing an increase of 11.6 per cent over its 1993 level.[42] Oil production dropped in the United States by 219,000 b/d, to 6.63 m/b/d, down from 6.85 m/b/d in 1993, a drop of 3.2 per cent owing mainly to declining reserves. Oil production in the former Soviet Union continued its downward trend in 1994, dropping from 1993 production levels[43] of 7.73 m/b/d to 6.91 m/b/d, a decrease of 822,000 b/d (10.6 per cent). The decrease was largely due to inadequate levels of investment in oil production facilities for many years. With the exception of the United States and the former Soviet Union, where oil production has been falling, oil production in non-OPEC countries has been on the rise. Non-OPEC oil production increased from 24.3 m/b/d in 1973 to an estimated 39.7[44] m/b/d in 1994, which led to an increase in the market share of the non-OPEC oil producers from 43.6 per cent in 1973 to 59.6 per cent in 1994.

TABLE 15. WORLD CRUDE OIL PRODUCTION, 1991-1994

(Million barrels per day)

	1991	1992	1993	1994
OECD	13.88	14.07	14.17	14.84
Former Soviet Union[a]	10.37	9.00	7.81	6.98
China[a]	2.80	2.81	2.91	2.99
Other non-OPEC production[b]	9.97	10.23	10.54	10.97
OPEC production	23.01	24.05	24.70	24.90
Subtotal (crude oil)	60.03	60.16	60.13	60.68
OPEC and non-OPEC LNG[c]	5.14	5.27	5.42	5.47
Total	65.17	65.43	65.55	66.15

Source: Calculated from *OPEC Bulletin*, January 1995, p. 30.

a Including liquefied natural gas (LNG).
b Including crude oil and LNG from the former centrally planned economies (CPEs).
c Excluding LNG from the CPEs.

[42] *Petroleum Intelligence Weekly*, 6 February 1995, p. 9.

[43] Ibid., p. 9.

[44] Including LNG.

3. *Crude oil production in OPEC member countries*

Oil production in OPEC member countries increased slightly in 1994, to 24.9 m/b/d, up from 24.7 m/b/d in 1993, an increase of 0.8 per cent (table 16). Among the organization's 12 member countries, only Gabon, Iraq, Kuwait, Venezuela and the Libyan Arab Jamahiriya managed to increase their oil production in 1994, by 9.5 per cent, 24 per cent, 6.3 per cent, 5.2 per cent and 1.2 per cent, respectively. In the rest of the group, oil production declined in 1994, ranging from 1 per cent in Qatar and 1.2 per cent in Saudi Arabia to 0.5 per cent in the United Arab Emirates. The main factors behind the slow growth in OPEC production in 1994 were the freeze on the production ceiling of the organization as a whole at 24.52 m/b/d and the relative adherence by the member countries to their quotas. Moreover, some member countries produced at close to production capacity, which made it technically difficult for them to exceed their assigned quotas by a high margin and/or for a long period.

TABLE 16. OPEC CRUDE OIL PRODUCTION, 1992-1994

(Million barrels per day)

	1992	1993	1994
Algeria	0.780	0.756	0.748
Gabon	0.297	0.296	0.324
Indonesia	1.380	1.325	1.321
Iran, Islamic Republic of	3.434	3.647	3.600
Iraq	0.426	0.483	0.600
Kuwait	1.058	1.880	2.000
Libyan Arab Jamahiriya	1.485	1.375	1.392
Nigeria	1.891	1.900	1.877
Qatar	0.423	0.403	0.399
Saudi Arabia	8.332	8.100	8.000
United Arab Emirates	2.266	2.190	2.180
Venezuela	2.287	2.323	2.456
Total	24.059	24.678	24.897

Source: Organization of Petroleum Exporting Countries, *OPEC Bulletin*, January 1993; *Arab Oil & Gas*, 16 January 1995; *Petroleum Intelligence Weekly*, 6 February 1995; and *Middle East Economic Survey*, 13 March 1995.

At its ministerial meeting, held in Bali, Indonesia in November 1994, OPEC decided to roll over its 1994 quotas to 1995, in an effort to reverse the downward trend in oil prices. This decision represented a clear signal from OPEC of its intention to stop prices from falling further, even if it had to abandon its policy of keeping and protecting its fair market share, which was first introduced in 1986. OPEC, by trying to protect oil prices, has witnessed its market share dwindle to only 39.2 per cent in 1994, down from 56 per cent in 1973.[45] Moreover, as a result of the new policy of rolling over oil production for another year, the market share of OPEC is expected to decline further in 1995, with only modest effects on the price level. However, in the long-run OPEC production is expected to increase, encouraged by both higher oil demand, particularly in the developing countries, and relative stability in the supply from non-OPEC sources, particularly from areas with high production costs.[46]

4. *Oil production in the ESCWA region*

Oil production in the ESCWA region rose by 270,000 b/d (1.7 per cent) in 1994, to 15.81 m/b/d, up from 15.54 m/b/d in 1993 (table 17), representing 63.5 per cent of OPEC oil production and 26 per cent of the world's total. The bulk of the increase (112,000 b/d) was achieved by the Republic of Yemen, where oil production jumped by 51.8 per cent, from 224,000 b/d in 1993 to 340,000 b/d in 1994 despite civil unrest which threatened to disrupt supplies. This was followed by Iraq (24.2 per cent), Kuwait (6.3 per cent), and Oman (3.9 per cent). In both Saudi Arabia and the United Arab Emirates, however, oil production declined in 1994 by 1.2 per cent and 0.5 per cent respectively. In Bahrain, oil production has been stable at around 40,000 b/d for the past few years, limited mainly by the country's small oil reserves, while Egypt's oil production also remained stable at 870,000 b/d. In Kuwait oil production, which had increased by 78.9 per cent in 1993, rose by only 6.3 per cent in 1994, in line with its OPEC quota. Iraq, which managed to repair most of its oil installations, raised its oil production to an average of 600,000 b/d, up from an average of 483,000 b/d in 1993. However, despite the increase in production, Iraq, which is still under United Nations economic sanctions, exports only 60,000 b/d to Jordan.

Oman managed to overcome difficulties arising from its complex geological structure and increase its oil production in 1994 to an average of 804,000 b/d, up from 774,000 b/d in 1993, mainly through technology breakthroughs in oil exploration, including the introduction of three-dimensional seismic techniques and production automation. In Qatar, oil production, which had fallen by 4.7 per cent in 1993, stabilized in 1994 at an average of 399,000 b/d, down by about 1 per cent from its 1993 level of 403,000 b/d. For the last two years, Qatar has been producing at about 80 per cent of its production capacity of 500,000 b/d, which is close to the OPEC average production capacity of 82.5 per cent.

Saudi Arabia's oil production in 1994 dropped by 1.2 per cent to 8 m/b/d, down from 8.1 m/b/d in 1993. This is in line with its OPEC quota of 8 m/b/d and its oil production capacity, estimated in 1994 at 10 m/b/d. Oil production in the United Arab Emirates, which had declined by 4.7 per cent during the period 1990-1993, continued its downward trend in 1994, falling by 0.5 per cent (10,000 b/d). This figure is very close to the country's OPEC quota of 2.161 m/b/d and represents 83.8 per cent of its production capacity of 2.6 m/b/d. In 1994, the Republic of Yemen managed to boost its oil production by 51.8 per cent, mainly from its Misela oil fields, which account for about 50 per cent of the country's total production. However, the 1994 oil production of 340,000 b/d is not sustainable, in the long run, in the absence of major oil discoveries, which could boost the country's current proven oil reserve of 4 billion barrels.

[45] Crude oil only; however, if LNG and condensates are included, the share becomes 40.9 per cent.

[46] The International Energy Agency estimates that by the year 2010, OPEC production will reach 49.8 m/b/d, representing 62.5 per cent of the world's total oil production, assuming an oil price of $17 per barrel.

TABLE 17. OIL PRODUCTION IN THE ESCWA MEMBER COUNTRIES, 1990 AND 1992-1994

(Million barrels per day)

	1990	1992	1993	1994	1994/1993 Percentage change
Bahrain[a]	0.042	0.041	0.040	0.040	0
Egypt	0.870	0.870	0.870	0.870	0
Iraq	2.077	0.426	0.483	0.600	24.2
Kuwait[b]	1.341	1.052	1.882	2.00	6.3
Oman	0.660	0.742	0.774	0.804	3.9
Qatar	0.396	0.423	0.403	0.399	(1)
Saudi Arabia[b]	6.704	8.332	8.100	8.000	(1.2)
Syrian Arab Republic	0.398	0.520	0.576	0.575	(0.2)
United Arab Emirates	2.297	2.266	2.190	2.180	(0.5)
Republic of Yemen	0.197	0.182	0.224	0.340	51.8
Total	14.98	14.85	15.54	15.81	1.7

Source: *Middle East Economic Survey*, 1994 various issues; *Arab Oil & Gas*, 16 January 1995; and *Petroleum Intelligence Weekly*, 6 February 1995.

Note: ( ) Indicates negative.

a Not including share from the Abu Safa oilfield.
b Including share from the Neutral Zone.

5. *Oil prices*

After falling by 11.3 per cent in 1993 to $16.33 per barrel, oil prices continued their downward trend in 1994, falling by another 4.9 per cent to $15.53 per barrel, the lowest price level since 1988 (table 18). Oil prices in 1994 represented only 43.1 per cent and 69.8 per cent of their 1980 and 1990 levels, respectively, while in real terms the ratio is even lower. In January 1994, the average price of the OPEC seven crudes reached $13.71 per barrel, down by about 6 per cent from its level in January 1993 (table 18). The main factor behind the decline in oil prices was the increased production from non-OPEC sources. During the first quarter of 1994, oil prices averaged $13.6 per barrel, down by 22.2 per cent from the first quarter of 1993, the lowest quarter average since 1986. The main factor behind the low price level was the sluggish world oil demand during the first quarter of the year. During the second quarter oil prices rebounded, increasing by 14.7 per cent over the first quarter to an average of $15.6 per barrel, boosted mainly by the OPEC decision to maintain the production ceiling of 24.52 m/b/d. During the third quarter of the year, average oil prices rose by another 7.1 per cent over their first quarter level, mainly as a result of a strike by Nigerian oil workers during July-August 1994 and the expectations of supply interruptions in the Republic of Yemen owing to the armed conflict there during June-July 1994. During the fourth quarter of the year, oil prices dropped by 3 per cent over the third quarter to $16.32 per barrel. Both lower-than-expected oil demand and mild weather conditions were factors causing the drop in prices. The rolling over for another 12 months of OPEC quotas of 24.52 m/b/d in November 1994 did not have a major impact on oil prices, owing to the increased oil supply from non-OPEC sources, which has more than compensated for the freezing of the OPEC production ceiling for another year. Moreover, drawing from the market experience of the last decade, it seems OPEC has not been able to cause prices to rise enough to prevent oil revenues from declining in real terms. Even the reference price of $21 per barrel, which has been the target for the past four years and represents only 58 per cent of the level of oil prices in 1980, has not been achieved, with the exception of a brief period immediately after the 1990 Gulf crisis. This situation reflects the fact that OPEC on its own, with a declining market share, has not been able substantially to influence oil prices upward as it did in the 1970s and early 1980s. Even if OPEC cuts production levels, the prices may not respond positively, owing to the possibility that non-OPEC production could compensate for any drop in OPEC production and would further reduce the OPEC share in the world oil market.

TABLE 18. AVERAGE PRICE OF THE OPEC BASKET OF SEVEN CRUDES, 1992-1994

(United States dollars per barrel)

	1990	1991	1992	1993	1994	1994/1993 Percentage change	1994/1990 Percentage change
January	19.98	22.38	16.71	16.71	13.71	(18.0)	(31.4)
February	19.02	17.55	16.89	17.66	13.76	(22.1)	(27.7)
March	17.69	17.19	16.61	18.15	13.29	(26.8)	(24.9)
April	15.63	17.38	17.69	18.12	14.52	(19.9)	(7.1)
May	15.45	17.38	18.70	17.89	15.74	(12.0)	1.9
June	14.05	17.22	20.18	17.11	16.50	(3.6)	17.4
July	15.68	18.20	19.80	15.96	17.43	9.2	11.2
August	24.89	18.47	19.16	15.90	16.86	6.0	(32.3)
September	32.06	19.19	19.40	15.24	15.71	3.1	(51.0)
October	34.58	20.42	19.55	15.75	16.13	2.4	(53.4)
November	31.04	19.79	18.73	14.47	16.72	15.5	(46.1)
December	26.11	17.15	17.69	12.88	15.83	22.9	(39.4)
Average for the year	22.26	18.66	18.44	16.33	15.53	4.9	(30.2)

Source: *Arab Oil & Gas*, various issues.

Note: ( ) Indicates negative.

Price stability needs close cooperation between OPEC and non-OPEC oil producers and consumers to restore balance to the oil market. The apparent stiff competition between OPEC and non-OPEC oil producers is largely considered to be the main factor behind falling oil prices. Moreover, the return of Iraq to the oil markets, particularly in the absence of coordinated OPEC efforts to accommodate that eventuality, will exert additional downward pressures on oil prices, particularly if this return is accompanied by a continued rise in oil production from non-OPEC sources and lower than expected increases in demand.

While the exporting countries suffered as a result of declining crude oil prices and reduced oil revenues, the industrialized countries' revenues from taxes on refined products increased. Crude oil prices have been on the decline, and at the same time prices of refined oil products have been on the increase, owing mainly to increased taxes levied by the major oil-consuming countries. In Western Europe, for example, the price for refined products jumped from $60 per barrel in 1984 to $86.7 per barrel in 1993,[47] an increase of 44.5 per cent mainly in government taxes, while crude oil prices dropped by 41.8 per cent during the same period. ESCWA estimates for 1994 that the oil-exporting countries will realize only 17.9 per cent of the share of the price of refined products, down from about 47 per cent in 1984 and 19 per cent in 1993.[48]

6. *Oil revenues in the ESCWA region*

After falling by 5.3 per cent in 1993, oil revenues in the ESCWA region dropped further in 1994 by 4.2 per cent to $72.19 billion, down from $75.35 billion in 1993 (table 19). Oil revenues in the region have fallen by 8.1 per cent ($6.4 billion) since 1992 owing mainly to lower oil prices and the United Nations economic sanctions on Iraq, which prevent the country from exporting oil, with the exception of the 60,000 b/d exported to Jordan in lieu of debt repayment. The combined 1994 oil revenues of the three major oil-exporting countries, namely Kuwait, Saudi Arabia and the United Arab Emirates, dropped in nominal terms to only 45 per cent of their 1980 level, while in real terms the percentage is even lower. This was mainly a result of the 57 per cent drop in oil prices (from $36 per barrel to $15.5 per barrel).

The drop in oil revenues in the region has placed severe pressure on the financial position of member countries, particularly the GCC countries, most of which are currently running budget deficits, which prompted the introduction of more stringent financial regulations to streamline fiscal policies. These measures, which included reduction of public spending, particularly public investment, have negatively affected economic growth in these countries and put a limit on their ability to finance investments in the oil sector to increase their production capacity.

Among the GCC countries, only Kuwait managed to increase its oil revenues in 1994, by 1.5 per cent, mainly as a result of the 6.4 per cent increase in oil production. In the rest of this group, oil revenues declined by 6 per cent in Saudi Arabia, 5.3 per cent in the United Arab Emirates, 5 per cent in Bahrain, 4.8 per cent in Qatar and 1.2 per cent in Oman. In the rest of the region only the Republic of Yemen is estimated to have succeeded in raising its oil revenues in 1994, by 45 per cent, owing to a jump in oil production. Oil revenues in the region, particularly in the GCC group, remain the major source of foreign exchange. Oil revenues represent more than 90 per cent of the total export earnings in both Kuwait and Saudi Arabia. In the rest of the GCC group, the percentage varies from more than 80 per cent in Qatar to

[47] *Arab Oil & Gas*, 16 December 1994, p. 3.

[48] Ibid.

TABLE 19. OIL REVENUES IN THE ESCWA REGION, 1992-1994

(Millions of United States dollars)

	1992	1993	1994*	1994/1993 percentage change
Bahrain	900	800	760	(5.0)
Egypt	1 254	1 230	1 170	(4.9)
Iraq	326	364	430	18.1
Kuwait	6 220	9 986	10 136	1.5
Oman	3 300	3 000	2 964	(1.2)
Qatar	3 200	2 594	2 470	(4.8)
Saudi Arabia	47 560	41 353	38 872	(6.0)
Syrian Arab Republic	1 925	2 080	1 980	(4.8)
United Arab Emirates	14 490	13 546	12 828	(5.3)
Republic of Yemen	380	400	580	45.0
Total ESCWA region	79 555	75 353	72 190	(4.2)

Source: Economic and Social Commission for Western Asia, based on *Middle East Economic* Survey, 14 November 1994.

Note: ( ) Indicates negative.

* Estimates.

TABLE 20. OIL REVENUES AS A PERCENTAGE OF EXPORTS IN ESCWA MEMBER COUNTRIES, 1992-1994

	Oil revenues as percentage of exports		
Country	1992	1993	1994*
GCC countries			
Kuwait	96.96	95.16	93.9
Oman	60.80	56.60	61.9
Qatar	91.50	76.70	88.2
Saudi Arabia	93.70	88.50	93.7
United Arab Emirates	68.70	65.25	52.7
More diversified economies			
Egypt	40.8	54.8	34.4
Syrian Arab Republic	62.2	66.1	58.8

Source: United Nations Economic and Social Commission for Western Asia (ESCWA), based on national and international sources.

* Estimates.

more than 50 per cent in the United Arab Emirates[49] (table 20). Even in the more diversified economies, which are less dependent on oil revenues compared with the GCC group, oil revenues in the last few years became a major source of foreign exchange earnings. In the last three years oil revenues represented more than 43 per cent of total export earnings in Egypt and 62.4 per cent in the Syrian Arab Republic (table 20).

7. *Proven oil reserves in the ESCWA region*

These figures show, particularly in the case of the GCC countries, the vulnerability of their economies to any instability in the oil markets. Both declining oil prices and the depreciating United States dollar badly hit the oil export earnings of the major oil-exporting countries. It is estimated that the dollar drop in oil prices has cost ESCWA member countries about $5.8 billion annually. In 1994, oil-producing ESCWA member countries lost $4.6 billion as a result of the drop in oil prices, while the recent depreciation of the dollar reduced the oil revenues of the ESCWA region by over 15 per cent against the Japanese yen and the German deutsche mark during the first quarter of 1995.

TABLE 21. ESCWA REGION: PROVEN OIL RESERVES/PRODUCTION RATIO, 1994

(Million barrels)

	Proven oil reserves *(Million barrels)*	Oil production 1994 *(Million barrels)*	Proven oil reserves *(Production years)*
Bahrain	69	14.60	4.73
Egypt	3 410	325.95	10.46
Iraq	100 000	200.75	498.13
Kuwait	94 000	730.00	128.77
Oman	4 828	293.46	16.45
Qatar	3 700	149.29	24.78
Saudi Arabia	258 703	2 938.25	88.05
Syrian Arab Republic	1 700	209.87	11.91
United Arab Emirates	98 100	806.65	121.61
Republic of Yemen	4 000	122.64	32.62
Total ESCWA region	*568 510*	*5 791.46*	*98.30*
Total OPEC	*770 249*	*18 181.65*	*42.37*
Total world	*998 961*	*24 905*	*40.14*

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

Proven oil reserves in the ESCWA region dropped in 1994 by 1.0 per cent to 568.5 billion barrels (table 21), down from 573.4 billion barrels in 1993. This drop was mainly a result of a drop in proven oil reserves in Kuwait (2.5 per cent) and Saudi Arabia (1 per cent). In the rest of the region, while proven oil reserves remained unchanged in Iraq, the Syrian Arab Republic, the United Arab Emirates and the Republic of Yemen, they rose by 2.7 per cent in Oman. The drop in proven oil reserves in the ESCWA region

[49] For the United Arab Emirates the figures include re-exports, which represent a substantial portion of its total exports.

precipitated a 0.5 per cent fall in the region's share in the world's total proven reserves to 56.9 per cent in 1994, down from 57.4 per cent in 1993. The ESCWA region's proven oil reserves as a percentage of the OPEC total also fell to 73.9 per cent, down from 74.3 per cent in 1993. However, despite the 1994 fall, proven oil reserves in the region still hold a substantial amount of oil which can be extracted at relatively low cost compared with the rest of the world, particularly non-OPEC production areas.

B. Natural gas

1. *Regional developments*

Natural gas reserves in the ESCWA region increased from approximately 20.8 trillion cubic metres in 1990 to 24.5 trillion cubic metres in 1994 (table 22), representing an increase of 18 per cent over the four-year period. Gas reserves in the ESCWA region in 1994 accounted for 17.3 per cent of the world's total, which indicate that the region is in a position to contribute significantly to the world future supplies.

Table 22. Natural gas reserves in the ESCWA region, 1990-1994

(Billion cubic metres)

Country	1990	1993	1994	% Change 1993-1994	R/P ratio
Bahrain	177	165	167	1.2	25
Egypt	351	436	436	0.0	39
Iraq	2 690	3 101	3 101	0.0	1 216
Jordan	11	6	6	0.0	30
Kuwait	1 546	1 490	1 498	0.5	335
Oman	204	569	566	-0.5	151
Qatar	4 621	6 428	7 079	10.1	524
Saudi Arabia	5 249	5 171	5 249	1.5	146
Syrian Arab Republic	156	198	198	0.0	53
United Arab Emirates	5 555	5 793	5 793	0.0	261
Yemen	198	394	425	7.9	--
Total ESCWA region	*20 758*	*23 751*	*24 518*	*3.2*	*235*
Total world	*119 400*	*142 721*	*142 043*	*-0.48*	*66*
ESCWA as percentage of world total	*17.4*	*16.6*	*17.3*		

Source: *Petroleum Economist*, various issues; and *Oil & Gas Journal*, various issues.

Note: R/P = reserves/production

The marketed production of natural gas in the ESCWA region increased by 19.5 per cent during the period 1990-1993, reaching 104.1 billion cubic metres in 1993 (table 23). This compares favourably with the increase in world production of 4.2 per cent during the same period and represents serious efforts by the

ESCWA member countries to utilize gas reserves for domestic consumption efficiently. Significant increases in gas production occurred in Bahrain, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates during this period.

TABLE 23. MARKETED PRODUCTION OF NATURAL GAS IN THE ESCWA REGION, 1990-1993

(Million cubic metres)

	1990	1992	1993
Bahrain	6 170	6 210	6 620
Egypt	8 110	9 820	11 230
Iraq	4 180	2 270	2 550
Jordan	156	170	200
Kuwait	5 230	2 620	4 470
Oman	2 800	3 470	3 740
Qatar	6 720	12 620	13 500
Saudi Arabia	30 500	34 000	35 900
Syrian Arab Republic	1 070	3 600	3 700
United Arab Emirates	22 100	22 930	22 170
ESCWA region	87 036	97 710	104 080
World	2 071 025	2 105 660	2 158 270
ESCWA region/world (%)	*4.1*	*4.6*	*4.8*

Source: *Petroleum Economist*, various issues.

Regional trends in the domestic utilization of natural gas include the growing use of gas for electricity production; establishing and expanding infrastructure for household and industrial use of gas; and encouraging the domestic use of gas as a substitute for oil. Production of natural gas for domestic use is a strategy currently followed by a number of ESCWA member countries including Bahrain, Egypt, Jordan, the Syrian Arab Republic and Yemen. This policy has met with considerable success.

While not as notable as the increased utilization of gas domestically, the potential for intraregional trade of gas exists. Prior and present examples of such trade occur in the GCC countries where, for instance, the United Arab Emirates purchases gas from Oman.

Another significant regional trend is the undertaking, after some delays, of export-oriented gas development projects with markets in Asia and possibly Europe. Other projects are mainly located in the Gulf area, where considerable reserves are located and domestic energy demand is rather limited. Though some of the significant gas reserves were discovered some time ago, such as those in Qatar, efforts have been aimed at securing long-term markets and finance for gas development projects. Projects such as the development of Qatar's North Field have the potential to contribute significantly to hard currency earnings and hence to economic development.

2. *National developments*

Marketed production of natural gas in Bahrain increased by over 6 per cent in 1993, mainly owing to increased demand from Aluminium Bahrain (ALBA), which recently expanded its capacity. Output from the gas liquefaction plant reportedly fell slightly in 1993 to 4.4 million barrels. Though some liquefied gas is exported, Bahrain's limited reserves are mainly used to satisfy local demand.

Jordan's marketed production of natural gas increased by over 17 per cent in 1993 to 200 million cubic metres (table 23). Since 1990, Jordan's gas consumption has increased at an average annual rate of about 4 per cent. Natural gas is used for the production of electricity, and Jordan is expanding the electric generating capacity of the Rish plant with an additional 30 megawatt gas turbine to meet the increasing demand for energy in Jordan. Proposed projects with neighbouring countries include a gas pipeline and the possible exploitation of Jordan's significant, but until now economically unfeasible, shale oil deposits. Exploration efforts for additional gas reserves are under way as part of an international aid programme which also includes the financing of a $75 million gas pipeline to the industrial city of Zarqa.

Marketed production of natural gas in Iraq increased during 1993, but production levels are still far below the pre-Gulf-war level of 6.45 billion cubic metres per year recorded in 1989. Natural gas produced by Iraq is largely used to satisfy domestic energy consumption, which increased steadily throughout the 1980s and early 1990s.

Oman is currently undertaking gas development projects with export as its main objective. Oman's reserves increased during the early 1990s, mainly owing to recent discoveries resulting from intensive exploration efforts. Marketed production also increased from 2,800 million cubic metres in 1990 to 3,740 million cubic metres in 1993, which represents an increase of over 33 per cent. Although natural gas is used to satisfy domestic energy needs and gas is piped to the major cities of Muscat and Sohar, the focus of current projects is markets in Asia and other regions.

Oman's interest in developing its gas reserves arises from its concern that long-term earnings from oil exports cannot be sustained at current levels. Continued export earnings are necessary to maintain and improve the present standard of living and Oman is developing gas resources to supplement export earnings from oil. Oman is working on two large natural gas export projects. A liquefied natural gas (LNG) project will utilize non-associated natural gas located in the central part of the country. The project will entail the construction of a liquefaction plant, to begin in 1996 and be operational by the year 2000. All of the necessary infrastructure will be built, including gas pipelines and port facilities, and the estimated cost of the project totals $9 billion. Asian and European countries have expressed interest in purchasing LNG from Oman.

The other major gas export project, under serious consideration by Oman, involves exporting natural gas via a proposed pipeline to India. This gas would also come from reserves located in central Oman. The estimated cost of the project is $5 billion and entails the construction of an undersea pipeline across the Arabian Sea to India, a 370-kilometre onshore pipeline from the gas fields in central Oman to the eastern coast, and a compressor station. If the project is undertaken, Oman will supply India with gas, on a long-term basis, which would be used for the generation of electric energy. A second feasibility study is under way, and the two countries have agreed upon the time period of the contract, the comparators for determining the price, and the quality and quantity of the gas to be exported to India. The proposed pipeline, which would at some points reach depths of over 3,000 metres—2,200 metres deeper than any existing subsea pipeline—would allow 28.3 million cubic metres/day of gas to be exported. Financing for the project is currently being sought.

Qatar possesses over 28 per cent of the region's natural gas reserves, most of which are located in the North Field. Qatar's plan to develop its substantial North Field gas reserves is continuing through an export-oriented phase of its ambitious gas development project. The marketed production of gas in 1993 increased by approximately 7 per cent over the previous year and was double the 1990 production level. The project includes building pipelines, liquefaction plants and shore facilities at Ras Laffan. Qatar is committed to exporting LNG to Japan beginning in 1997 and will be producing at least 10 million tons/year of LNG by then. It is exploring possible markets in Europe and Asia, including the Republic of Korea and Taiwan Province of China.

Saudi Arabia's marketed production of natural gas, which has been increasing steadily during the 1990s, increased by 5.6 per cent in 1993. Domestic demand for gas is expected to increase by 10 per cent per year in the coming years. Gas is used as a feedstock in Saudi Arabia's petrochemical industry as well as for the generation of electricity and as a fuel for desalinization plants. However, domestic prices are considered to be too low to justify the considerable investment needed for expanding the system. A significant portion of Saudi Arabia's natural gas is associated with oil, and the master gas system was inaugurated in the early 1980s to provide gas for domestic use and to avoid flaring. LPG is exported to Japan on a regular basis.

The Syrian Arab Republic has also undertaken a policy of utilizing natural gas domestically to allow more oil to be exported. During the period 1990-1993, the marketed production of natural gas in the country increased by over 200 per cent. This increase, along with the increase in exported oil, indicates the initial success of the policy. Gas production could increase by 40 per cent if currently planned projects are implemented. These projects include expansion of gas-processing plants, construction of additional gas pipelines and the development of non-associated fields in the Palmyra region. In addition, a number of industrial projects and electricity-generating plants utilizing natural gas are expected to begin operation by 1996. Currently gas is piped to industrial facilities in the Homs and Hama areas. The country recently announced additional discoveries of natural gas, but the magnitude of these discoveries is not yet known.

The United Arab Emirates gas reserves amount to almost 5.8 trillion cubic metres (table 22). Most of the national gas production is consumed locally. The country is currently expanding its gas export facilities. Additional reserves were recently found in Sharjah, prompting plans for rapid implementation of development projects to supply gas to electricity-generating plants in other parts of the country. The domestic demand for natural gas for use in electricity-generating plants and desalinization facilities is increasing so quickly that Abu Dhabi is implementing plans to double its gas production capacity. Industries and electricity-generating plants are switching to natural gas as an energy source throughout the country owing to the associated cost-effectiveness and environmental benefits.

The United Arab Emirates exports LNG from its Das Island LNG facility to Japan. The country undertook plans to expand its LNG facilities during 1993 in response to Japan's commitment to double its purchases in a long-term contract covering 20 years. The United Arab Emirates has exported 2.5 million tons/year of LNG to Japan since 1977 and will increase its exports to 5 million tons/year. Thailand has also expressed interest in purchasing LNG from the United Arab Emirates.

Yemen's natural gas reserves rose in 1994 to 425 billion cubic metres (table 22). Yemen is planning to utilize natural gas in the generation of electricity and is reportedly considering a multibillion dollar gas project to produce LNG from gas in the Maarib area with the possibility of export to Asia. Some of Yemen's gas is associated with oil, and Yemen has halted oil production in these fields during the past few years pending the construction of gas-processing facilities.

3. *Prospects*

Prospects for increased natural gas use within the region are favourable but depend in large part on the overall energy policy adopted by individual countries, including the pricing of energy products. Recent trends point to the potential of intraregional trade of natural gas via pipeline. The rise of this phenomenon depends, in part, on the future price of oil since gas and petroleum products are, to a significant degree, substitutable.

Moreover, the international market for gas is at a nascent stage in large part because of the high cost of transportation by pipeline and the expensive process of liquefaction. The utilization of gas began in population centres close to gas reserves. An accurate description of the international market for gas today would be a number of regional markets with different prices reflecting regional production costs and transportation costs. The countries in the ESCWA region have been hampered in marketing their significant gas reserves by the long distance to major centres of consumption. This is becoming less of an impediment as the worldwide demand for energy increases and significant economic growth occurs in Asia—a growing market for the ESCWA region's gas because of its geographic proximity—and with the expectations of continued increases in oil prices in the long term.

The prospects for the ESCWA region becoming a major exporter of gas are good. The ESCWA region has a significant portion of the world's gas reserves and, as forecasted energy demand increases worldwide in the coming century, there will be more economic incentives to undertake the expensive projects required for the production and transport of gas. The price of oil and petroleum products ultimately affects the economic feasibility of gas projects in the ESCWA region. Delays in undertaking planned export-oriented gas projects have been attributed to the recent low oil prices. The ability to secure financing for these projects is an important factor for prospects of ESCWA region gas as an export. The price charged for gas, often based on other price indicators such as the price of locally produced petroleum products, the price of substitute products and the overall financial stability of the country, are determinants of the ability to attract financing from international private funding sources. Prospects for the future of natural gas development are intricately related to these factors. Forecasts of higher oil prices in the long term positively affect the prospects for natural gas as an export as well as its domestic use within the region.

IV. DEVELOPMENTS IN INTERNATIONAL TRADE AND PAYMENTS

The main factors that affected international trade in the past two years were the successful conclusion of the Uruguay Round of multilateral trade negotiations on 15 December 1993, the signing of its Final Act, and the Agreement establishing the World Trade Organization (WTO) concluded in Marrakesh, Morocco, on 15 April 1995; the Agreement took effect on 1 January 1995. Although the contribution of the ESCWA region to the world's total exports and imports is still modest (accounting for only 2.7 per cent and 2.4 per cent, respectively, in 1993), these developments are expected to have a far-reaching regional and global impact on trade, investment and economic growth. Despite the fact that most of the long-term impact is expected to be favourable, the short- and medium-term impact, at least for developing countries, might not be positive. However, owing to the fact that it is neither possible nor advantageous for the countries of the region to oppose the changes in the world trading environment, extensive efforts, including adjustments of policies and institutional framework and development of skills in multilateral negotiations, are urgently required to pave the way for a successful integration into the global economy. The focus of various regional blocs on greater liberalization in their trade arrangements is another development. The most relevant example is the initiative of the European Union to establish a free trade area with Mediterranean countries in North Africa including Egypt and other Middle Eastern countries such as Jordan, Lebanon, the Syrian Arab Republic and Israel. Such a trade arrangement would inevitably force Arab countries to activate the liberalization of their intraregional trade as well as economic cooperation and integration. Moreover, with such developments the region can enhance its chances to benefit from the opportunities provided by the changes in the world trading environment.

In terms of recent performance, the ESCWA region's total trade was affected by low oil prices, a slow-down in economic activities, especially in the Gulf area, and the continued United Nations economic sanctions on Iraq. The region's total exports (excluding Iraq and the Republic of Yemen) dropped slightly in 1993 to a total of $97.6 billion, down from $99.4 billion in 1992, while imports achieved a marginal increase of only 0.5 per cent, from $89.9 billion to $90.2 billion.

The share of intraregional exports to total exports has started to recover its pre-Gulf war level, while the share of intraregional imports is still lagging behind. The region's balance on goods and services achieved a surplus of $2.6 billion in 1993 compared with large deficits of $10.7 billion and $11.2 billion in 1992 and 1991, respectively. This improvement directly affected the region's balance on current account by reducing its 1992 deficit of $19.6 billion to only $7.7 billion in 1993. The region's international reserves increased in 1994 to $44.5 billion, up from $42.4 billion in 1993; this was the fifth consecutive increase.

Tentative and preliminary data for 1994 indicate total exports of $97.5 billion (including Yemen), while imports are estimated to have dropped to $75.9 billion (excluding Lebanon). The drop in the latter is mainly attributed to the contractionary policies in the GCC countries, especially in Saudi Arabia, and was precipitated by a drop in oil revenues and rising debts.

Unofficial forecasts for 1995 indicate higher levels of exports and imports in many member countries compared with 1994. The rates of increase in exports, however, owing to the expected stability in oil prices, are likely to be lower than the increase in imports, which will be encouraged by higher levels of economic activities and import liberalization measures.

A. Overall trade performance

1. *Exports*

The dollar value of the region's total exports (excluding Iraq and the Republic of Yemen owing to lack of data) fell by 1.8 per cent in 1993 to $97.6 billion, compared with $99.4 billion in 1992 (table 24). The exports of the region's two groups, the GCC countries and the more diversified economies, declined by $0.6 billion and $1.2 billion respectively. The exports of the GCC countries dropped by 0.6 per cent in 1993, compared with an increase of 12 per cent in 1992, while the exports of the more diversified economies dropped by 13.7 per cent. At the country level, Kuwait's exports rose to $10.5 billion in 1993, up from $6.7 billion in 1992, owing mainly to the 77.8 per cent increase in oil production. Bahrain's exports, which fell in both 1991 and 1992 by 9.4 per cent and 5 per cent respectively, rose in 1993 by 6.5 per cent to $3.7 billion, up from $3.5 billion in 1992. The rise in the exports of both Kuwait and Bahrain, however, was more than offset by the drop in the exports of Saudi Arabia by about 8 per cent, or $4 billion. The drop in oil prices from $18.4 per barrel in 1992 to $16.3 per barrel in 1993, together with a marginal decline in oil production by 0.3 m/b/d, caused a decline in Saudi Arabia's export of oil by $6.2 billion. However, the increase in non-oil exports from $3.2 billion to $5.4 billion has partly offset the effect of the decline in oil exports on the country's aggregate figure.[50] Qaṭar, Oman and the United Arab Emirates reported export declines in 1993 of 3.4 per cent, 2.4 per cent and 1.6 per cent, respectively, compared with increases in 1992 of 6.9 per cent, 11.4 per cent and 4.3 per cent respectively.

The exports of the more diversified economies, which dropped in both 1991 and 1992, continued their downward trend in 1993, falling by 13.7 per cent, the largest decline in three years, and resulted in a drop in dollar value from $8.4 billion to $7.3 billion. This was partly due to the exclusion of Yemen, because of lack of data, and partly to the decline in Egypt's exports by 27 per cent to $2.2 billion in 1993, down from $3.1 billion in 1992. The drop resulted from the reduction in the exports of the spinning and weaving industry as well as in agricultural commodities, and despite the increase in the exports of crude oil and its products.[51] Apart from Egypt, and excluding Iraq and Yemen owing to lack of data, all other ESCWA member countries reported an increase in their exports in 1993. In Lebanon, exports, which rose by 14.1 per cent in 1992, achieved a growth rate of 12.5 per cent in 1993. Jordan's exports increased for the third consecutive year, but at a much lower rate, by only 2.1 per cent, compared with 7.8 per cent and 6.5 per cent in 1992 and 1991 respectively. In the Syrian Arab Republic, exports, which had declined in both 1991 and 1992 by 1.6 per cent and 22.6 per cent, respectively, rebounded in 1993 and achieved a growth rate of 1.7 per cent. However, owing to the insignificant increases, the rise in the dollar value of their exports was hardly noticeable (table 24).

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[50] OPEC, *Annual Statistical Bulletin*, 1993.

[51] Central Bank of Egypt, *Economic Review*, vol. XXXIII, No. 3, 1992/1993, p. 32.

TABLE 24. ESCWA REGION: OVERALL TRADE FLOWS, 1990-1993

(Millions of United States dollars)

	Exports (f.o.b.)				Variation (percentage)			Imports (c.i.f.)				Variation (percentage)		
	1990	1991	1992	1993	1990-1991	1991-1992	1992-1993	1990	1991	1992	1993	1990-1991	1991-1992	1992-1993
Total ESCWA region	*94 210*	*89 864*	*99 354*	*97 613*	*(12.4)*	*10.3*	*(1.8)*	*64 992*	*74 566*	*89 875*	*90 285*	*6.4*	*16.8*	*0.5*
GCC countries	*85 296*	*80 976*	*90 935*	*90 349*	*(3.8)*	*12.0*	*(0.6)*	*46 470*	*55 375*	*68 003*	*70 053*	*19.2*	*17.8*	*3.0*
Bahrain	3 758	3 404	3 464	3 689	(9.4)	(5.0)	6.5	3 711	4 061	4 263	3 825	9.4	1.6	(10.3)
Kuwait	6 956	528	6 691	10 494	(92.4)	1067.1	56.8	3 923	6 332	7 498	6 584	94.2	18.5	(12.2)
Oman	5 215	4 874	5 428	5 299	(6.5)	11.4	(2.4)	2 681	3 194	3 769	4 114	19.1	18.0	9.2
Qatar	2 960	3 150	3 499	3 380	6.4	6.9	(3.4)	1 550	1 720	1 743	1 851	11.0	1.3	6.2
Saudi Arabia	44 417	48 794	50 760	46 728	9.9	4.0	(7.9)	24 069	27 391	33 320	34 159	13.8	16.3	2.5
United Arab Emirates	21 990	20 226	21 093	20 759	(8.0)	4.3	(1.6)	11 199	12 677	17 410	19 520	13.2	14.0	12.1
More diversified economies [a]	*8 914*	*8 888*	*8 419*	*7 264*	*(0.3)*	*(5.3)*	*(13.7)*	*18 522*	*19 191*	*21 872*	*20 232*	*3.6*	*14.0*	*(7.5)*
Egypt	2 582	3 617	3 072	2 243	40.1	(15.1)	(27.0)	9 202	7 754	8 357	8 176	(15.6)	7.8	(2.2)
Jordan	1 063	1 132	1 220	1 246	6.5	7.8	2.1	2 603	2 512	3 255	3 539	(3.5)	29.7	8.7
Lebanon [b]	496	490	559	629	(1.2)	14.1	12.5	2 578	3 748	4 180	4 377	45.4	11.5	4.7
Syrian Arab Republic	4 062	3 143	3 093	3 146	(22.6)	(1.6)	1.7	2 526	3 151	3 490	4 140	24.7	10.8	18.6
Yemen, Republic of	711	506	475	..	(28.8)	(6.1)	..	1 613	2 026	2 590	..	25.6	27.8	..

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

Notes: .. Not available.
( ) Indicates negative.

a Excluding Iraq owing to the economic sanctions.
b International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1994.

2. *Imports*

The region's value of imports (excluding Iraq, and the Republic of Yemen owing to lack of data) rose by only 3.4 per cent in 1993, compared with an increase of 16.8 per cent in 1992.

In the GCC countries, the economic boom that followed the Gulf war in 1991 and 1992 precipitated an increase in demand for imports by 19.2 per cent and 17.8 per cent, respectively. However, with the slow-down in economic activities in 1993, the growth in demand for imports was reduced to only 3 per cent, with imports increasing from $68 billion to $70.1 billion. All GCC countries shared in the increase, apart from Bahrain and Kuwait where imports dropped by 10.3 per cent and 12.2 per cent, respectively. In Kuwait, the value of imports, which had reached a record level of $7.5 billion in 1992, fell back to the pre-Gulf war level, and a total of $6.6 billion was reported in 1993. In the rest of the GCC countries, the largest increase in imports was achieved by the United Arab Emirates (12.1 per cent), followed by Oman (9.2 per cent) and Qatar (6.2 per cent). In Saudi Arabia, the new policy of rationalizing government expenditure, as reflected in the cut in the budgeted total expenditure, caused a slow-down in the rate of increase in imports from an average of about 15 per cent during the period 1991-1992, to only 2.5 per cent in 1993, when imports increased to $34.2 billion from $33.3 billion in 1992.

In the more diversified economies (excluding Iraq and Yemen, owing to lack of data), the group's total imports increased by 4.9 per cent in 1993, from $19.3 billion to $20.2 billion. All countries in this group reported an increase in their imports, apart from Egypt, where a slight drop—by 2.2 per cent—was reported, with imports decreasing from $8.4 billion to $8.2 billion. Lebanon's imports increased in 1993 by 4.7 per cent to $4.4 billion. The economic restructuring programme in Jordan signified some relaxation of import control and consequently, the total value increased by 8.7 per cent to $3.5 billion; however, it remained below the increase of 30 per cent recorded in 1992. The largest increase, however, was in the Syrian Arab Republic, where imports rose by 18.5 per cent to a record of $4.1 billion. It is worth mentioning that the imports into the Syrian Arab Republic started to increase in 1990, owing mainly to government efforts aimed at boosting private sector participation in economic activities.

3. *Export/import ratios*

The region's export/import ratio, which reflects its ability to finance imports from export proceeds, declined to 1.08 in 1993, compared with 1.11 in 1992 and 1.45 in 1990 (table 25).

The decline obviously resulted from the growth in imports at faster rates than the growth in exports. In terms of 1990 imports, however, the ratio increased from 1.45 in 1990 to 1.50 in 1993 compared with 1.53 in 1992. The ratios were higher than those at current imports because imports of Kuwait in 1990 were only half their usual level owing to the Gulf crisis; consequently, the ratios of 1992-1993 in terms of 1990 imports inevitably became inflated.

A drop in the export/current import ratio was experienced by both the GCC countries and the more diversified economies. The former's ratio dropped from 1.84 in 1990 to 1.34 in 1992 and to 1.29 in 1993, while the latter's fell from 0.38 in 1992 to 0.36 in 1993, down from 0.48 and 0.46 in 1990 and 1991 respectively. In terms of 1990 imports, however, the ratio in GCC countries increased from 1.84 in 1990 to 1.94 in 1993, yet it was slightly lower than the ratio of 1.96 in 1992. The ratios of 1992 and 1993, in terms of 1990 imports were, as noted above, inflated by the low level of Kuwait's imports in 1990. For the more diversified economies, the export/import ratio, in terms of 1990 imports, also dropped from 0.48 in the period 1990-1991 to 0.45 in 1992, and finally to 0.36 in 1993, indicating a deterioration in the group's balance of trade. The ratio of 1993 at both current and 1990 imports, however, would have been even lower if Yemen had been included, because of its large trade deficit.

TABLE 25 . EXPORT/IMPORT RATIOS, 1990-1993

(In terms of current and 1990 imports)

	1990	1991	1992	1993
ESCWA region				
Current imports[a]	1.45	1.21	1.11	1.08
1990 imports[b]	1.45	1.38	1.53	1.50
GCC countries				
Current imports[a]	1.84	1.46	1.34	1.29
1990 imports[b]	1.84	1.74	1.96	1.94
More diversified economies				
Current imports[a]	0.48	0.46	0.38	0.36
1990 imports[b]	0.48	0.48	0.45	0.39

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

a Ratio of current exports to current imports.
b Ratio of current exports to 1990 level of imports.

B. DIRECTION OF TRADE[52]

1. *Aggregate trade*

Although the developed market economies continued to be the region's leading export outlet, their share declined in the past four years from an average of 50.4 per cent in the 1990-1992 period to 47.8 per cent in 1993, and dropped further in 1994 to only 43.5 per cent (table 26). In contrast, the share of the developing countries (other than the ESCWA region) increased in the ESCWA region's total exports from an average of 22.5 per cent in the period 1991-1992 to an average of 25.5 per cent in the period 1992-1993 and to 27.5 per cent in 1994. The rise is entirely due to higher demand for GCC countries' oil by booming economies in Asia. Intraregional exports, after declining to only 8.7 per cent in 1992, the lowest since 1988, recovered slightly to 8.9 per cent in 1993 and to 10.2 per cent in 1994; however, they are still lower than the level before the 1990 Gulf crisis, which negatively affected intraregional trade. The former centrally planned economies, namely Eastern Europe and the former Soviet Union, continued to lose their importance as outlets for the region's exports owing to the economic and financial problems involved in the transition of these countries to market economies. Their share dropped from 3.3 per cent in 1990 to 1.8 per cent in 1991. In 1992, their share hit a new low, falling to only 0.6 per cent of the ESCWA region's total exports, before increasing to 0.7 per cent in both 1993 and 1994. China's share, though still minimal, more than tripled during the period 1990-1991, as it rose from 0.2 per cent to 0.7 per cent; that percentage was maintained in 1994.

[52] The data used in this section are derived from statistics reported by the International Monetary Fund in its *Direction of Trade Statistics Yearbook* for 1993 and 1994. The data may differ in some significant respects from data used in other sections and derived from national and international sources. Moreover, data for 1994 are partial and preliminary.

TABLE 26. ESCWA REGION: DIRECTION OF TRADE, 1990-1994

(Percentage share)

	Exports f.o.b.					Imports c.i.f.				
	1990	1991	1992	1993	1994*	1990	1991	1992	1993	1994*
ESCWA region	*10.7*	*10.1*	*8.7*	*8.9*	*10.2*	*10.1*	*9.1*	*8.5*	*7.2*	*6.8*
Other developing countries	*22.6*	*22.3*	*25.0*	*25.9*	*27.5*	*13.9*	*16.0*	*14.7*	*18.1*	*18.7*
Asia (excluding ESCWA region)	18.0	18.7	21.3	22.1	23.6	11.3	13.5	12.4	15.8	16.3
Latin America	2.2	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.6	1.7
Africa (excluding Noth Africa)	1.4	1.3	1.2	1.2	1.6	0.8	0.6	0.5	0.5	0.6
North Africa (excluding Egypt)	0.9	0.7	0.8	0.9	0.7	0.3	0.4	0.2	0.3	0.2
Developed market economies	*50.3*	*50.7*	*50.3*	*47.8*	*43.5*	*57.7*	*58.5*	*58.7*	*60.9*	*55.6*
European Union	15.8	16.1	16.7	16.7	13.6	33.5	32.2	33.1	34.3	33.1
United States of America	13.2	12.3	11.4	10.7	10.1	12.9	15.2	14.0	15.5	13.6
Japan	21.3	22.3	22.2	20.4	19.8	11.3	11.1	11.6	11.1	8.9
Former centrally planned economies	*3.3*	*1.8*	*0.6*	*0.7*	*0.7*	*2.9*	*2.3*	*2.1*	*1.6*	*2.0*
Eastern Europe and former Soviet Union	3.3	1.8	0.6	0.7	0.7	2.9	2.3	2.1	1.6	2.0
China	0.2	0.7	0.6	0.8	0.7	2.1	1.8	2.7	2.1	2.3
Rest of world	13.0	14.3	14.8	15.8	17.5	13.4	12.3	13.4	10.1	14.7
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ESCWA compilations based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1993 and 1994.

Note: Figures might not add up to totals because of rounding.

* Figures for 1994 are for the period January - July only as available in international sources.

At a more disaggregated level, the share of the European Union in the ESCWA region's exports increased from an average of 16 per cent in 1990-1991 to 16.7 per cent in 1992-1993 before falling to 13.6 per cent in 1994, mainly owing to efforts by EU members to reduce their reliance on oil from the GCC countries. The United States' share, however, dropped without interruption from a peak of 13.2 per cent during the Gulf crisis in 1990 to only 10.1 per cent in 1994, the lowest level since 1988, compared with 10.7 per cent in 1993. Japan, which is usually the largest importer from the ESCWA region (mainly oil) among the developed countries, also recorded a drop in its share to 19.8 per cent in 1994, down from 20.4 per cent in 1993, owing to the economic recession in Japan.

Among the developing countries, the economic boom in Asia (excluding the ESCWA region) and the increasing reliance on oil from the GCC countries helped raise the Asia share in the ESCWA region's exports from 18 per cent in 1990 to 22.1 per cent in 1993 and 23.6 per cent in 1994. The shares of other groups of developing countries are generally very small, and they have either been stagnant or declining. The ESCWA region's exports to Latin America, for instance, after thriving in the first half of the 1980s, have suffered from successive declines since the early 1980s, owing to the debt crisis and the beginning of Latin America's economic and financial problems. During the last five years, Latin America's share in the ESCWA region's total exports dropped from 2.2 per cent in 1990 to 1.7 per cent in 1991-1993, and declined further to 1.6 per cent in 1994. The share of exports to Africa (excluding North Africa) in the total exports from the ESCWA region rose from 1.2 per cent in 1992-1993 to 1.6 per cent in 1994, compared with an average of 1.4 per cent in 1990-1991. Finally, the share of North Africa (excluding Egypt) dropped from 0.9 per cent in 1993 to 0.7 per cent in 1994.

As for the geographic origin of imports, the developed market economies continued to be the ESCWA region's main supplier. Although incomplete data for 1994 show a decline in their share to 55.6 per cent compared with about 61 per cent in 1993, complete and revised figures could even be lower because of the decline in the level of economic activity in the GCC countries. The share of developing countries (excluding ESCWA member countries) continued its upward trend that started in 1990 and reached 18.7 per cent in 1994, up from 18.1 per cent in 1993. In contrast, the share of intraregional imports has been on the decline since the Gulf war in 1991, dropping to 6.8 per cent in 1994, down from 7.2 per cent in 1993. The former centrally planned economies seem to be on the way to recovering their previous share in the ESCWA region's imports. Owing to the difficulties associated with the transition process, their share dropped from 3.8 per cent in 1988 to 2.9 per cent in 1990 and to only 1.6 per cent in 1993, before recovering to 2 per cent in 1994. China, which is more important as a supplier to the ESCWA region than as an export outlet, increased its share from 2.1 per cent in 1990 to 2.7 per cent in 1992; China's share fell to 2.1 per cent in 1993 and rose again to 2.3 per cent in 1994.

On a more disaggregated level, the European Union remained the ESCWA region's leading supplier with a share of 33.1 per cent of the ESCWA region's imports in 1994, compared with 34.3 per cent in 1993 and an average of 33 per cent during the period 1990-1992. The share of the United States increased following the Gulf war, from 12.9 per cent in 1990 to 15.2 per cent in 1991 and 15.5 per cent in 1993. However, preliminary figures for 1994 show a drop in the United States' share to 13.5 per cent, which can be explained by the slow-down in economic activities in the GCC countries and the completion of the reconstruction activities in Kuwait. Japan's share also declined from 11.1 per cent in 1993 to 8.9 per cent in 1994, compared with an average of 11.3 per cent during the period 1990-1992. As for other developing countries, Asia (excluding the ESCWA region) continued to consolidate its share in the ESCWA region's total imports; the Asian share increased from 11.3 per cent in 1990 to 15.8 per cent in 1993 and 16.3 per cent in 1994. The shares of Latin America, Africa (excluding North Africa) and North Africa (excluding Egypt) remained small with little change in their levels from year to year. The share of Latin America increased from 1.6 per cent in 1993 to 1.7 per cent, compared with a share of 1.5 per cent during the period 1990-1992. The percentage contribution of Africa in the region's exports dropped from 0.8 per cent in 1990 to an average of 0.5 per cent during the period 1991-1993 before rising to 0.6 per cent in 1994. Finally, the share of North Africa (excluding Egypt) dropped from an average of 0.3 per cent during the period 1990-1993 to 0.2 per cent in 1994.

2. *Intraregional trade*

The share of intraregional exports in total exports seems to have recovered its pre-Gulf war level. After dropping to 8.7 per cent in 1992 from 10.7 per cent in 1990, the share rose to 8.9 per cent in 1993 and to 10.2 per cent in 1994 (table 27). At the group level, intraregional export are less important for the GCC countries than for the more diversified economies: less of the former's exports are absorbed by the ESCWA region. The share of intraregional exports in GCC countries' total exports dropped from 10 per cent in 1990 to 7.5 per cent in 1992, the lowest since the 1990 Gulf crisis. However, it increased in the following two years to 8 per cent in 1993 and 9.3 per cent in 1994. All GCC countries, apart from Bahrain and Kuwait, participated in the improvement in 1993. In 1994, though the data are still preliminary and incomplete, they show that all member countries participated in the increase apart from Kuwait and Oman. The former's share is still negligible while the latter's contribution dropped slightly from 35.4 per cent in 1993 to 34.5 per cent in 1994.

While the share of intraregional exports in the GCC countries' total exports reached its lowest level in 1992, it registered its highest level in the more diversified economies, 22.3 per cent, despite the fact that Jordan had lost its main export outlets: Iraq and the GCC countries. The percentage share of the more diversified economies in intraregional exports dropped in 1993 to 17.8 per cent, however, and declined further in 1994 to 17.3 per cent. The decline was mainly attributed to the decline in the share of Lebanon's intraregional exports from 54.8 per cent in 1993 to 51.8 per cent in 1994, while other member countries (excluding Iraq and Yemen owing to lack of data) increased their shares. Among the more diversified economies, Lebanon and Jordan usually have the largest share of intraregional exports in total exports, followed by the Syrian Arab Republic (between 16 and 23 per cent), while the share of Egypt is the lowest, ranging between 6 per cent 13 per cent.

The share of intraregional imports in the ESCWA region's total imports (excluding Kuwait and Oman owing to lack of data) continued its declining trend, falling from 10.1 per cent in 1990 to 7.2 per cent in 1993 and 6.8 per cent in 1994. The decline in 1993 was entirely due to the drop in the share of GCC countries from 8.1 per cent to 7.5 per cent, although the share of the more diversified economies increased from 4.4 per cent to 5.2 per cent. Among the GCC countries for which data are available, only Bahrain and Saudi Arabia reported slight increases in the percentage shares of their intraregional imports in total imports; the share of the former increased from 44.9 per cent to 46.2 per cent and the share of the latter from 3.2 per cent to 3.8 per cent. In contrast, Qatar and the United Arab Emirates reported declines in their percentage shares from 12.9 per cent to 12.3 per cent for the former, and from 6.4 per cent to 5.5 per cent for the latter.

The level of intraregional trade, which is far below desired levels, remains characterized by a large concentration of trade with a few partners. In 1990, the region's (excluding Iraq and Yemen owing to lack of data) weighted average of the cumulative share of the leading three intraregional export partners was equal to 81.8 per cent of total intraregional exports. It was distributed as 53.7 per cent with the first partner, 18.3 per cent with the second, and 9.8 per cent with the third. In 1993, not only did the region's weighted average increase to 89.7 per cent but also the share of the first partner increased from 53.7 per cent to 67.2 per cent, which indicates further concentration in intraregional exports (table 28). At the country level, in 1990, the

TABLE 27. ESCWA REGION: SHARE OF INTRAREGIONAL TRADE IN TOTAL TRADE, 1990-1994

	Exports (f.o.b.)					Imports (c.i.f.)				
	1990	1991	1992	1993	1994*	1990	1991	1992	1993	1994*
ESCWA region	*10.7*	*10.1*	*8.7*	*8.9*	*10.2*	*10.1*	*9.1*	*8.5*	*7.2*	*6.8*
GCC countries	*10.0*	*9.2*	*7.5*	*8.0*	*9.3*	*11.1*	*9.8*	*8.6*	*8.1*	*7.5*
Bahrain	5.8	3.3	3.6	3.4	3.8	53.3	41.1	41.2	44.9	46.2
Kuwait	6.0	7.0	1.2	- -	- -	13.2	15.0	1.8	0.8	- -
Oman	61.3	31.1	33.3	35.4	34.5	26.7	29.3	31.3	26.5	..
Qatar	6..6	6.5	7.0	8.6	9.6	11.9	13.1	12.7	12.9	12.3
Saudi Arabia	9.2	9.1	5.7	6.7	8.0	3.8	3.3	3.5	3.2	3.8
United Arab Emirates	4.2	4.5	5.7	6.0	6.5	8.0	7.9	7.3	6.4	5.5
*More diversified economies***	*18.0*	*19.3*	*22.3*	*17.8*	*17.3*	*7.4*	*6.6*	*8.0*	*4.4*	*5.2*
Egypt	5.7	6.9	12.6	8.2	8.9	0.5	2.9	2.1	1.2	1.4
Jordan	40.3	73.5	33.6	29.4	33.2	25.1	12.7	20.0	8.0	9.9
Lebanon	47.0	47.2	50.7	54.8	51.8	16.4	12.1	13.3	11.6	11.2
Syrian Arab Republic	16.2	19.8	22.4	20.4	23.3	4.9	4.2	4.7	4.5	4.2

Source: ESCWA secretariat compilations based on International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1993 and 1994.

Notes: Figures may not add up to totals because of rounding.

- - : nil or negligible

.. : Not available.

* : Figures cover January to July only as available in international sources.

** : Excluding Iraq and the Republic of Yemen owing to lack of data.

TABLE 28. ESCWA REGION: CUMULATIVE SHARE OF THE THREE LEADING INTRAREGIONAL EXPORT PARTNERS BETWEEN 1990 AND 1993

	1990						Cumulative	1993						Cumulative
	First Partner		Second Partner		Third Partner		Share	First Partner		Second Partner		Third Partner		Share
Bahrain	Saudi Arabia	49.1	Qatar	30.9	United Arab Emirates	11.3	91.4	Saudi Arabia	62.8	United Arab Emirates	15.1	Oman	12.4	90.4
Egypt	Saudi Arabia	39.5	Iraq	15.9	Yemen, Republic of	9.7	65.1	Saudi Arabia	58.2	Jordan	16.6	Syrian Arab Republic	9.4	84.2
Jordan	Iraq	48.1	Saudi Arabia	19.1	United Arab Emirates	8.6	75.8	Saudi Arabia	45.7	United Arab Emirates	17.1	Lebanon	8.1	70.9
Kuwait	Iraq	50.9	Saudi Arabia	14.3	Jordan	7.4	72.6		- -		- -		- -	- -
Lebanon	Saudi Arabia	36.9	United Arab Emirates	21.8	Kuwait	15.6	74.2	Saudi Arabia	35.7	United Arab Emirates	19.9	Syrian Arab Republic	18.3	73.9
Oman	United Arab Emirates	76.0	Saudi Arabia	12.0	Iraq	3.7	91.7	United Arab Emirates	94.2	Bahrain	2.2	Saudi Arabia	1.8	98.2
Qatar	United Arab Emirates	54.1	Saudi Arabia	21.8	Kuwait	13.4	89.4	United Arab Emirates	50.8	Saudi Arabia	32.8	Egypt	4.2	87.8
Saudi Arabia	Bahrain	43.0	United Arab Emirates	19.7	Egypt	15.9	78.6	Bahrain	55.4	United Arab Emirates	29.3	Egypt	3.3	87.9
Syrian Arab Republic	Saudi Arabia	37.7	Lebanon	37.2	United Arab Emirates	8.2	83.1	Lebanon	53.1	Saudi Arabia	22.5	Jordan	9.2	84.8
United Arab Emirates	Oman	56.3	Saudi Arabia	15.1	Kuwait	5.8	77.2	Oman	68.4	Saudi Arabia	15.7	Qatar	5.2	89.3
Region (weighted average)*	53.7		18.3		9.8		81.8	67.2		17.8		4.7		89.7

Source: Compiled by the ESCWA secretariat from International Monetary Fund, *Direction of Trade Statistics Yearbook 1993*; and *Direction of Trade* monthly bulletin, December 1993.

Note: - - Nil or negligible.

* The weighted average for the region is calculated, for each of the three leading export partners, as the sum of each country's exports to that partner divided by the total intraregional exports of the countries listed in the table.

cumulative share of Bahrain, Oman, Qatar and the Syrian Arab Republic was above the region's weighted average. In 1993, the degree of concentration increased in five countries compared with 1990, but because of the increase in the region's weighted average of cumulative shares, only two countries—Bahrain and Oman—reported higher cumulative shares than the region's weighted average. In 1993, Saudi Arabia continued to be the first intraregional export outlet for Bahrain, Egypt and Lebanon; moreover, it replaced Iraq as Jordan's first intraregional export outlet. The United Arab Emirates continued to be the first export market for Oman and Qatar; Bahrain remained Saudi Arabia's first export market and Oman remained the United Arab Emirates' first export market.

A similar picture can be observed for intraregional imports. In 1990, the weighted average of the region's cumulative share of imports reached 81.4 per cent (63.2 per cent for the first partner, 10.7 per cent for the second and 7.5 per cent for the third) (table 29). In 1993, the weighted average increased to 87.1 per cent and the share of the first and second partners increased to 69.4 per cent and 11.1 per cent, respectively, while the share of the third partner dropped to 6.7 per cent. In 1990, the cumulative shares of six countries—Bahrain, Oman, Qatar, Lebanon, Jordan and the Syrian Arab Republic—were above the region's weighted average: the smallest cumulative share (66.1 per cent) was reported by Kuwait. In 1993, however, only Bahrain, Kuwait, Lebanon and Oman exceeded the region's weighted average. The degree of concentration with the first intraregional import partner increased for Egypt, Kuwait, Lebanon, Oman and the United Arab Emirates.

C. Balance of payments developments

Partial information on the region's current account in 1993 (excluding Bahrain, Iraq, Lebanon, Qatar, the United Arab Emirates and the Republic of Yemen owing to lack of data) shows another major improvement. The current account deficit, which reached $37.8 billion in 1991, dropped by about 50 per cent in 1992, to $19.6 billion and declined further to $7.7 billion in 1993 (table 30). The improvement resulted from the large shift in the balance of trade and services from a deficit of $11.2 billion in 1992 to a surplus of $2.6 billion in 1993, which made up for the increase in the deficit of net unrequited transfers from $8.3 billion to $10.3 billion. The improvement in the balance on goods and services resulted from a large increase in the surplus of the trade balance from $7.7 billion to $15.8 billion and a substantial curtailment in the deficit of trade in services from $18.9 billion to $13.2 billion. The current account deficit was entirely met by a net capital inflow of $11.7 billion, compared with an inflow of $29.5 billion in 1992. The negative and large "errors and omissions" entry of $5.3 billion exceeded what was left of capital inflow; consequently the overall balance ended with a deficit of $1.3 billion compared with a surplus of $0.1 billion in 1992. Owing to "exceptional financing" of $2.8 billion, however, the overall balance deficit was met and reserves were increased by $1.5 billion, half the $3 billion increase reported in 1992.

Trends in the ESCWA region's balance of payments are usually determined by developments in the GCC countries' balance of payments owing to the size of their external transactions: the increase in their trade surplus from $14.8 billion in 1992 to $24.7 billion in 1993 overshadowed the increase in the trade deficit of more diversified economies from $7.1 billion to $8.9 billion. The GCC countries' services deficit dropped from $19 billion in 1992 to $14.3 billion in 1993 while the more diversified economies consolidated their surplus, which rose from $0.1 billion to $1.1 billion. The GCC countries' deficit of unrequited transfers, which declined by 50 per cent between 1991 and 1992, increased again to $19.3 billion in 1993, while the more diversified economies achieved a surplus of $9 billion in 1993—almost the same as the previous year. There was a drop in the deficit of the GCC current account from $21.7 billion to $8.9 billion from 1992 to 1993, as well as in the surplus of the more diversified economies from $2.1 billion to $1.2 billion during that

TABLE 29. ESCWA REGION: CUMULATIVE SHARE OF THE THREE LEADING INTRAREGIONAL IMPORT PARTNERS* BETWEEN 1990 AND 1993

	1990						Cumulative	1993						Cumulative
	First Partner		Second Partner		Third Partner		Share	First Partner		Second Partner		Third Partner		Share
Bahrain	Saudi Arabia	95.4	United Arab Emirates	3.0	Qatar	0.7	99.0	Saudi Arabia	94.5	United Arab Emirates	3.1	Jordan	0.7	98.3
Egypt	Saudi Arabia	58.9	Lebanon	11.6	Syrian Arab Republic	10.1	80.6	Saudi Arabia	68.0	Lebanon	11.4	Qatar	6.9	86.3
Jordan	Iraq	62.8	Saudi Arabia	18.3	Kuwait	6.0	87.0	Saudi Arabia	25.0	Egypt	24.6	Syrian Arab Republic	20.9	70.5
Kuwait	Saudi Arabia	40.3	Iraq	14.0	United Arab Emirates	11.8	66.1	Syrian Arab Republic	100.0	- -	- -	- -	- -	100.0
Lebanon	Syrian Arab Republic	70.8	Kuwait	9.4	Saudi Arabia	8.0	88.2	Syrian Arab Republic	77.5	Saudi Arabia	7.1	Egypt	5.5	90.1
Oman	United Arab Emirates	85.4	Saudi Arabia	8.0	Bahrain	3.3	96.7	United Arab Emirates	89.4	Saudi Arabia	6.3	Bahrain	2.7	98.4
Qatar	United Arab Emirates	54.2	Saudi Arabia	21.8	Kuwait	13.4	89.4	United Arab Emirates	33.3	Saudi Arabia	32.0	Bahrain	11.8	77.1
Saudi Arabia	Bahrain	43.0	United Arab Emirates	19.7	Egypt	15.9	78.6	Egypt	23.5	United Arab Emirates	22.2	Bahrain	12.4	58.1
Syrian Arab Republic	Saudi Arabia	37.7	Lebanon	37.2	United Arab Emirates	8.2	83.1	Lebanon	33.9	Egypt	25.0	Saudi Arabia	23.4	82.3
United Arab Emirates	Oman	56.3	Saudi Arabia	15.1	Kuwait	5.8	77.2	Saudi Arabia	66.6	Bahrain	12.0	Qatar	9.5	80.4
Region (weighted average)	63.2		10.7		7.5		81.4	69.4		11.1		6.7		87.1

Source: Compiled by the ESCWA secretariat from International Monetary Fund, *Direction of Trade Statistics Yearbook 1993*; and *Direction of Trade* monthly bulletin, December 1993.

Note: - - Nil or negligible.

* The weighted average for the region is calculated, for each of the three leading import partners, as the sum of each country's imports to that partner divided by the total intraregional imports of the countries listed in the table.

TABLE 30. SUMMARY OF BALANCE OF PAYMENTS FLOWS, 1990-1993[a]

(Millions of United States dollars)

	1990	1991	1992	1993
Trade balance (f.o.b.)	*32 932*	*20 311*	*7 688*	*15 828*
GCC countries	39 888	27 074	14 810	24 729
More diversified economies	(6 956)	(6 763)	(7 122)	(8 901)
Services (net)	*(15 519)*	*(30 999)*	*(18 921)*	*(13 223)*
GCC countries	(15 713)	(32 135)	(19 038)	(14 346)
More diversified economies	194	1 136	117	1 123
Balance on goods and services	*17 413*	*(10 688)*	*(11 233)*	*2 605*
GCC countries	24 175	(5 061)	(4 228)	10 383
More diversified economies	(6 762)	(5 627)	(7 005)	(7 778)
Net unrequited transfers	*(9 515)*	*(27 064)*	*(8 331)*	*(10 324)*
GCC countries	(17 790)	(35 703)	(17 437)	(19 326)
More diversified economies	8 275	8 639	9 106	9 002
Balance on current account	*7 898*	*(37 752)*	*(19 564)*	*(7 719)*
GCC countries	6 385	(40 764)	(21 663)	(8 943)
More diversified economies	1 513	3 012	2 101	1 224
Net capital flows	*(12 175)*	*28 901*	*29 494*	*11 741*
GCC countries	(1 203)	31 505	28 715	12 612
More diversified economies	(10 972)	2 604	779	(871)
Errors and omissions	*(39)*	*2 126*	*(9 814)*	*(5 359)*
GCC countries	(414)	1 107	(10 761)	(4 718)
More diversified economies	375	1 019	947	(641)
Overall balance	*(4 316)*	*(6 725)*	*119*	*(1 337)*
GCC countries	4 768	(8 152)	(3 708)	(1 047)
More diversified economies	(9 084)	1 427	3 827	(290)
Counterpart items, exceptional financing and others	*12 781*	*4 485*	*2 889*	*2 791*
GCC countries	- -	- -	- -	- -
More diversified economies	12 781	4 485	2 889	2 791
Total change in reserves	*(8 464)*	*2 240*	*(3 008)*	*(1 454)*
GCC countries	(4 768)	8 152	3 708	1 047
More diversified economies	(3 696)	(5 912)	(6 716)	(2 501)

Source: Compiled by the ESCWA secretariat from national and international sources.

Notes: - - Nil or negligible.
Figures might not add up to totals because of rounding.
( ) Indicates negative.

a Excluding Iraq and Lebanon for all years, and Qatar, the United Arab Emirates and the Republic of Yemen for 1992 and 1993 owing to lack of data.

period. Among the GCC countries, Kuwait and Saudi Arabia were the only contributors; the former's current account shifted from a deficit of $0.9 billion to a surplus of $6.4 billion as external transactions returned to normality following the aftermath of the Gulf war, while the latter succeeded in reducing its deficit by $5.2 billion owing to improvement in the trade balance by about $6 billion. Borrowing from the international money markets and liquidation of assets to pay for the Gulf war dropped substantially in 1993; consequently, net capital flow from GCC countries went from $31.5 billion and 28.7 billion in 1991 and 1992, respectively, to only $12.6 billion in 1993, while the more diversified economies reported a net capital outflow of $0.9 billion in 1993 compared with a net inflow of $0.8 billion in 1992. For the fourth year running, Egypt reported exceptional financing in substantive amounts because of aid and grants received from abroad during the first two years and because of debt rescheduling amounting to $2.9 billion and $2.8 billion in 1992 and 1993, respectively. Finally, only the more diversified economies achieved an increase in their reserves—by $2.5 billion compared with an increase of $6.7 billion in 1992—while the GCC countries succeeded in reducing the depletion of their reserves in payment of the deficit in the overall balance from $8.2 billion and $8.7 billion in 1991 and 1992, respectively, to $1 billion in 1993.

D. International reserves

Partial information for the year 1994 shows a rise in the ESCWA region's international reserves (excluding Iraq, the Syrian Arab Republic and the Republic of Yemen owing to lack of data) by $2.1 billion, from $42.4 billion to $44.5 billion (table 31). The increase, for the fourth consecutive year, was entirely due to the increase in the reserves of Egypt, Jordan and Lebanon. The international reserves of the GCC countries, which have been declining since 1991, dropped further in 1994 to $20.8 billion, compared with $21.3 billion in 1993. All GCC countries (with the exception of the United Arab Emirates) experienced a decline in international reserves. Although available data on the more diversified economies cover three countries only, the group's total reserves have been increasing since 1990 and almost tripled in the past four years, rising from $8.5 billion in 1990 to $16.9 billion in 1992 and to $23.8 billion in 1994. At the country level, Egypt's reserves more than tripled while the reserves of both Jordan and Lebanon nearly doubled. Among the more diversified economies, Lebanon reported the largest increase in 1994, with its international reserves rising from $5.9 billion in 1993 to $7.5 billion in 1994. Lebanon was followed by Egypt, with reserves increasing from $13.5 billion to $14.4 billion during the same period.

The rise in the ESCWA region's international reserves in 1993 increased the region's ability to provide for imports, as indicated by the figures for reserves/imports coverage (table 32). For current imports, the coverage increased from 5.12 months to 5.64 months in 1993, but it was still lower than the level of 5.85 months recorded in 1991. In terms of 1990 imports, however, the coverage increased to 7.83 months, which was the highest since 1990. The increase reported in the region's two groups (GCC countries and more diversified economies) in 1993 was entirely due to the rise in the level of international reserves in the more diversified economies. Consequently, their coverage in terms of current imports increased from 9.25 months to 12.53 months compared with only 5.50 months in 1990; in terms of 1990 imports their coverage increased from 10.92 months to 13.68 months. In 1993, both groups recorded the highest coverage since 1990. As for the GCC countries, and owing to the drop in international reserves on the one hand, and the high level of imports on the other hand, the coverage in terms of current imports dropped from 3.79 months to 3.64 months, the lowest since 1990; in terms of 1990 imports, it fell from 5.55 months to 5.49 months.

It is worth noting that large and subsequent increases in the reserves coverage are not always a good indicator, especially in developing countries, as lower levels of imports, especially of capital goods, can be harmful to economic growth.

TABLE 31. ESCWA REGION: INTERNATIONAL RESERVES*

(Millions of US dollars)

Country	1990	1991	1992	1993	1994
ESCWA region[a]	*30 757.4*	*36 378.8*	*38 340.5*	*42 397.0*	*44 546.0*
GCC countries	*22 269.1*	*24 932.6*	*21 483.1*	*21 275.9*	*20 789.4*
Bahrain	1 241.5	1 521.2	1 405.1	1 308.8	1 190.3[b]
Kuwait	1 951.7	3 520.5	5 251.6	4 320.3	3 500.7
Oman	1 740.7	1 731.6	2 051.8	976.4	962.4[c]
Qatar	672.6	709.2	724.8	735.2	704.4[d]
Saudi Arabia	11 897.0	11 903.0	6 156.0	7 649.0	7 613.0
United Arab Emirates	4 765.6	5 547.1	5 893.8	6 286.2	6 818.6[b]
More diversified economies	*8 488.3*	*11 446.2*	*16 857.4*	*21 121.1*	*23 756.6*
Egypt	3 325.0	5 981.0	11 426.0	13 520.0	14 417.0[b]
Jordan	949.4	929.6	868.6	1 737.2	1 793.0
Lebanon	4 213.9	4 535.6	4 562.8	5 863.9	7 546.6[e]

Source: International Financial Statistics, vol. XLVIII, No. 2, February 1995.

* End of period data on gold (national valuation) and foreign exchange reserves holdings by monetary authorities; reserve position in the International Monetary Fund plus special drawing rights (SDRs), where applicable.The annual changes depicted in this table, however, may differ from those reported as "change in reserves" in the balance of payments owing to differences in coverage and time of recording.

a Excluding Iraq, the Syrian Arab Republic and the Republic of Yemen owing to lack of data.

b January-November.

c January-July.

d January-August.

e January-October.

TABLE 32. ESCWA REGION: RESERVES/IMPORTS COVERAGE, 1990-1993*

	1990	1991	1992	1993
ESCWA region				
1990 imports[a]	5.68	6.72	7.08	7.83
Current import[b]	5.68	5.85	5.12	5.64
GCC countries				
1990 imports[a]	5.75	6.44	5.55	5.49
Current imports[b]	5.75	5.40	3.79	3.64
More diversified economies				
1990 imports[a]	5.50	7.42	10.92	13.68
Current imports[b]	5.50	7.16	9.25	12.53

Source: Compiled by the ESCWA secretariat from national and international sources.

* Number of months covered by available reserves.

a Coverage of reserves for 1990 level of imports.

b Coverage of reserves for current imports.

V. FINANCIAL AND MONETARY DEVELOPMENTS

A. FISCAL DEVELOPMENTS

1. *The GCC countries*

In 1994, fiscal developments in the GCC countries, particularly in Saudi Arabia and Kuwait, were still affected by the ramifications of the Gulf crisis and war. The drop in oil revenues, which constitute most of the Governments' revenues, has further burdened the budgets of these countries. To finance their budget deficits, the GCC countries, as in previous years, drew on their foreign reserves and/or resorted to domestic and foreign borrowing. To reduce the burden on government finance in the future, a number of GCC countries have introduced measures for raising revenues and reducing public expenditure.

In Bahrain, the actual figures for the 1994 budget indicate lower revenues and lower expenditures but a higher deficit compared with the planned ones. Owing to a drop in oil revenues of 25 per cent, total revenues decreased from BD 597.8 million to BD 526.7 million. Expenditure dropped from BD 692.6 million to BD 656.8 million, i.e., at a lower rate than the drop in revenues; consequently, a higher actual deficit of BD 130.1 million appeared instead of the BD 94.8 million originally projected (table 33).

TABLE 33. BAHRAIN: BUDGET, 1991-1996

(Millions of Bahrain dinars)

	1991	1992	1993		1994		1995	1996
	A	A	A	B	A	B	B	B
Revenues	511.8	512.0	561.5	580.0	526.7	597.8	520.0	530.0
Oil revenues	306.3	289.0	347.3	370.0	285.1	380.0	283.0	285.0
Non-oil revenues	205.5	223.0	214.2	210.0	241.6	217.8	237.0	245.0
Expenditures	534.3	584.0	626.5	666.6	656.8	692.6	642.0	644.0
Deficit	22.5	72.0	65.0	86.6	130.1	94.8	122.0	114.0

Source: Bahrain, Ministry of Finance and National Economy, *Economic Relations Directorate*, 1995.

Notes: A = Actual; B = Budget.

Exchange rate: $1 = BD 0.377; BD 1 = $2.653.

The Bahraini Government has maintained the tradition of issuing its budget on a biennial basis, presumably to provide a stable environment for planning by the private sector. The budgets for 1995 and 1996, issued in late 1994, did not deviate from this tradition. The actual figures of the 1994 budget, rather than the projected figures, seem to have dictated the projections for the 1995 and 1996 budgets. In both years, total revenues equal BD 520 million and BD 530 million, respectively, compared with BD 526.7 million in 1994. A cut in expenditures below the 1994 level of BD 656.8 million was evident in 1995 and 1996 as they were set at BD 642 million and BD 644 million, respectively. Consequently, the projected deficit in both years dropped below the 1994 level of BD 130 million, to BD 122 million and BD 114 million, respectively.

The deficits in both 1995 and 1996 are expected to be financed, as in previous years, through the issuance of local treasury bills and government bonds. However, the budget figures in Bahrain should be treated with caution, since a significant portion of current expenditure is usually financed by grants from other GCC countries, mainly Saudi Arabia and Kuwait.

Box 3. **UNITED ARAB EMIRATES: OFFSET PROGRAMME**

In 1994 the United Arab Emirates started requiring foreign defence contractors to invest in the United Arab Emirates part of their contracts' funds under the terms of a "special offset programme". For this purpose, the Government of the United Arab Emirates has founded an organization, the UAE-Special Investments Ltd. (UAESIL), through which foreign companies can channel their investments. UAESIL will be managed by the United States Chase Manhattan Bank and advised by a recently created special-purpose company called FINASA, which will act as sole agent for UAESIL and assist foreign companies in fulfilling their offset requirements.

The offset requirements are assessed on an "output basis", which means that companies must invest funds sufficient to generate a specified level of income. Prior to the founding of the special offset programme, foreign companies were themselves responsible for finding projects in which to invest offset funds. Under the new arrangements, companies may, with the agreement of UAESIL, fulfill part of their obligations by placing funds with UAESIL, which will identify the projects and place the funds on their behalf. The funds placed with UAESIL will be guaranteed a minimum total return of 25 per cent over 10 years (equivalent to 2.3 per cent compounded over 10 years).

The offset obligation applies only to defence contracts in which the contractor is receiving more than $10 million per year. The basic requirement of the offset programme is that a company's offset investment should generate, over time, a net income equivalent to 60 per cent of the value of its contract. The income is assessed by reference to the net profit of the venture as declared under international auditing standards. However, the 60 per cent rate remains subject to certain formulas and weighing which will be agreed upon between the companies and the offset authorities.

The objective of the offset programme is to use the offset investments to strengthen and diversify the country's economy. All offset investments will be directed to the private sector and none will receive government subsidies.

The decision made by the Government of Saudi Arabia in January 1995 to raise prices and fees for a number of public utilities indicates its determination to increase the share of non-oil revenues in financing government expenditure. The decision is being considered in the context of its implications for the country's long-term fiscal policy, inasmuch as it establishes a domestic revenue base and provides stability in budget revenues, rather than for its immediate contribution to the budget for 1995.

While the budget for 1994 was projected as a balanced budget with total revenues and expenditures set at SRls 160 billion each, revised figures show a drop in revenues to SRls 120 billion. Consequently, a deficit of SRls 40 billion was reported (table 34).

In the light of the revised figures for 1994, the projection of the 1995 budget was set. Total revenues were raised to SRls 135 billion and total expenditure lowered to SRls 150 billion. Consequently, the projected deficit is decreased to SRls 15 billion, almost one third its actual 1994 level and about 3 per cent of the country's GDP—a rate considered well within the prudential international limits.

The budget revenue projections are expected to be realized on the assumption that an average oil price of $14 per barrel could be maintained throughout 1995, and an export of around 6 m/b/d could be achieved. Oil revenues, which are estimated to have accounted for almost 75 per cent of total revenues in 1994, are expected to be reduced to around 70 per cent of total revenues in 1995 since a 5 per cent increase in revenues from public utilities is expected following the rise in their prices and fees.

TABLE 34. SAUDI ARABIA: BUDGET, 1989-1995

(Billions of Saudi Arabian riyals)

	1989		1990		1991[a]	1992	1993	1994		1995
	B	A	B	A	B	B	B	B	RB	B
Revenues	116	115	118	155	118	151	169	160	120	135
Expenditures	141	150	143	210	143	181	197	160	160	150
Deficit	25	35	25	55	25	30	28	0	40	15

Source: For 1990-1994, *Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA region,* (E/ESCWA/SED/1994/2); For 1994 (revised budget) and 1995, *Middle East Economic Survey,* 9 January 1995.

Notes: A = Actual; B = Budget; RB = Revised budget.
Exchange rate: $1 = SRls 3.75; SRls 1=$0.27.

a No budget was issued for 1991. The budget for 1990 was rolled over into 1991.

Financing Saudi Arabian budget deficits has usually been done through domestic borrowing and withdrawals from reserves. However, to diversify sources of deficit finance, a special-purpose company called Sovereign Arabian Negotiable Dollar Securities (SANDS) was established in 1994 for the issuance of floating rate notes (FRNs) through Saudi Arabian domestic banks. Two FRN issues totalling $550 million were made in 1994; the first ($280 million) in August, and the second ($270 million) in December. The issuance of floating rate notes does not require approval from the Government, and since it is confined to local sources, it does not add to the external debt of the country. Another source of deficit finance, particularly overdue payments to contractors and other companies, has been the issuance of medium-term government bonds, amounting to around SRls 5.2 billion at the end of March 1995 and representing around half of all overdue payments owed by the Government.

2. *Countries with more diversified economies*

The 1994 budgets of most countries in this group have been deflationary, with expenditures increasing at a rate below that of inflation, thus reducing expenditure in real terms. However, these countries continued in 1994 to look for alternative means of financing budget deficits, either by increasing budget revenues, through a reform of revenue-raising measures, including improvement of tax collection methods, or by reducing expenditure through the reduction of subsidies or debt-service payments.

Egypt's budget for fiscal year 1994/1995 envisages an increase of 8.4 per cent in expenditure and a 10 per cent increase in revenues over their projected levels for fiscal year 1993/1994. Although the increase in revenues is expected to be higher than that in expenditures, the deficit is projected to drop only slightly, namely from LE 8,983 million in fiscal 1993/1994 to LE 8,849 million in fiscal 1994/1995 (table 35).

The revised budget estimate for fiscal year 1993/1994, however, presents a different picture. Since the 14 per cent fall in the revised expenditure estimate is higher than the 8 per cent fall in the revised revenues estimate from their projected levels, the revised deficit turned out to be less than half that projected. Consequently, the projected deficit in fiscal year 1994/1995 will be more than double the revised deficit for 1993/1994. Nevertheless, Egypt's budget figures have always been revised, and the projected budget for 1994/1995 is not expected to deviate from this trend. Budget expenditures have been subject to significant revisions during the last five years, especially capital expenditures as a result of non-realization of planned capital investment opportunities.

The 1994/1995 budget is seen as providing indications of significant improvement in Egypt's fiscal situation in recent years, in line with the recommendations of the IMF, as part of the economic reform and structural adjustment programme of May 1991. The improvement is especially evident in the falling ratios of budget deficits and total expenditures to GDP. Indeed, the former is projected to drop from 5.6 per cent in fiscal year 1993/1994 to 4.7 per cent in fiscal year 1994/1995, and the latter from 14 per cent to 12 per cent.

The most striking feature of the 1994/1995 budget is the increase in defence and security expenditures by about 15 per cent, and in what the Government terms "sovereign" revenues by about 14.7 per cent; 44 per cent of the latter is projected to come from general taxation. Another important development is that financing the deficit by domestic savings, envisaged at almost double the revised level of 1993/1994, will continue to take the lead and cover 73 per cent of the budget deficit. Furthermore, the Government holds expenditure steady in real terms by increasing it at almost the same rate as inflation. To alleviate the social impact of the gradual reduction in subsidies as a proportion of current expenditure, from 11.8 per cent in 1991/1992 to only 7.1 per cent, public sector wages and salaries have been raised by around 16.6 per cent above their 1993/1994 level to account for around 25 per cent of current expenditure, compared with 22 per cent in 1991/1992.

In Jordan, the 1995 budget projects a deficit of JD 50 million (table 36). As in previous fiscal years, it envisages foreign assistance and/or rescheduling or forgiveness of significant parts of the country's external debt. However, the budget deficits in Jordan have always turned out to be higher than projected. In 1994, for instance, while the projected budget was balanced, JD 157 million projected as external revenues (aid and grants) did not materialize, and preliminary actual figures indicate an even higher deficit of JD 177 million.

The projected budget deficit for 1995 remains subject to some qualifications, especially since it is based on the assumptions that (a) JD 165 million in foreign aid and grants for co-financing the account concerning "settlements of loans and obligations", estimated at over JD 320 million, will be forthcoming, and that (b) for external public debt payments, estimated at around JD 125 million, will be rescheduled or forgiven. Since JD 165 million are as yet uncommitted, the budget deficit in 1995 may range between JD 50 million and JD 345 million.

TABLE 35. EGYPT: BUDGET, 1990/1991-1994/1995

(Millions of Egyptian pounds)

	1990/1991	*1991/1992*	*1992/1993*		*1993/1994*		*1994/1995*
	Actual		Budget	Revised estimate	Budget	Revised estimate	Budget
Total expenditures	*45 510*	*47 563*	*62 533*	*50 553*	*65 313*	*56 320*	*70 826*
Current expenditure	*29 679*	*36 198*	*47 389*	*45 738*	*46 863*	*46 226*	*54 667*
of which:							
Salaries	7 118	8 029	9 980	9 665	11 600	11 100	13 531
Defence	3 928	3 742	4 560	5 242	5 417	5 890	6 206
Subsidies	5 566	7 273	3 880	4 233	3 641	3 441	3 902
Public debt interest (domestic)	4 176	6 359	12 852	9 640	11 700	11 828	12 971
Public debt interest (external)	2 870	3 151	5 271	4 249	4 850	4 666	4 100
Capital expenditures	*15 831*	*11 365*	*16 740*	*4 815*	*18 450*	*10 094*	*8 849*
Total revenues	*28 559*	*41 406*	*53 389*	*45 738*	*56 330*	*52 505*	*61 977*
Current revenues	*25 608*	*37 834*	*47 389*	*43 534*	*49 280*	*49 805*	*54 667*
of which:							
Tax revenues	15 503	24 286	19 141	27 701	21 007	31 345	32 954
Oil revenues	3 236	3 715	4 330	4 127	4 753	4 753	4 499
Suez Canal revenues	1 361	3 015	3 116	3 000	3 091	3 091	3 112
Central bank revenues	1 792	1 556	4 443	970	1 205	914	1 072
Capital revenues	*2 951*	*3 572*	*6 000*	*2 204*	*7 050*	*2 700*	*7 310*
Deficit	*16 951*	*6 157*	*9 144*	*4 815*	*8 983*	*3 815*	*8 849*
Deficit financing							
Domestic financing	3 439	4 374	6 544	4 317	6 420	3 449	6 438
External financing	13 512	1 783	2 600	498	2 563	366	2 411

Source: For 1990/1991-1991/1992 (actual) and 1992/1993-1993/1994 (budget), *ESCWA Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region* (E/ESCWA/SED/1994/2); for 1992/1993-1993/1994 (revised estimate), Central Bank of Egypt, Economic Review, vol. XXXIV, No. 1, 1993/1994; for 1994/1995, *Middle East Economic Survey*, vol. XXXVII, No. 47, 22 August 1994.

Note: Exchange rate: \$1=LE 3.356 (August 1994); LE 3.3456 (June 1993); LE 3.3216 (June 1992).

During the last three fiscal years, Jordan managed to cover current expenditures with domestic revenues, while capital expenditures remained almost completely dependent on foreign resources, mainly aid and grants. In 1995, however, the envisaged capital expenditures of JD 443.1 million, though lower than the 1994 level by around 33 per cent, are also expected to be covered by domestic revenues. This reflects, on the one hand, a new Jordanian fiscal policy aimed at financing both current and capital expenditure with domestic revenues, and, on the other hand, a cautious approach towards external sources of finance.

TABLE 36. JORDAN: BUDGET, 1990-1994

(Millions of Jordanian dinars)

	1990	1991	1992	1993	1994		1995
	Actual				Budget	Prelim. actual	Budget
Total expenditures	1 120.1	1 234.2	1 348.8	1 647.7	1 487.0	1 669.1	1 674.0
Current expenditures	841.4	904.0	929.5	1 044.3	1 128.4	1 118.5	1 230.0
Salaries, wages and allowances	165.4	186.5	240.3	274.2	335.1	278.4	..
Public debt interest (domestic)	45.8	39.2	32.4	30.4	29.7	36.8	..
Public debt interest (external)	129.5	140.1	123.4	91.6	82.2	82.2	125.0
Defense and security	254.7	269.7	272.8	299.6	344.5	348.2	296.0
Others [a]	246.0	268.5	260.6	348.5	336.9	372.9	
Capital expenditures	278.7	330.3	419.2	603.4	658.6	550.5	443.1
Land, buildings and construction	131.9	113.3	138.9	179.8	185.6	201.7	..
Settlement of loans and obligations	87.4	134.7	171.0	311.2	300.0	231.9	..
Others	59.4	82.3	109.3	112.4	173.0	116.9	..
Total revenues	938.1	1 112.0	1 358.7	1 406.3	1 487.0	1 492.3	1 624.0
Domestic revenues	744.0	828.8	1 168.9	1 191.5	1 330.0	1 270.0	..
Tax revenues	383.9	401.5	639.3	643.4	..	706.2	..
Non-tax revenues	360.1	427.3	529.6	548.1	..	563.8	..
External revenues (aid and loans repaid)	194.1	283.2	189.8	214.8	157.0	222.3	165.0[b]
Deficit	(182.0)	(122.2)	9.9	(241.4)	0.0	(176.8)	(50.0)
Financing							
Domestic borrowing	14.4	(7.1)	(51.2)	(47.7)	..	(15.5)	..
External borrowing	129.7	211.4	208.6	(133.2)	..	(39.7)	..

Source: Central Bank of Jordan, *Monthly Statistical Bulletin*, December 1994.

Note: ( ) Indicates negative.

a Including subsidies and various transfers.

b Excluding loans repaid.

B. EXTERNAL DEBT

The external debt of the ESCWA region (excluding Iraq) 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 being heavily indebted in terms of the ratio of external debt to GDP and the ratio of external debt to export of goods and services as well as in terms of debt per capita. The former represents around 66 per cent of the GDP of the region, while the latter is estimated at $814, compared with $780 in Latin America and the Caribbean and $548 for sub-Saharan Africa. The ESCWA region's aggregate GDP and export of goods and services are estimated to have constituted, in 1994, around 5.4 per cent and 5.9 per cent, respectively, of the total GDP and exports of goods and services in developing countries, while its external debt constituted around 11.2 per cent of their total debt.

The ESCWA region's total external debt was expected to drop even further in 1994 in the light of the forgiveness and rescheduling of a significant part of the external debt of a number of member countries, namely Egypt, Jordan, the Syrian Arab Republic and the Republic of Yemen. However, the rise in the GCC countries' external debt from around $95 billion in 1993 to over $115 billion eliminated these expectations. Moreover, it led to an increase in the region's debt service payments from around $24 billion in 1993 to around $30 billion in 1994 since most of the GCC countries' debt is commercial, bearing relatively high interest rates. Consequently, the debt service ratio (the ratio of debt service payments to export of goods and services) rose from around 23 per cent to around 27 per cent. Prior to the Gulf crisis, the external debt of the GCC countries was almost unnoticed in international financial circles, mainly owing to their significant level of foreign reserves. The drop in foreign reserves, however, and the need to finance budget deficits have forced them to resort to external borrowing, either directly by the Governments or through public sector agencies (sovereign risk).

The maturity structure of the ESCWA region's external debt varies from one ESCWA member country to another. A significant distinguishing feature is whether the debt is for trade finance or development finance. The GCC countries' external debt is generally related to private-sector trade finance and consists mostly of short- and medium-term debt while the external debt of other ESCWA member countries is generally related to development finance with long-term maturities and different categories of creditors.

However, in the last few years, a new sense of realism in dealing with the external debt problems has emerged with the adoption of debt management strategies aimed at improving the debt service profile in the face of a shrinking supply of funds. Fiscal restraints and economic reform programmes have been introduced in an effort to manage financial imbalances.

1. *Egypt*

Egypt's external debt amounted to $30 billion at the end of 1994, down by around 22 per cent from the 1993 level of $38.4 billion (table 37). The drop resulted from the redemption in June 1994 of a 20 per cent tranche in the debt relief programme agreed upon with the Paris Club in 1991, and the write-off of around $3 billion in debt to the GCC countries. The significant reduction in Egypt's external debt has been helpful in making its debt servicing more manageable. Indeed, debt service payments, which amounted to around half the country's foreign exchange earnings at the end of the first half of 1990 (shortly before the eruption of the Gulf crisis) dropped to $1.7 billion in 1994, around 14 per cent of the country's foreign exchange earnings in that year. Egypt is considered to have settled all its debt arrears in 1994 as a result of considerable consecutive increases in its international reserves.

Egypt's long-term debt, which totalled $26 billion in 1994, continued to constitute the bulk (87 per cent) of its external debt, thus reducing the debt repayment burden in the short run. Short-term debt, mostly for import finance, dropped from $4.9 billion in 1993 to around $4 billion in 1994 as a result of the increased availability of dollar-borrowing opportunities in the domestic market. Egypt was expected to conclude in December 1994 negotiations with the IMF concerning the conclusion of the first review of Egypt's SDR 400 million Extended Fund Facility (EFF), which was agreed upon in September 1993. Since the negotiations have not yet concluded owing to disagreement with the IMF over the rate of exchange of the Egyptian pound and future economic and financial policies, Egypt is not expected to qualify soon for the final tranche of debt forgiveness from its official creditors. The concerned debt forgiveness is estimated at $4 billion, or $7 billion in principal and interest over the life of the debt.

TABLE 37. EGYPT: EXTERNAL DEBT, 1988-1994

(Millions of United States dollars)

	1988	1989	1990	1991	1992	1993	1994
Total external debt	*51079*	*50003*	*44446*	*42447*	*40431*	*38400*	*30000*
Long-term debt	41204	38644	31854	29835	36425	33500	26000
Short-term debt	8525	9702	11164	12612	3803	4900	4000
Other unidentified debt	1980	1656	1427	..	..	..	..
Debt service payments	*4345*	*4631*	*3932*	*2415*	*2524*	*2800*	*1650*
Principal	2495	1780	1926	1410	1427	1500	1010
Interest	1850	1583	1428	871	1041	1300	640
Long-term debt	1478	1283	1127	651	873	1000	500
Short-term debt	372	300	301	220	168	300	140
Debt service ratio (percentage)	*37.5*	*39.1*	*30.7*	*16.7*	*17.0*	*18.0*	*14.0*

Source: For 1988-1993, *Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region, 1993* (E/ESCWA/SED/1994/2); for 1994, ESCWA calculations based on various sources.

2. *Jordan*

Jordan's net external debt (external debt excluding undisbursed debt) dropped from around $8 billion in 1993 to $6.6 billion at the end of 1994 (table 38). The decline in external debt was accompanied by significant GDP growth rates in the years 1992, 1993 and 1994 of 11.3 per cent, 5.8 per cent and 5.7 per cent, respectively. Thus the external debt/GDP ratio was reduced from 150 per cent to 118 per cent and to 98 per cent, respectively.

Repayment of external debt (principal plus interest) totalled around $570 million in 1994 compared with $615 million in 1993, with payments of principal being kept at the same level as in 1993. Interest payments, however, dropped from $215 million in 1993 to $170 million in 1994. In fact, payments could have been much higher, had creditors not allowed Jordan, since 1991, to suspend servicing of its short-term debt, in recognition of the country's financial difficulties precipitated by the Gulf crisis and its aftermath.

In the last two years, Jordan has been successful in rescheduling parts of its external debt. In 1993, it concluded with the London Club a Brady-style agreement for debt and debt service payment reductions, with terms involving par and discount bonds and a limited debt buy-back option. In June 1994, around $1.2 billion of Jordan's bilateral debt, due for repayment between 1 March 1994 and 31 May 1997, was rescheduled in an accord with the Paris Club for a period of 20 years.

TABLE 38. JORDAN: EXTERNAL DEBT, 1988-1994

(Millions of United States dollars)

	1988	1989	1990	1991	1992	1993	1994
Total external debt	*7457*	*7441*	*8371*[a]	*9054*[a]	*7805*[b]	*7986*[b]	*6581*[b]
Long-term debt	4657	5556	6474	6592	4803	4913	..
Short-term debt	1932	1267	1316	2462	..	..	..
Other unidentified debt	886	618	582	..	..	..	..
Debt service payments	*983*	*766*	*788*	*638*	*600*	*615*	*570*
Principal	642	291	235	311	388	400	400
Interest	341	475	553	327	212	215	170
Long-term debt	314	244	306	277	179	205	145
Short-term debt	27	231	247	50	33	10	25
Debt service ratio	*29.2*	*25.4*	*25.6*	*20.9*	*26.9*	*25.2*	*20.2*

Source: For 1988-1993, *Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region, 1993* (E/ESCWA/SED/1994/2); for 1994, ESCWA calculations based on various sources.

Note: .. Not available.

a Contracted debt (disbursed and undisbursed debt).
b Excluding undisbursed debt.

C. MONETARY DEVELOPMENTS

Monetary developments in the countries of the ESCWA region have taken place during the last few years either in accordance with economic and financial structural adjustment programmes agreed upon with the IMF, as in Egypt and Jordan, or as a result of tightened liquidity, such as in Saudi Arabia and Kuwait. Another factor has been the country's own perceptions of economic and financial necessities; Lebanon, Oman the Syrian Arab Republic and the United Arab Emirates are good examples.

1. *Egypt*

A major result of the economic reform and structural adjustment package agreed upon with the IMF and the World Bank in 1991 has been a fully liberalized and stable exchange rate of the Egyptian pound since October of that year. Indeed, the exchange rate remained remarkably stable at around \$1=LE 3.33-3.35 until the beginning of 1994 when it started slipping to its present level of around \$1=LE 3.36-3.38 on the bid side, and almost at LE 4 on the ask side. However, the rate could have appreciated by an estimated margin of 15 to 20 per cent, in the light of the large consecutive increases in Egypt's international reserves, had the Central Bank of Egypt not consistently intervened to absorb excess dollar liquidity at the end of trading days.

Within the context of the economic reform and structural adjustment package, the freeing of the domestic interest rates, which resulted in a rise in their levels to the range of 15 to 20 per cent in 1992 and 1993, encouraged the private sector to repatriate funds abroad to repay domestic debt, which had suddenly become more expensive. The higher interest rates and the advent of local treasury bill issues coincided with exceptionally low dollar rates and the Central Bank's commitment to maintain the dollar/pound exchange rate. As a result, Egyptian investors and dollar holders sold their dollars and bought Egyptian pounds, which in 1994 still earned around 13 per cent interest, far in excess of the dollar. The Central Bank of Egypt, flush with funds from its treasury bill issues, intervened regularly and bought dollars from domestic banks to prevent an appreciation of the pound. In parallel, the Central Bank of Egypt has been working, during the last few years, to drain off domestic currency liquidity. Treasury bills, which first were considered mainly as a way to fund the budget deficit from domestic rather than external sources, have recently been used to prevent monetary expansion. Indeed, in the absence of a "mature" capital market in Egypt, over £E 25 billion are estimated to be overhanging the national economy, threatening to undermine the Government's success in reducing inflation from over 20 per cent in 1991 to less than 8 per cent in 1994. To reduce the overhang, and thus its possible negative impact on the economy, the Central Bank of Egypt planned in 1994 to develop a medium- and long-term capital market which would be larger than a stock market, though the latter may continue to hold a central role. A number of elements of the Capital Market Law of 1992 were considered essential for the re-establishment of the domestic bond market. The law abolished the hitherto prevailing 7 per cent interest rate ceiling on bonds and made interest non-taxable, provided certain conditions are met. For example, the bonds must be publicly issued and taken up by at least 150 subscribers. Furthermore, the company issuing the bonds must have issued at least three annual balance sheets, and the size of the bond issue should not exceed the net asset value of the company unless a dispensation is received from the Capital Market Authority.

The Central Bank of Egypt is expected to promote the development of corporate bonds, since it has started cutting back on the issues of its own treasury bills in the second half of 1994. In addition, the Egyptian Ministry of Finance has been considering the introduction of medium- and long-term bonds as another way of financing the budget deficit. The bonds under consideration would have certain specifications: they must have maturity of 5 to 15 years; they should be sold at par; they must have either fixed or floating rates of interest; they must be listed on the Cairo Stock Exchange; and they must be targeted mainly at domestic investors.

2. *Kuwait*

With effect from 6 February 1995, the Central Bank of Kuwait has abolished its regulations specifying the minimum interest rates which local banks may charge on deposits. It has also removed controls on the fees which banks can charge for services, such as transfers and checking accounts.

Interest rates in Kuwait have been determined since December 1988 in relation to the Central Bank of Kuwait's discount rate, which has been moved up and down in accordance with the requirements of domestic monetary policy and trends in international interest rates. The minimum interest rate on deposits over 30 days has been the deposit rate itself. The minimum savings account rate has not been linked to the discount rate and was set in January 1995 at 3.75 per cent. Minimum deposit rates for savings accounts were first introduced in the late 1970s, when owing to excess liquidity, banks offered very low interest rates and funds were placed abroad. Minimum rates for other types of deposits were subsequently introduced in the expectation of creating a yield curve for Kuwaiti funds, but this did not materialize in the light of the absence of significant demand for funds of six months' maturity. Moreover, the prospects for creating a yield curve have been further reduced by the recent default of a major Kuwaiti investment company on its KD-bond obligations. The refusal of the Central Bank of Kuwait to support the company has further restrained potential lenders from extending medium-term funds to borrowers.

The Central Bank of Kuwait's policy on discount rates is usually made to maintain an appropriate spread between the interest rates on the United States dollar and the Kuwaiti dinar in order to stem capital outflow from the country. The rise in the United States federal fund rates by 0.5 per cent to 6 per cent on 1 February 1995 led the Central Bank of Kuwait to raise its discount rate from 7 per cent (since November 1994) to 7.5 per cent in early February 1995—a rate equivalent to that of December 1988 (table 39).

The Central Bank of Kuwait reactivated its discount rate as a tool of monetary policy in December 1988, but the rate remained unchanged until April 1993 when it dropped to 7 per cent; since then it has been subject to several changes. As noted above, commercial deposit and lending rates are priced against the discount rate. The pricing is calculated according to a matrix issued in April 1993. On this basis, loans of up to one year may be priced at up to 9.5 per cent, and those over one year at up to 11 per cent. Deposits of over 30 days must pay a minimum rate of 7 per cent, but no minimum rate is given for those of less than 30 days.

The Kuwaiti dinar remained remarkably stable throughout 1994, a year of worldwide interest rate fluctuations. Since the start of 1993 (prior to the cut in the discount rate in April), the Kuwaiti dinar's lowest rate has been $3.26; while the highest rate in 1994 was recorded in July at an average of $3.38. The Kuwaiti dinar is pegged to a basket of four currencies where the United States dollar has the largest weight (roughly 70 per cent), while the German deutsche mark, British pound sterling and Japanese yen have 10 per cent each.

TABLE 39. KUWAITI DISCOUNT RATE DEVELOPMENT, DECEMBER 1988 TO FEBRUARY 1995

(Percentage)

December 1988	7.50
April 1993	7.00
July 1993	5.75
September 1993	6.25
November 1993	5.75
August 1994	6.25
September 1994	6.50
November 1994	7.00
February 1995[a]	7.50

Source: Central Bank of Kuwait, *Quarterly Statistical Bulletin*, various issues.

[a] Press reports.

D. BANKING

The tighter conditions of the banking markets in the ESCWA region in 1994 resulted in most banks in the region recording lower profits and slower balance sheet growth than in 1993. Most of these conditions were caused by a liquidity squeeze as a consequence of higher government borrowing from the banking system. Although the banking markets improved slightly in late 1994, the improvement is not expected to be significant in 1995 owing to a number of factors. The most important among them are: (a) persistent budget deficits in most ESCWA member countries and the continued need of Governments to borrow from the banking markets; (b) the continued need for further provision against non-performing loans which were made during the 1980s and early 1990s; (c) a drop in the income generated from trading in securities; and (d) continued pressure to maintain internationally accepted capital adequacy standards.

To counter these developments, a number of ESCWA member countries have been either planning a restructuring of their banking industry (such as Egypt, Jordan, Kuwait and Lebanon) or have strengthened their central banks' supervisory capacity and monitoring control of banking activities (such as Egypt, Jordan, Kuwait and the United Arab Emirates). Others have resorted to a number of monetary instruments such as interest rates, reserve requirements and open market policies (Kuwait, Lebanon, Egypt and Jordan are examples).

However, the increased government borrowing from the banking system in many ESCWA member countries have been crowding out the private sector, i.e., reducing the system's ability to satisfy the borrowing needs of the private sector.

The liquidity shortage has been, on the one hand, a major factor in limiting the participation of the private sector in the privatization process, and, on the other hand, are reducing the opportunities for banks to diversify their sources of income through underwriting and advising in financial services by arranging sales of State-owned enterprises.

Despite these developments, the banking markets in the ESCWA region have generally emerged as a central element of a balanced development strategy, a significant factor in promoting private sector activities and as a non-inflationary way of financing economic development.

It was expected that 1994 would be a better year for most banks in the ESCWA region. Yet, the unstable bond markets worldwide, the volatile equity markets and the lower oil prices have constituted major challenges for many banks in the ESCWA region, particularly those which are involved in the international financial markets. Indeed, with the economic recovery in the United States and most European Union member countries in 1994, international interest rates started rising; in response, bond prices went into a tailspin and stock markets around the world came under the pressure that was hitting institutions with active trading and exposure in the securities markets. Among the banks in the ESCWA region that were most affected by these developments were the offshore banks in Bahrain and some other major commercial banks in the ESCWA region, especially those which had placed substantial funds in the international securities markets. They recorded significant losses in their securities portfolios, resulting from a drop in their spreads which reduced their ability to fund fixed-interest deposits as the value of floating investment rates fell.

On the other hand, banks in the ESCWA region continued in 1994 retreating from international financial markets to their home market following the more stringent application of the rules and regulations of the Single European Market by the European Union member countries. Banks in most ESCWA member countries have long been encouraged by their Governments to focus their activities on financing economic development in their countries, following the drop in available official resources. Indeed, the domestic importance of the region's banks has increased significantly during the last few years and is expected to remain so as long as the ESCWA region's financial markets remain relatively closed to foreign competition and the region stays largely removed from the emerging market developments worldwide.

The ESCWA region is considered to be overbanked in terms of the number of banks and the kind of services offered; the latter have remained mostly traditional at a time when non-traditional financing needs and methods have emerged in the region. Actually, the bulk of bank operations in the region have remained restricted to extending loans and credits, investment in bank deposits, real estate, and stocks in foreign markets. For example, out of a total credit volume of around $90 billion extended by banks in the GCC countries to the public and private sectors in 1994, around $75 billion are estimated to have been channelled into trade and other non-productive sectors. Moreover, estimates concerning domestic lending of banks in the GCC countries for the period 1988-1993 indicate that trade financing accounted for around 27 per cent of total credits, followed by personal loans (23 per cent), construction (14 per cent) and mortgage and real estate (12 per cent).

New lending opportunities for most banks in a number of ESCWA member countries, such as Egypt, Kuwait, Saudi Arabia and the United Arab Emirates, have narrowed as government expenditures, the major engine of economic activities, have been trimmed. Many of the banks only managed to increase their loan portfolios by lending more to existing customers to help them bridge gaps in their liquidity levels.

However, the changing environment in which most banks in the ESCWA region operate is also creating new business opportunities. With the gradual retreat of public sector activities from the national economy, private sector involvement is expected to increase and result in a rising demand for financial services which could be made available only through the banking system. Privatization, though still at a slow pace in most ESCWA member countries, is starting to be accorded more serious consideration and is expected to provide banks with significant business opportunities such as financial advisory services and arrangement of deals. Another feature of the changing environment in the ESCWA region's banking markets is the growing sophistication of investors who are no longer satisfied with simple interest earned by depositing with banks; they are demanding higher returns and a greater variety of investment vehicles to choose from. Both the retail and the wholesale (mainly offshore) banks in the ESCWA region are expected to increase their efforts to cater to these demands.

The 1994 capital/assets ratio (that is the capital/risk-adjusted assets ratio) of most banks in the ESCWA region has been well within the limits of internationally accepted standards. However, for many of the banks, the ratio was not a result of a capital increase; rather, it was caused by a drop in interbank liabilities.[53] Furthermore, with most of the assets of banks in the ESCWA region being overwhelmingly denominated in the currencies of their home countries, their capital/assets ratios are not considered relevant to internationally accepted standards. Consequently, the ESCWA region's banks are expected to remain under pressure in the next few years to meet these standards.

[53] A drop in interbank liabilities usually results in an increase in the shareholders' equity, which means an increase in capital and consequently the capital/assets ratio.

VI. DEVELOPMENTS IN THE AGRICULTURAL SECTOR

A. INTRODUCTION

Although the agricultural sector represents a relatively small share of the total GDP of the ESCWA region (14.4 per cent in 1993), it remains the main source of income for about one third of the population and constitutes an important reservoir of inexpensive labour for other economic sectors. The need for promoting agricultural development is being increasingly recognized by all ESCWA member countries, regardless of their resource base or potential. This is due to several exogenous and endogenous factors. The exogenous factors are related to the recent changes in the world trade environment, such as GATT 1994, the Final Act of the Uruguay Round, the establishment of a new economic bloc, the North American Free Trade Agreement (NAFTA), and recent changes in the European Union's agricultural trade policy. The endogenous factors are related to the declining oil export earnings, the need to further diversify the economies of oil-exporting countries and to improve the food security situation.

The ESCWA region has limited agricultural resources and a large population that is growing at a faster rate than that of agricultural and food production. The cultivated area in the ESCWA region was estimated in 1993 at 18.45 million hectares (ha), representing only 3.9 per cent of the total land area, of which 8 million ha or 43.5 per cent is irrigated (table 40). The remaining 56.5 per cent of agricultural land is rainfed.

The GCC countries have about 1.47 million ha of cultivated land (most of which is in Saudi Arabia), representing 8 per cent of the total cultivated area in the ESCWA region of which 71 per cent is irrigated mainly from groundwater, while the more diversified economies have around 17 million ha, only 41 per cent of which is under irrigation.

Groundwater extraction exceeds the natural annual recharge in many countries in the region, particularly in Bahrain, Jordan, Saudi Arabia and Yemen. The shortage of water resources is considered the major obstacle facing sustainable agricultural development in the ESCWA region. Many countries in the region are already faced with water scarcity, as demand for water exceeds supply.

The ESCWA region's agricultural population in 1994, was estimated at 45.5 million or 31.9 per cent of the total population, representing an increase of only 0.9 per cent over the 1993 level. The agricultural sector employed about 12.8 million persons in 1994, representing 31.4 per cent of the total labour force, down from 33.3 per cent in 1990. The drop was due to the slow-down in agricultural investment and limited new job opportunities in the agricultural sector.

The agricultural labour force in the GCC countries was estimated at 2.24 million persons, representing 27.5 per cent of the total labour force. Meanwhile, in the more diversified economies about one third of the total labour force, estimated at 10.5 million, is engaged in agriculture.

B. REGIONAL DEVELOPMENTS IN AGRICULTURE AND FOOD PRODUCTION

1. *Cereals*

Cereal production in the ESCWA region was estimated in 1994 at around 29 million tons,[54] representing an increase of 1 per cent over the 1993 level. The progressive increase in cereal production

[54] FAO, Global information and early warning system on food and agriculture: "Foodcrops and Shortages", Rome, November/December 1994.

TABLE 40. THE ECONOMIC AND SOCIAL ASPECTS OF THE AGRICULTURAL SECTOR IN THE ESCWA REGION

Country	Agricultural GDP (1993)[a]				Population and labour force (1994)[b]						Cultivated land (1992)[c]			
	(In millions of US dollars)		Per capita agricultural GDP (US$)		Agriculture Population		Rural Population		Agriculture Labour Force		Area		Irrigated	
	Value	% of total GDP	1992	1993	(1000)	% of total	(1000)	% of total	(1000)	% of total	1000 ha	% of total land	1000 ha	% of total cultiv.
Bahrain	45	1.0	90.6	83.3	8	1.5	56	10.2	3	1.4	3	4.4	3	100.0
Egypt	7500	15.9	118.0	132.9	23734	38.5	34186	55.5	6667	38.5	3100	3.1	3040	98.0
Iraq	28821	35.3	1422.9	1446.8	3522	17.7	5165	25.9	1011	17.6	5450	12.5	2550	46.8
Jordan	353	6.8	80.8	85.0	245	4.7	1516	29.2	63	4.6	405	4.5	65	16.0
Kuwait	110	0.5	58.6	76.8	20	1.2	53	3.2	6	1.1	5	0.3	5	100.0
Lebanon	595	7.9	148.6	205.2	205	7.0	390	13.4	66	7.0	306	29.9	86	28.1
Oman	404	3.5	228.0	237.6	751	36.2	1813	87.3	200	36.2	63	0.3	58	92.1
Qatar	75	1.0	138.8	134.2	8	1.5	48	8.9	4	1.4	5.7	0.5	4.5	78.9
Saudi Arabia	8094	6.6	454.0	462.4	6201	35.5	3539	20.3	2010	35.8	1346	0.6	940	69.8
Syrian Arab Republic	4083	30.8	317.2	304.7	3093	21.8	6817	48.1	774	21.8	5909	32.2	906	15.3
United Arab Emirates	733	2.2	445.2	452.0	37	2.0	307	16.5	18	2.0	45.5	0.5	33	72.3
Yemen	2555	18.6	164.1	193.6	7429	53.6	9339	67.3	1911	53.2	1610	3.0	212	19.4
GCC	9501	4.7	396.8	504.2	7025	29.1	5816	24.1	2241	27.5	1468.2	0.6	1043.5	71.1
More diversified economies	43907	26.4	381.8	399.1	38480	32.5	57452	48.5	10582	32.3	16978.1	7.5	6979.5	41.1
ESCWA region	53408	14.4	384.6	400.2	45505	31.9	63268	44.4	12823	31.4	18446.3	3.9	8023	43.5

Sources:
a The Unified Arab Economic Report, 1994.
b FAO, AGROSTAT, 1993; United Nations; and FAO, SOFA, 1994.
c FAO, SOFA, 1994.

in recent years has mainly been due to the 2.9 per cent average annual expansion of the cultivated area during the period 1980-1993, the improvement in productivity, and more efficient pricing policies.

In the GCC countries, cereal production in 1994 was estimated at 4.12 million tons, representing a drop of about 16.3 per cent from that of the 1993 level, owing to a decrease in wheat production in Saudi Arabia by one third, to 2.4 million tons compared with 3.6 million tons in 1993, as a result of new measures adopted by the Government to limit wheat production.

In the more diversified economies, cereal production in 1994 increased by 4.6 per cent to 24.84 million tons, representing 85.5 per cent of the region's total cereal production. Egypt is considered the largest producer of cereal in the ESCWA region. Its production was estimated at 15.3 million tons in 1994, representing an increase of 2.7 per cent compared with the 1993 level, mainly owing to an increase in rice production. On the other hand, wheat production was estimated to have decreased in 1994 by 8 per cent to 4.4 million tons.

The self-sufficiency ratio in cereals in the ESCWA region is improving. It increased from 50.4 per cent in 1980 to 57 per cent in 1992 and to 61.5 per cent in 1993. The self-sufficiency ratio of wheat also increased from 34.1 per cent in 1980 to 58.1 per cent in 1992 and to 63.8 per cent in 1993.

2. *Vegetables and fruits*

Vegetable production in the ESCWA region in 1993 decreased by 8.9 per cent to 17.3 million tons compared with 1992.[55] Fruit production also declined by 0.7 per cent to 11.3 million tons in 1993. Egypt, Jordan, Lebanon and the Syrian Arab Republic are the region's main producers and exporters of some vegetables and fruits, including potatoes, tomatoes, oranges and apples. Egypt, Iraq and Saudi Arabia are the main producers of dates.

3. *Livestock and fish*[56]

Livestock production in the ESCWA region has also improved in recent years as a result of a continued expansion of poultry, egg and milk production projects in all ESCWA member countries. Red meat production increased in 1993 by 6.6 per cent to 2.12 million tons and poultry meat by 11.1 per cent to 1 million tons. Milk and egg production increased by 3 per cent and 1.57 per cent to 5.6 million tons, and 546,980 tons respectively, in 1993, compared with their 1992 levels.

Although the ESCWA region has a large potential for fish production, demand for fish still exceeds supply. The fish catch in 1992 was estimated at 673,700 tons,[57] representing a drop of 0.4 per cent from the 1991 level. The marine catch was 441,300 tons or 65.5 per cent of total nominal catches, mainly from the Gulf of Oman and the Gulf of Aden. Inland fisheries in Egypt, the Syrian Arab Republic and Iraq contributed only 34.6 per cent of the total production. The self-sufficiency ratio in fish was estimated in 1992 at 84.7 per cent, against 89.0 per cent in 1991.[58]

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[55] Data available only for 1993 from FAO, *Printout of AGROSTAT* 1994.

[56] Data available for livestock only for 1993 and only for 1992 for fish.

[57] FAO, *Fishery Statistics, Catches and Landings*, vol. 74, 1992 (Rome).

[58] Economic and Social Commission for Western Asia, based on FAO, *Fishery Statistics: Commodities*, vol. 75, 1992 (Rome).

In the GCC countries, the total fish catch in 1992 increased by 1.5 per cent to about 274,900 tons, representing 40.8 per cent of the total catch in the ESCWA region. Oman is considered the main producer and exporter of fish in the GCC countries. Its production represents 40.8 per cent of the total production of the GCC countries and its exports were estimated at 28,100 tons, or 67 per cent of the ESCWA region's total fish exports in 1992. The self-sufficiency ratio in fish in the GCC countries was estimated at 102.8 per cent, owing primarily to the increase in Oman's exports.

In the other ESCWA member countries, the fish catch was estimated in 1992 at 400,000 tons, representing a drop of 1 per cent from the 1991 level. Egypt is the largest producer and importer of fish in the ESCWA region. In 1992, Egypt's production and imports of fish accounted for 42.6 per cent and 77 per cent of the region's total production and imports, respectively. The self-sufficiency ratio in fish in the more diversified economies was estimated in 1992 at 75.6 per cent, versus 81.7 per cent in 1991.

C. WORLD PRICES AND TRADE OF AGRICULTURAL AND FOOD COMMODITIES

The ESCWA region is considered a major importer of food commodities. More than 50 per cent of its total food needs is imported, and any price increase will be reflected in its food imports bill. In 1994, world prices of food commodities as a whole increased by 10.1 per cent, while prices of tropical beverages (coffee, cocoa and tea) rose by 3 per cent.

Only the prices of beef and maize dropped in 1994 compared with 1993 by 3.0 per cent and 17.7 per cent, respectively. Other food commodities registered an increase ranging from 3 per cent for vegetable oil seeds and oils to 7.4 per cent for wheat, 9.7 per cent for rice and 10.1 per cent for sugar (table 41). According to FAO figures, wheat export prices increased in August 1994 to $151 per ton, or $17 per ton above their level a year before, and then reached $168 per ton in October 1994.

The above increase in world food prices indicates that the value of the food gap may continue to increase in 1995, especially if the start of the implementation of the Uruguay Round Final Act, which includes a decrease in agricultural subsidies, is taken into consideration.

The ESCWA region's trade in food and agricultural commodities represented only 9 per cent of total trade in 1993. The value of agricultural imports, which represent 16 per cent of total imports, was estimated at $15.4 billion, representing an increase of about 2.7 per cent over the 1992 level, while the value of agricultural exports, which represent only 2.6 per cent of total exports, was estimated at $2.7 billion, or about 20 per cent over that of 1992. The agricultural export earnings contributed only 17.8 per cent of the required financing for agricultural imports in 1993.

In the GCC countries, trade in agricultural commodities represented 6.6 per cent of total trade in 1993. The value of agricultural imports was estimated at $8.7 billion, representing 12.9 per cent of total imports, and an increase of about 10 per cent compared with 1992 figures. Saudi Arabia is the largest importer of agricultural commodities in the ESCWA region. Its imports were estimated in 1993 at $4.7 billion, representing 30.3 per cent of the ESCWA region's total agricultural imports and 53.5 per cent of GCC countries' agricultural imports. The agricultural exports of GCC countries were estimated at $1.4 billion in 1993, representing 1.7 per cent of total exports (table 42).

In the more diversified economies, trade in agricultural commodities in 1993 represented 17.2 per cent of total trade, and the value of agricultural imports was estimated at $6.7 billion or 23.3 per cent of total imports, representing a decrease of 5.5 per cent compared with 1992. Egypt and Iraq are the major importers in this group of countries as their imports represent 34 per cent and 16 per cent, respectively, of total agricultural imports. The value of agricultural exports of these countries was estimated in 1993 at $1.3 billion. The Syrian Arab Republic and Egypt are the main exporters, as their 1993 exports represented 44.8 per cent and 27.5 per cent, respectively, of total agricultural exports of this group of countries.

TABLE 41. WORLD PRIMARY COMMODITY PRICES (1991-1994)

(Percentage change over previous year)

Commodity groups	Year			
	1991	1992	1993	1994[a] (May)
All commodities	(7.1)	2.5	(3.5)	10.3
All food and beverages	(6.0)	(2.7)	1.9	10.1
of which:				
Tropical beverages	(8.1)	(14.0)	6.1	33.9
Coffee	(6.6)	(20.1)	15.5	51.6
Cocoa	(6.0)	(8.2)	1.9	1.7
Tea	(9.1)	8.1	(4.9)	(2.5)
Food	(6.6)	(2.1)	0.7	7.3
Sugar	(28.6)	1.1	10.6	10.1
Beef	4.7	(7.8)	6.6	(3.0)
Maize	16.8	(2.4)	3.7	(17.7)
Wheat	(6.0)	20.5	1.2	7.4
Rice	9.4	(8.5)	(6.8)	9.7
Bananas	8.9	(15.6)	(7.4)	78.0
Veg. oil seeds and oils	8.1	7.5	(1.2)	3.0
Agricultural raw materials	(5.9)	(2.4)	(3.2)	9.2
Hides & skinks	(39.4)	(3.2)	28.8	23.7
Cotton	(7.0)	(24.6)	-	40.7
Tobacco	5.5	0.1	(1.5)	(2.7)
Rubber	(5.1)	5.3	(2.2)	14.6
Tropical logs	(8.0)	4.7	(5.0)	1.6

Source: UNCTAD, Trade and Development Report, 1994 (New York and Geneva, 1994).

Notes: ( ) Indicates negative.

a Change from December 1993.

D. FOOD GAP IN THE ESCWA REGION

About 79 per cent of agricultural trade in the ESCWA region is in food commodities. The value of food imports was estimated at $12.5 billion in 1993, representing 81.3 per cent of the ESCWA region's total agricultural imports. Food exports were estimated in 1993 at $1.8 billion, or two thirds of the ESCWA region's total agricultural exports, and were composed mainly of fresh fruits and vegetables, as well as of raw cotton and chemical fertilizers. The value of the food gap in the ESCWA region was estimated in 1993 at $10.6 billion, representing an increase of 3.7 per cent compared with 1992. The food exports contributed less than 15 per cent towards financing food imports. Although the total population of the GCC countries

TABLE 42. AGRICULTURE AND FOOD TRADE, FOOD GAP AND SELF-SUFFICIENCY RATIOS IN CEREALS AND WHEAT IN THE ESCWA REGION

Country	Agricultural trade 1993 (US $ Million)		Agricultural trade balance	% of total trade Agricultural		Food trade 1993 (US $million)		Food gap (1993)		Food Exp/Imp	Self-sufficiency ratio Cereals		Self-sufficiency ratio Wheat	
	Imports	Exports	US $million	Imports	Exports	Imports	Exports	Value US $million	Growth rate (%) 1992-1993	Ratio in Percentage	1992	1993	1992	1993
Bahrain	299	19	(280)	7.8	0.5	242	15	(227)	(1.8)	6.2	-	-	-	-
Egypt	2266	360	(1906)	27.7	16.0	1776	272	(1504)	(9.8)	15.3	67.8	66.8	44.8	48.7
Iraq	1064	6	(1058)	20.9	0.06	932	5	(927)	(5.8)	0.5	58.3	70.1	38.3	59.8
Jordan	751	185	(566)	21.2	14.8	658	160	(490)	4.3	24.3	8.9	4.9	11.9	7.2
Kuwait	961	20	(941)	13.6	0.2	835	15	(820)	(0.4)	1.8	0.6	0.8	-	-
Lebanon	1122	132	(990)	22.9	20.4	750	116	(634)	18.9	15.5	11.6	10.3	12.1	11.1
Oman	754	196	(558)	18.3	3.6	487	69	(418)	3.5	14.2	1.5	1.4	0.6	0.7
Qatar	283	11	(272)	15.0	0.3	240	8	(232)	(2.5)	3.3	3.0	3.0	-	-
Saudi Arabia	4661	500	(4161)	15.0	1.3	3977	427	(3550)	18.7	10.7	47.3	60.6	186.3	216.3
Syrian Arab Republic	676	586	(90)	16.8	18.6	525	362	(163)	14.0	69.0	81.7	83.7	82.1	84.1
United Arab Emirates	1753	688	(1065)	8.9	2.9	1418	473	(945)	(9.9)	33.3	2.2	2.2	3.4	3.4
Yemen	781	40	(741)	28.7	4.7	662	19	(643)	(16.4)	2.9	26.9	30.9	7.4	9.2
GCC countries	8711	1434	(7277)	12.9	1.7	7199	1007	(6192)	8.1	14.0	41.4	53.0	156.1	176.6
More diversified economies	6660	1309	(5351)	23.3	7.4	5303	818	(4485)	(1.8)	15.4	61.7	63.6	45.2	51.7
ESCWA region	15371	2743	(12628)	16.0	2.6	12502	1825	(10677)	3.7	14.6	57.0	61.5	58.1	63.8

Source: Economic and Social Commission for Western Asia, based on: FAO, *Printoutof AGROSTAT*, 1994.

( ) Indicates negative.

represents about 17 per cent of the ESCWA region's total population, the value of the food gap for this group of countries represented about 58 per cent of the ESCWA region's food gap in 1993. The total value of the food gap of the more diversified economies represented 42 per cent of the ESCWA region's food gap, while their population is about 87 per cent of the total population of the ESCWA region.

The food gap in the ESCWA region is expected to continue increasing in the light of the changes in the world trade environment. There is no doubt that world food prices will increase, reflecting the expected lowering of agricultural subsidies, particularly in the developed countries, in line with GATT-94. On the other hand, changes in the European Union (EU) trade system (that is, the Single European Market), such as replacing the reference price system with the entry price system for imported fresh fruits and vegetables, will affect some ESCWA member countries, such as Egypt, Jordan and the Syrian Arab Republic. In 1994 the EU started negotiations for partnership arrangements with Mediterranean countries, and agreements were reached with Morocco and Tunisia. For the ESCWA region, Egypt completed its negotiations with the EU at the beginning of 1995, and Jordan was expected to start its negotiations in the second quarter of 1995. Each country is entering into such arrangements individually in the absence of an effective Arab free trade area (that is, an economic bloc), which should have enhanced the negotiating position of Arab countries as a group.

E. Policy reforms in the ESCWA region

Most ESCWA member countries have introduced a measure of privatization in agricultural product marketing and trade as part of a broad policy shift towards market liberalization and reform. While price support policies for wheat are being maintained in most countries,[59] in Egypt most agricultural subsidies have already been removed. Saudi Arabia decreased its wheat subsidy by more than 50 per cent in 1994 to $850 million from $1.87 billion in 1993.[60] All countries are still subsidizing consumer purchases of wheat flour and bread; as a result, per capita consumption in the region is among the highest in the world.[61] In some countries, such as Egypt and Jordan, policy reforms were recently introduced with a view to reducing or eliminating consumer subsidies for staple foods, including some types of bread.

Egypt's attempts to introduce water pricing appear to have been successful with farmers in the newly cultivated lands, but in the old lands, which have been under cultivation for many years, there are more consolidated groups of users opposing this measure.[62] Meanwhile, the Syrian Arab Republic is restricting the pumping of underground water.[63]

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[59] FAO, *The State of Food and Agriculture*, 1994.

[60] *The NCB Economist*, No. 1, vol. 5, January 1995.

[61] FAO, *The State of Food and Agriculture*, 1994.

[62] Economic and Social Commission for Western Asia, *Land and Water Policies in the Arab Region* (E/ESCWA/AGR/1994/2).

[63] A. Rodriguez, "Challenges for the Agricultural Sector in Developing Mediterranean Countries", International Center for Agricultural Research in the Dry Areas (ICARDA), 18 February 1995.

F. Agricultural developments in ESCWA members during 1994

1. *Bahrain*

In Bahrain only 3,000 ha or 4.4 per cent of the total land area is cultivated, and most of it is irrigated from groundwater. The agricultural sector contributed only 1 per cent to the 1993 GDP. Bahrain is suffering from water scarcity,[64] with the rate of extraction of groundwater exceeding the recharge rate. The recharge of aquifers in Bahrain was estimated at 112 million m^3 a year, while the extraction was 194 million m^3 in 1994.

The Government supports the agricultural sector by providing free pesticides and veterinary services, subsidized seeds, fertilizers and farm machinery. The major agricultural products are dates and some vegetables. Bahrain is self-sufficient in fish.

The trade deficit is agricultural commodities was estimated in 1993 at $280 million. The value of agricultural imports totalled $299 million, representing 7.8 per cent of total imports, while the value of agricultural exports was estimated at $19 million, or 0.5 per cent of total exports. The value of the food gap was estimated at $227 million in 1993, or 1.8 per cent less than the 1992 figure.

2. *Egypt*

The limited cultivated area in Egypt, coupled with a large and rapidly growing population, has led to a growth in food imports.[65] The main targets of the agricultural sector in the 1993/1994-1996/1997 development plan are: (a) increasing production and exports and reducing dependence on imports; (b) providing incentives for the private sector to invest in agriculture; (c) establishing the necessary infrastructure to reclaim about 150,000 feddans (63,000 ha) annually; and (d) increasing employment.[66] The value of the agricultural sector's contribution to the GDP was estimated in 1993/1994 at LE 23 billion ($6.8 billion), representing 16.5 per cent of total GDP, while investment in agriculture represented 8.1 per cent of total investment. Mainly as a result of the implementation of the Structural Adjustment Programme (SAP) in agriculture, real growth of 3.4 per cent was achieved in 1993/1994, against 2.5 per cent in the previous year.[67]

Rapid population growth and unemployment are considered the main challenges facing sustainable economic development in Egypt. The rural population represented 55.5 per cent of the total population, and the labour force engaged in agriculture was estimated in 1994 at 6.7 million, or 38.5 per cent of the total labour force.

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[64] FAO, "Water for Life", 1994.

[65] Economist Intelligence Unit, *Country Profile, Egypt, 1993/1994.*

[66] Egypt, Ministry of Agriculture, unpublished information, 1994.

[67] Central Bank of Egypt, Economic Review, vol. 4, 1993/1994, Cairo.

Box 4. Water resources planning and management in the ESCWA region

The patterns of water resources development and conservation plans in the ESCWA region vary from one country to another. They rely on factors related to the prevailing hydrologic and hydrogeologic set-ups, the overall socio-economic conditions, development objectives and future planning horizons. Thus, surface water impoundment for both water storage and/or flood control is the most common practice for water planning in addition to the continuous conventional exploitation of surface- and groundwater resources.

Efforts have been exerted to develop surface water resources at the national level. A number of surface water reservoirs have been built, and plans for new projects are being carried out. Iraq, the Syrian Arab Republic, Jordan, Yemen and Saudi Arabia have been active in this respect during the past two decades. The Government of Iraq plans to achieve a total live storage capacity of 55,000 MCM, excluding water from Lake Tharthar and existing marshes. The total storage capacity of the existing and planned reservoirs, when completed, is estimated to be 95,000 MCM/year. In Jordan, most of the floodwaters flow into the Dead Sea or evaporate in the desert mud-flats. About 15 reservoirs had been constructed in Jordan by 1988, with a total capacity of about 126 MCM. A number of dam sites with a potential total storage capacity of about 387 MCM were identified in different localities in the country; studies and construction of some of these structures are under way. In the Syrian Arab Republic, about 125 dams were recently constructed, including a major Euphrates dam with a total storage capacity of 14.1 BCM. In 1991, the completion of nine dams added a storage capacity of 3.8 BCM. Currently, construction work is being carried out at 23 sites in the areas of the Yarmouk, Orontes, Al-Badiya, Barada, Euphrates and Al-Khabour basins. Projected storage capacity is around 2.6 BCM. The total storage capacity of all dams in Saudi Arabia, constructed or under construction, amounts to 20.5 BCM. About 199 small and large dams were constructed during the last decade with an estimated total storage capacity of 750 MCM. These dams are mainly for utilization of flood waters for irrigation, livestock and/or artificial groundwater recharge.

Because of their limited water resources and the rapidly decreasing quantity and quality of water, many countries in the region have augmented their water resources by non-conventional methods such as desalination and treated wastewater effluent. Many relevant activities have been undertaken in recent years. In Bahrain, additional desalination units designed to produce 50 MCM per annum were constructed to increase the total production to 125 MCM per annum in 1988. In Kuwait, additional desalination plants have been constructed, raising the total production capacity to 365 MCM/year. Six new plants were constructed in Saudi Arabia, bringing the total installed capacity of the Kingdom to 657 MCM/year. In Oman, additional units were installed to increase the freshwater production capacity to 41 MCM/year.[1] In Qatar, the expansion of the existing desalination plants with a designed capacity of 96 MCM/year was completed in 1986. Finally, total production of desalinated water in the United Arab Emirates reached 264 MCM/year.[2]

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1 *Progress Achieved in the Implementation of the Mar del Plata Action Plan in the ESCWA Region. Water Resources Management: Institutional and Legislative Aspects* (E/ESCWA/ENR/1992/5) and *The role of water resources management in combating desertification in Oman* (E/ESCWA/ENR/1993/2), January 1993.

2 *Arab Planning Institute.*

Box 4. (*continued*)

Jordan, Egypt and the Gulf Cooperation Council countries have practised wastewater reuse in agriculture and public gardening. The treated wastewater production is currently at about 1,290 MCM per annum in Bahrain, Egypt and Jordan, and the production of an additional 1,140 MCM per annum by the year 2000 is planned.[3]

Thus, considerable attention has been given to water-saving measures in water resources development plans in the region in recent years. Such measures were related to irrigation or agricultural water use, particularly in Iraq, Egypt, Jordan, Oman, the Syrian Arab Republic and Saudi Arabia; about 60 projects were completed or are ongoing in the region. Modern irrigation projects have been executed extensively in Jordan and Saudi Arabia, while rehabilitation of the existing irrigation-drainage networks in Iraq and Egypt is progressing well. In the Syrian Arab Republic, several irrigation projects and parallel dam construction activities are also in progress. Studies to use treated drainage water are being considered in Iraq and Egypt, where the reused drainage water reached 12.168 BCM/year in 1989.[4]

3 *Progress Achieved in the Implementation of the Mar del Plata Action Plan in the ESCWA Region. Water Resources Management: Institutional and Legislative Aspects* (E/ESCWA/ENR/1992/5), p. 30.

4 Economic and Social Commission for Western Asia, "Water resources planning in Egypt: issues ahead to the year 2020," *Proceedings of the Ad Hoc Expert Group Meeting on Water Security in the ESCWA Region*, Damascus, 13-16 November 1989 (E/ESCWA/NR/1990/3).

Only 3.1 per cent of Egypt's land (or 3.2 million ha) is under cultivation, of which 98 per cent is irrigated. The rainfed area is mainly found in the north-west coast and the northern Sinai peninsula. Only about 2 per cent of the cultivated area is irrigated by modern methods.[68] The cropped area reached 6 million ha in 1994.[69]

Egypt has a severe water problem (96.5 per cent of the country is arid desert), and the water supply from the Aswan dam is limited by the 1959 Nile agreement with the Sudan. To meet the needs of a growing population, Egypt plans to reclaim more land in the eastern and western desert.[70] Per capita renewable water resources, however, are expected to decrease from 1,112 m^3 in 1990 to 645 m^3 by the year 2025.[71] The Ministry of Agriculture estimated that improved irrigation patterns could save up to 2 billion m^3 of water

[68] Economist Intelligence Unit, Country Profile, Egypt, 1993/1994.

[69] Egypt, Ministry of Agriculture, unpublished data, 1994.

[70] FAO, "Water for Life", World Food Day, 1994.

[71] The World Bank, *A Strategy for Managing Water in the Middle East and North Africa*, Washington, D.C., September 1993.

per year. Water conservation efforts focusing on the reuse of drainage water, lining of irrigation canals to eliminate seepage, and the greater use of underground water could also provide 4 billion m^3 annually.[72]

Cereal production was estimated at 15.3 million tons in 1994, representing an increase of 2.7 per cent compared with the 1993 production level.[73] Wheat production was estimated at 4.4 million tons, or 8 per cent below that of 1993, despite the increase in the planted area. Above-normal temperatures at the end of the growing season adversely affected wheat yields. The current national development plan envisages producing three quarters of the country's requirements of wheat by the end of the 1990s.[74]

As a result of the larger planted area, the 1994 output of the maize crop is estimated at 6.3 million tons, or 5 per cent above that of the previous year.[75] The output of the paddy rice crop increased by 9.5 per cent to 4.6 million tons. Some problems did face rice exports in 1994, as State cooperatives offered farmers LE 500 ($147) per ton, the same price fetched on the Chicago market. Farmers and traders withheld supply on the expectation that the State would make a better offer late in the season. Later on, prices were raised to LE 550 ($162) per ton, but the amount delivered at this price was small,[76] as farmers and traders continued withholding supplies in anticipation of better price offers.

The self-sufficiency ratio in cereals reached 67 per cent in 1993, up from 57.7 per cent in 1980, and in wheat it was 49 per cent, against 24.2 per cent in 1980.[77] Imports of wheat and wheat flour in 1994/1995 are forecasted at 5.8 million tons, some 300,000 tons more than the previous year, and imports of coarse grain, mainly maize, are expected to increase by 200,000 tons to 2 million tons.[78]

Although Egypt has a surplus of fresh fruits and vegetables, exports of these commodities have decreased owing mainly to the inability of the private sector to replace the public sector in fruit and vegetable exports and the loss of major export markets, such as the former Soviet Union and Eastern Europe.

Egypt's cotton production in 1993/1994 was estimated at 8.23 million qantars,[79] an increase of 16.3 per cent over the previous year, reflecting an increase in both cultivated area and productivity. The value of cotton exports in 1993/1994 is expected to exceed LE 470 million ($120.5 million). India, the European

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[72] Economist Intelligence Unit, *Country Profile, Egypt, 1993/1994.*

[73] FAO, "Food Outlook", January/February 1995.

[74] FAO, "Foodcrops and Shortages", January/February 1995.

[75] FAO, "Food Outlook", Nos. 11 and 12, 1994.

[76] *Jordan Times*, 15 November 1994.

[77] Economic and Social Commission for Western Asia, based on FAO, *Printout of AGROSTAT*, 1994.

[78] FAO, "Foodcrops and Shortages", January/February 1995.

[79] One qantar = 157.5 kg; one metric qantar = 50 kg.

Union and Switzerland were Egypt's largest contracting parties, with almost 62 per cent of total export commitments.[80]

The value of Egypt's agricultural imports was estimated in 1993 at $2.27 billion, representing 27.7 per cent of total imports, while agricultural exports were estimated at $360 million, or 16 per cent of total exports. Egypt reduced its dependence on food imports from $3 billion in the early 1980s, to $1.8 billion in 1993. Cereal imports constituted about 50 per cent of food imports, while the value of the food gap was estimated at $1.5 billion, representing a drop of 9.8 per cent compared with 1992.

Egypt is expected to introduce changes to its trade policy to avoid the expected impact of the GATT-94 agreement on the economy. According to the Ministry of Supply and Internal Trade, Egypt imported about 5 million tons from its 1994/1995 total wheat requirements before the end of 1994 and thus saved about LE 471 million ($139 million).

3. *Iraq*

Iraq has a great potential for agricultural development. The cultivated area is estimated at 5.45 million ha, 46.8 per cent of which is irrigated. Agriculture contributed 36.3 per cent of total GDP in 1993. The total labour force in agriculture represented only 17.6 per cent of the total labour force in 1994.

The Government has taken a number of measures to mitigate the effects of the United Nations economic sanctions, including the expansion of the planted area of cereals, raising the procurement prices of cereal crops, providing farmers with low-interest loans and increasing the supply of fertilizers. Measures have also been introduced to curb inflation and secure the bulk of the 1994 cereal crops. An additional retroactive increase in the price of cereals has been announced. The procurement prices of first-grade wheat were increased from ID 15,000 to ID 35,000 per ton, while the price of barley was increased almost three-fold to ID 20,000 per ton. The Government has promulgated stricter and punitive measures against farmers who refuse to deliver their crop to the State marketing centres and against traders who hoard food items. Sugar beet and cotton seeds prices were also raised.[81]

The aggregate production of wheat and barley in 1994 is unofficially estimated to be less than the 1993 level of about 2.8 million tons as a result of a shortage of farm equipment, particularly spare parts.

Iraq's self-sufficiency ratio in cereals rose from 58.3 per cent in 1992 to 70.1 per cent in 1993 and in wheat from 38.3 per cent to 59.8 per cent. Iraq has a surplus of dates, but exports in 1993 were estimated at only 20,000 tons owing to the United Nations economic sanctions. Livestock products have also declined sharply.[82]

The food situation continues to deteriorate from the levels prevailing before the Gulf crisis. Revenue losses resulting from the United Nations economic sanctions on Iraqi oil exports have caused a major reduction in agricultural imports, leading to a precipitous decline in the output of livestock products. This

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[80] Central Bank of Egypt, *Economic Review*, vol. 4, 1993/1994, Cairo.

[81] FAO, "Foodcrops and Shortages", July/August 1994.

[82] FAO, "Foodcrops and Shortages", January/February. 1995.

has caused a sharp increase in food prices, and thus reduced the average daily per capita calorie intake of Iraqis by one third in 1993, from its 1990 level of 3,250 calories.

In September 1994, the Government cut the subsidized food rations by up to 50 per cent, which drove free-market prices up substantially.[83]

The value of agricultural imports in 1993 was estimated at $1.06 billion, representing 20.9 per cent of the value of total imports, while that of agricultural exports was only $6 million or 0.1 per cent of total exports. The value of the food gap in Iraq was estimated at $927 million in 1993, or 5.8 per cent below the 1992 level. The value of the food gap in Iraq in 1992 and 1993 was lower than the 1989 level of $2.0 billion owing to the shortages of foreign currency to finance imports, precipitated by the United Nations economic sanctions.

4. *Jordan*

The agricultural sector in Jordan contributed 9.2 per cent to the GDP in 1994, and grew by only 1 per cent, compared with 10 per cent in 1993 and 17.3 per cent in 1992.[84] The cultivated area was estimated in 1994 at 405,000 ha, of which only 16 per cent is irrigated. Water shortages are considered as the major constraint facing agricultural development in Jordan. At present, the Government is concentrating its efforts on the construction of dams, improving farm irrigation techniques and systems, land reclamation and soil conservation in mountainous areas, and restructuring the agricultural research and extension services.[85] As a result of the Peace Treaty between Jordan and Israel, signed on 26 October 1994, Jordan's land and water rights have been fully restored.

In 1994, the World Bank agreed to provide Jordan with two tranches of agricultural adjustment loans worth $80 million. The loan will be used in two areas: (a) the adoption of a water policy framework and (b) the elimination of both procurement and input subsidies for cereals, the removal of all controls on prices and margins of agricultural produce except for fresh fruit and vegetables, and the elimination of most import and export restrictions for agricultural products. The second stage of the reforms will include a further 170 per cent increase in the price of irrigation water and will complete the removal of controls on prices and margins of agricultural produce by lifting controls on fresh fruits and vegetables.[86]

FAO estimates that Jordan's wheat and barley production in 1994 was 115,000 tons, up by 29 per cent compared with 1993, and fruit production was 456,400 tons, or 24.9 per cent over the 1993 level.[87] Vegetable production also increased, registering a record 1.1 million tons.[88] Imports of wheat in 1994/1995

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[83] Ibid.

[84] Jordan, Ministry of Planning, unpublished data, 1994.

[85] *Arab Agriculture*, 1995.

[86] The World Bank, Report No. P-6382-JO, 15 November 1994.

[87] FAO, "Foodcrops and Shortages", January/February 1995.

[88] Jordan, Ministry of Agriculture, unpublished data, 1995.

are expected to increase to 700,000 tons. Imports of rice are expected to amount to about 85,000 tons, or 4,000 tons higher than in 1993/1994.[89]

The value of agricultural imports in 1993 was estimated at $751 million, representing 21.2 per cent of total imports, while the value of agricultural exports was estimated at $185 million or 14.8 per cent of total exports. The value of the food gap was estimated in 1993 at $490 million, representing an increase of 4.3 per cent compared with 1992.

5. *Kuwait*

Agriculture in Kuwait is a minor sector, contributing only 0.5 per cent of GDP in 1993. The cultivable land is only 5,000 ha, irrigated mainly from groundwater and treated water. Only 1.1 per cent of the total labour force is employed in the agricultural sector.

The agricultural sector is largely supported by direct and indirect government subsidies. The major agricultural products are vegetables, animal products and fish. Kuwait is a net importer of agricultural and food commodities. The value of agricultural imports in 1993 was estimated at $961 million, representing 13.6 per cent of total imports, and that of agricultural exports was $20 million, only 0.2 per cent of total exports. The value of the food gap was estimated in 1993 at $820 million in 1993, or 0.4 per cent less than that of 1992.

6. *Lebanon*

The agricultural sector in Lebanon contributed 7.9 per cent to the country's GDP in 1993. According to a United Nations report,[90] agriculture in Lebanon is faced with the problem of an excessive inflow of agricultural products from the Syrian Arab Republic, owing to insufficient regulations to protect local production. Lebanese agriculture lagged behind because of high production costs and outdated marketing techniques which led to waste. The reasons for high production costs included the cost of agricultural land, outdated technology, lack of State credit, forcing farmers to borrow elsewhere at higher interest rates, and the relatively high cost of labour.

The cultivated area was estimated at 306,000 ha (representing about 30 per cent of Lebanon's total land area), of which about 28 per cent is irrigated. The agricultural labour force accounted for only 7 per cent of the total labour force in 1994.

Production of cereals in 1994 was estimated at 60,000 tons, lower than that of the previous year, owing mainly to an attack of the "yellow rust" on the wheat crop grown in the southern part of the Bekaa Valley. Production of wheat in 1994 dropped by 11,000 tons to only 39,000 tons.[91] The farmers whose crop was affected by the disease were compensated by the Government at the rate of LL 60,000 for each ton of lost

[89] FAO, "Foodcrops and Shortages", January/February 1995.

[90] United Nations, Office of the United Nations Coordinator of Assistance for the Reconstruction and Development of Lebanon, "Lebanon: Economic Developments" (12 July - 21 September 1994).

[91] FAO, "Foodcrops and Shortages", November/December 1994.

crop. Imports of cereals, mainly wheat, in 1994/1995 is estimated at 700,000 tons, virtually unchanged from the previous year.

Lebanon and the Syrian Arab Republic signed three accords on 20 September 1994, most of which dealt with the sharing of water from the Orontes river. The accord calls for the building of a dam for the benefit of agricultural development in the two countries. It would irrigate 6,000 ha of rainfed areas in the Baalback - Hermel region. The Orontes originates and flows for 46 km in Lebanon, then continues for over 570 km in the Syrian Arab Republic. Its average annual flow is 458 million m^3.[92]

The value of Lebanon's agricultural exports was $132 million in 1993, representing 20.4 per cent of total exports, while the value of agricultural imports was $1,122 million or 23 per cent of total imports. The value of the food gap in 1993 reached $634 million, representing an increase of 18.9 per cent compared with 1992.

7. *Oman*

The cultivable land is estimated in 1993 at about 63,000 ha, most of which is irrigated from groundwater. About 200,000 persons or 36 per cent of the total labour force are engaged in agriculture and fisheries.

Oman has achieved some progress in the production of several vegetables (mainly tomatoes) and fruits, particularly dates, where a surplus has been achieved. Nevertheless, Oman is still a net importer of food commodities, particularly cereals. However, Oman is considered a major producer and exporter of fish among the GCC countries. Its exports of fish were estimated in 1992 at 28,100 tons, representing an increase of 0.4 per cent above the 1991 level.

Oman's agricultural trade deficit was estimated at $558 million in 1993. The value of agricultural exports was $196 million, representing 3.6 per cent of total exports, while the value of agricultural imports reached $754 million, or 18.3 per cent of total imports. The value of the food gap was estimated in 1993 at $418 million, or 3.5 per cent above the previous year.

8. *Palestine*

The agricultural sector in Palestine is considered crucial to the economy and an essential source of income and employment. Agriculture contributed 23.8 per cent to the GDP in 1993.[93] The agricultural labour force was estimated at 93,000, or 18.4 per cent of the total labour force.[94]

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[92] United Nations, Office of the United Nations Coordinator of Assistance for the Reconstruction and Development of Lebanon, "Lebanon: Economic Developments" (12 July - 21 September 1994)

[93] Arab Monetary Fund, Joint Arab Economic Report, 1994.

[94] FAO, *Printout of AGROSTAT*, 1993.

According to FAO, the cultivated area was estimated in 1993 at 233,000 ha, of which 209,000 ha is in the West Bank, where only 10 per cent is irrigated.[95] Other estimates indicate that about a quarter of the total land area is cultivated, comprising 150,000 ha in the West Bank and 16,000 ha in the Gaza Strip, of which 9,000 ha and 11,000 ha, respectively, are irrigated.[96]

The major agricultural products are vegetables and olives in the West Bank, and citrus and vegetables in the Gaza Strip. Total production of vegetables in the West Bank and the Gaza Strip was estimated in 1993 at 363,000 tons (206,000 tons from the West Bank). Fruit production was estimated at 295,000 tons, 170,000 tons of which was produced in the West Bank.[97]

9. *Qatar*

In 1993, agriculture generated about 1 per cent of GDP in Qatar. Qatar's cultivated area was estimated at 5,700 ha, most of which is irrigated from ground- and desalinated water. The agriculture sector employs about 4,000 labourers, representing only 1.4 per cent of total labour force.

Agriculture in Qatar is supported by direct and indirect government subsidies. The value of agricultural imports was estimated in 1993 at $283 million, representing 15 per cent of total imports, and agricultural exports amounted to only $11 million or 0.3 per cent of total exports. The value of the food gap was estimated in 1993 at $232 million, 2.5 per cent below its 1992 level.

10. *Saudi Arabia*

The Saudi Arabian agricultural sector, which grew by 17 per cent in 1991 and 7 per cent in 1992, was estimated to have grown by 3 per cent in both 1993 and 1994. Negative growth is projected for 1995, as the Government continues to trim purchasing of subsidized wheat from the farmers.[98] The cultivated area was estimated at 1.35 million ha, 70 per cent of which is irrigated through fossil and underground water. Agriculture employs 35.6 per cent of the Kingdom's total labour force.

One of the general objectives of the country's Sixth Development Plan (1995-2000) emphasizes the diversification of the productive base in agriculture by encouraging investment in large-scale agricultural projects which depend on renewable water resources and the use of minimal quantities of water, and encouraging investors to establish companies while continuing to encourage individual investment therein.[99]

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[95] Ibid., 1994.

[96] Economist Intelligence Unit, *Country Profile, Israel and the Occupied Territories, 1994/1995.*

[97] FAO, *Printout of AGROSTAT*, 1994.

[98] *The NCB Economist*, January 1995.

[99] Kingdom of Saudi Arabia, Ministry of Planning, "General Objectives and Strategic Bases of the Sixth Development Plan (1995-2000)".

In 1994, the Government reduced wheat subsidies to $850 million from $1.87 billion in 1993, a reduction of more than 50 per cent.[100] With the objectives of limiting the use of water and cutting subsidized wheat production, the Government continued in 1994/1995 its policy of tight control over wheat farming permits and plans to produce only for self-sufficiency by 1996/1997. Against a domestic consumption of some 1.8 million tons, production of wheat in 1994 dropped for the first time from 3.6 million tons in 1993 to about 2.4 million tons in 1994.[101]

Contrary to a long-standing aim of increasing barley production, the Government in 1994 fixed specific quotas for barley production, with the intention of holding down the cost of purchasing domestic barley. The barley output in 1994 is estimated to have increased by about one third to 1.5 million tons. As a result of a reduction in output, exports of wheat in 1994/1995 are estimated to have declined by 500,000 tons to 1.5 million tons, while imports of barley are estimated to have increased sharply to 4.5 million tons.[102]

The value of agricultural imports was estimated at $4.7 billion, representing 15 per cent of total imports. Meanwhile, agricultural exports were estimated at $500 million, or 1.3 per cent of total exports. Saudi Arabia has the largest food gap in the ESCWA region, estimated in 1993 at $3.98 billion and representing one third of the total ESCWA region food gap and 18.7 per cent above its 1992 level.[103]

11. *Syrian Arab Republic*

Agriculture in the Syrian Arab Republic is considered an important sector and plays a significant role in the economy. The Syrian agricultural sector, which contributed 31 per cent to GDP in 1993, has achieved excellent progress in recent years[104] as a result of increased investment in agriculture and in water projects, favourable weather conditions and new agricultural policies. The cultivated area in the Syrian Arab Republic is estimated at 6 million ha, of which 15.3 per cent is irrigated.[105] Agriculture employs 21.8 per cent of the country's total labour force.

The Syrian Arab Republic has achieved significant progress in cereal production, reflecting an increase in the area planted in the northern and north-eastern areas, adequate availability of agricultural inputs and favourable weather conditions. Production of wheat in 1994 was estimated at 3.7 million tons, about 2 per cent higher than the previous year's record and much higher than the annual average of past years. By contrast, output of barley declined by some 70,000 tons to 1.5 million tons. This was still, however, above normal.[106]

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[100] *The NCB Economist*, January 1995.

[101] FAO, "Foodcrops and Shortages", January/February 1995.

[102] Ibid.

[103] Economic and Social Commission for Western Asia and FAO, *Printout of AGROSTAT*, 1994.

[104] Middle East, 11 November 1994 (in Arabic).

[105] FAO, *Printout of SOFA* 1994, 1995.

[106] FAO, "Foodcrops and Shortages", January/February 1995.

The country is self-sufficient in wheat, but almost two thirds of the wheat (60.4 per cent of total wheat) is durum wheat. This, together with a lack of adequate milling capacity, obliges the country to import wheat flour for bread-making.[107] Successive years of bumper cereal harvest have resulted in serious storage problems and the need to mill part of the domestically produced wheat in Lebanon. At present, large amounts of cereals are stored in the open. The Government has planned the construction of new silos and aims at reaching adequate storage capacity within two years. Additional mills, for a total milling capacity of 750,000 tons per year, will start production in the first half of 1995 and will allow milling of all domestic wheat in the country within three years. Imports of wheat flour in 1994/1995 are forecasted to decline by 120,000 tons to 350,000 tons. Imports of maize are expected to decline by 100,000 to 200,000 tons, and export of barley will be limited to 500,000 tons.[108]

The country produces a surplus of fruit and vegetables, which are exported to neighbouring countries, but it imports most of its needs in rice, sugar, fertilizers, pesticides, agricultural machinery and irrigation equipment.[109] The preliminary estimate of cotton production in 1993/1994 is 639,000 tons,[110] representing a drop of 4.2 per cent compared with the previous year.

The agricultural trade balance deficit of the Syrian Arab Republic, estimated at only $90 million in 1993, is one of the lowest in the region. The value of agricultural imports was about $676 million, representing 16.8 per cent of total imports, while agricultural exports totalled $586 million, representing 16.8 per cent of total exports. The value of the food gap was estimated in 1993 at $163 million. Food exports financed 69 per cent of food imports.

12. *United Arab Emirates*

Agriculture in the United Arab Emirates is a minor sector, contributing only 2.16 per cent to GDP in 1993. The cultivated area is estimated at 45,500 ha, of which 72 per cent is irrigated. The agriculture sector employs only 2 per cent of the country's total labour force.

Although some progress has been made in the production of some vegetables and fruits, particularly dates, the country is still heavily dependent on imports of food commodities. The United Arab Emirates has become self-sufficient in fish, with production estimated in 1992 at 95,000 tons, against a consumption of 91,100 tons.

The value of agricultural imports in 1993 was estimated at $1.75 billion, representing 8.9 per cent of total imports, while agricultural exports (including re-exports) was $688 million or 2.9 per cent of total exports. The value of the food gap in 1993 was $945 million.

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[107] Ibid., July/August 1994.

[108] Ibid., January/February 1995.

[109] Ibid., July/August 1994.

[110] Syrian Arab Republic, Ministry of Agriculture and Agrarian Reform, unpublished data, 1994.

BOX 5. **WATER SCARCITY**

The water situation in the ESCWA region is critical. In several countries of the region renewable freshwater resources will barely cover basic human needs for the next century. As water demand increases in the ESCWA region, cross-sectoral interactions and external effects mount. Moreover, as the limits of economically available supplies are approached, difficult reallocation issues must be addressed if the impending crisis is to be effectively managed and costly alternative non-conventional sources are to be avoided.

The urgency of the water scarcity problem is increasingly recognized in the region, and there is growing consensus on the principles that should guide action in this area. The main principles are: first, water should be viewed as a limited resource that should be managed in an integrated manner so as to meet national objectives (economic, social, security and environmental) rather than as an input to specific sectors; second, institutional reform and capacity-building are critical to sustaining policies and projects; and third, the interregional aspect of the water problem should be given particular attention.

Eight ESCWA member countries, namely Bahrain, Jordan, Kuwait, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen, have a per capita supply of less than 1,000 m^3 and are thus considered as having an inadequate per capita water supply. While countries such as Egypt and Oman are projected to become water-scarce by the end of this century, Iraq and Lebanon are the only two countries in the region which would be able to meet their basic water requirements in the year 2000. However, even for these two countries conservation is necessary, as Iraq faces sharp reductions owing to upstream development on the Euphrates and Lebanon must address difficult water management issues following its prolonged civil war.

All ESCWA member countries have undertaken drinking-water-supply projects aimed at improving the living standards of their populations. Most member States plan to meet the target of securing a safe and adequate water supply for the whole of their populations by the year 2000. The GCC countries have carried out several drinking-water-supply and sanitation projects aimed at raising the standards of these utilities. In Bahrain, Kuwait, the United Arab Emirates and Qatar, 100 per cent of the urban areas are supplied with piped water. More than 500 large and small water-supply projects in urban and rural areas were completed or are under construction in the region.[1] Water supply projects are formulated in accordance with both supply sources and needs. Examples include piping water from remote areas to distribution areas such as Amman, Riyadh and Aden. In Jordan, Iraq and Egypt, the big cities are served by large and small plants for treating surface water. In Iraq, the rural areas are also served by treatment plants.

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1 ESCWA, *Progress Achieved in the Implementation of the Mar del Plata Action Plan in the ESCWA Region, Water-Resources Management: Institutional and Legislative Aspects* (E/ESCWA/ENR/1992/5).

13. *Yemen*

Agriculture in Yemen is a significant sector and a major source of income and employment. More than 50 per cent of the total labour force (1.9 million) is engaged in agriculture. The cultivated area was estimated at 1.61 million ha, of which 80 per cent is rainfed.

The civil disturbances in 1994 aggravated the already precarious food supply and the health situation in many governorates. The United Nations Inter-Agency mission which visited Yemen during the third quarter of 1994 estimated that some 375,000 persons had been affected by temporary displacement, lack of food, soaring prices for basic commodities and limited water supply. The already weak infrastructure suffered major damage, particularly in Aden. The poorest sections of the population have been particularly affected by the soaring prices of foodstuffs.[111]

Aggregate production of sorghum and millet in 1994 is estimated at 0.52 million tons, slightly less than that of the previous year. Production of barley and maize was estimated at 66,000 tons and 78,000 tons, respectively, which were higher than both the previous year and the annual average of the preceding years. Wheat production in 1994 increased by 8,000 tons to an average level of 168,000 tons. The import requirement in cereals in 1994—mainly wheat—is forecasted at 1.7 million tons, an increase of about 10 per cent compared with the previous year.[112]

The value of agricultural imports was $781 million in 1993, representing 28.7 per cent of total imports, while agricultural exports totalled only $40 million or 4.7 per cent of total exports. The value of the food gap was estimated in 1993 at $643 million.

[111] FAO, "Foodcrops and Shortages", September/October 1994.

[112] Ibid., January/February 1995.

VII. DEVELOPMENTS IN THE MANUFACTURING SECTOR

A. Growth

The manufacturing sector in the ESCWA region, in general, performed poorly in 1994, with manufacturing income contracting by an average of 0.53 per cent (excluding the Palestinian territories), down from 1.5 per cent growth in 1993 (table 43). This was mainly attributed to a deterioration in economic and manufacturing conditions in Iraq owing to United Nations economic sanctions. In the rest of the region, manufacturing activities in 1994 were influenced partly by faltering overall economic activity in many countries, as a result of continued weakness in oil markets, 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 both in 1993 and 1994 had a negative impact on investment in manufacturing and demand for domestic manufactured goods.

In 1994, modest expansion in some manufacturing activities in the ESCWA region took place, mainly owing to the progress made in economic reforms, the rise in the value of production and exports of petrochemicals in the GCC countries, in addition to efforts exerted by those countries to promote non-oil private-sector activities in manufacturing, and the progress achieved in reconstruction activities in the manufacturing sectors in Kuwait, and lately in Lebanon. Expansion in manufacturing activities was stimulated in some countries by expansion in other commodity-producing sectors in response to increased demand for consumer goods. Notwithstanding, the decline in oil prices continued to be a constraining factor on growth in manufacturing income in the ESCWA region, particularly in oil-related manufacturing industries, in terms of their competitiveness in the international market.

Moreover, growth in the manufacturing sector in countries of the ESCWA region continued to be restrained by the lack of adequate investment and difficulties in finding new export markets. In the short- and medium-term, the main factors which may affect the growth in the sector include: (a) progress made in the implementation of the structural adjustment programmes; (b) the lifting of the United Nations sanctions on Iraq; (c) improved oil prices; (d) improved regional political relations; and (e) progress made in the peace process.

1. *The GCC countries*

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 were mainly attributed to low growth in oil-related manufacturing income, which was partly offset by the strong domestic non-oil private sector activities that began to expand following the end of the Gulf crisis. In 1995, the private sector is forecast to continue expanding, though at a slower pace, in most GCC countries owing to the continued contractionary fiscal and monetary policies. Growth is expected to continue in activities such as food and beverages, and to slow down in sectors that are influenced by public sector expenditure, such as construction and related industries and steel. Oil refining may not achieve a high growth rate either, as some major planned expansions, including those in Saudi Arabia, are being reconsidered. The export-oriented industries, particularly petrochemicals, plastics and metal products, are anticipated to achieve good performance in 1995 owing to better growth prospects in the main export markets. The extent of this performance, however, will depend on the ability of countries of the GCC subregion to benefit from improved prospects in the major export markets. Nevertheless, and despite the 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 alternative markets.

TABLE 43. REAL GROWTH OF MANUFACTURING VALUE ADDED IN THE ESCWA REGION, 1992-1993 AND 1993-1994 AT CONSTANT 1985 PRICES

(*Percentage*)

Country	1992-1993	1993-1994[a]
GCC [b]	*2.52*	*2.01*
Bahrain	1.13	1.12
Oman	4.23	2.70
Qatar	0.48	0.48
Saudi Arabia	4.53	2.76
United Arab Emirates	(2.22)	0.39
More diversified economies	*0.75*	*(2.24)*
More diversified economies[c]	*4.19*	*1.02*
Egypt[d]	2.00	(0.51)
Iraq	(17.83)	(24.62)
Jordan	5.80	4.99
Lebanon	4.99	6.73
Syrian Arab Republic	27.91	10.77
ESCWA region[c]	*1.46*	*(0.53)*
ESCWA region[e]	3.46	1.45

Source: Economic and Social Commission for Western Asia, *National Accounts Studies of the ESCWA Region*, Bulletin No. 14, 1994 (United Nations publication, Sales No. 94-II-L.9).

Notes: ( ) Indicates negative.

a ESCWA preliminary estimates, official estimates for Oman, Egypt, Iraq and the Syrian Arab Republic.
b Excluding Kuwait.
c Excluding the Palestinian territories.
d Including mining.
e Excluding Iraq, the West Bank and the Gaza Strip.

Despite the decline in oil revenues, most GCC countries continued in the last two years to implement manufacturing projects that had been shelved because of recession and the outbreak of the Gulf crisis. While allocations of capital expenditure are generally exercised with caution, most major public manufacturing projects, such as Saudi Arabia's petrochemical expansion projects, Qatar's North Field Gas Project and the aluminium projects in Bahrain and Dubai, continued to be implemented as previously planned.

Box 6. AREAS OF CRITICAL AMBIENT AIR POLLUTION IN SELECTED ESCWA MEMBER COUNTRIES

With the exception of the GCC countries, air pollution is a growing problem in large cities in the ESCWA region that have poor natural ventilation and high rates of motorization or industrialization. In many cities, particularly Cairo, conditions are worsening as emissions from fuel use and industry increase. In some ESCWA member countries, vehicle emissions are the largest and most rapidly growing source of urban air pollution, with the greatest damage caused by lead particulates. Uncontrolled discharges of air pollutants by industrial facilities are responsible for many health problems, particularly for vulnerable groups. Measures are being taken in several countries to investigate the extent of these problems.

In Egypt. Helwan, south of Cairo, is the "hot spot" of industrial pollution in Egypt. Air pollution is caused by emissions from three large cement plants, and hazardous wastes are omitted from a lead smelter, carcinogenic emissions from a coke and chemical plant, emissions of hydrocarbons and heavy metals from large steel plants, and sulfur dioxide emissions from power plants.

In Jordan. The Amman-Zarqa region is the largest urban centre in Jordan and has the largest concentration of industries. In the Zarqa basin, air pollution results from the emissions of a refinery and a thermal power station. High levels of sulfur dioxide, hydrogen sulphide, carbon monoxide and citrus oxides are observed.

In Lebanon. The majority of Lebanon's officially registered industrial establishments have been identified as major polluters. The major source of atmospheric emissions is the combustion of petroleum products from energy use, transportation and industries. All of the country's solid wastes and waste water are disposed of, untreated, in rivers and coastal areas.[1]

In the Syrian Arab Republic. Major environmental pollution problems exist in the cities of Damascus, Homs, Hama, and Aleppo. In Damascus, the Barada river has been polluted by discharge from tanneries and electroplating shops and cannot be used for drinking purposes. In Aleppo, water pollution from tanneries is a major problem. In Homs and Hama, there is serious water and air pollution from a refinery, an iron and steel plant, and a fertilizer plant.

Over the past 15 years there has been a significant shift in the type of air pollution affecting the urban areas of most ESCWA member countries. Traditional pollutants from stationary sources such as sulphur dioxide (SO_2) and suspended particulate matter (SPM) have been effectively controlled by the introduction of legislation to ensure "clean air", as in the case of the GCC countries. A change from domestic oil burning to electricity and natural gas for heating and cooking purposes has led to a reduction in low-level urban emissions of SO_2 and SPM and concomitant improvements in air quality.[2]

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1 Office of the United Nations Coordinator of Assistance for the Reconstruction and Development of Lebanon, Committee on Donor Coordination, Minutes of Sixteenth Meeting (95/1), Beirut, 19 January 1995.

2 UNEP/WHO (1988), *Assessment of Urban Air Quality*, UNEP (Nairobi) and WHO (Geneva).

Box 6. (*continued*)

However, as emissions and concentrations of these traditional urban air pollutants have decreased, further economic development and urbanization have resulted in a dramatic increase in motor vehicle traffic. This has led to an increase in the emissions of those pollutants associated with motor vehicle transport, most notably NO_2, CO and hydrocarbons, in many of the region's cities. Attempts by some countries to control emissions from motor vehicles, mainly through the introduction of higher quality fuel and more fuel-efficient engines, have to a large extent been outstripped by growth in motor vehicle traffic.

Moreover, several ESCWA member countries, such as Egypt, Jordan, Lebanon, the Syrian Arab Republic and to some extent Yemen, depend heavily on oil for domestic heating, which has led to an increase of urban SO_2 and SPM levels.[3]

However, despite the seriousness of the problem, the response so far has not been adequate to address fully the urban environmental problem. This major challenge can only be overcome successfully through a concerted, multi-faceted and step-by-step strategy. National environmental strategy plans must be set within the framework of full knowledge of the sources of emissions and of air quality so that targets and priorities can be set and progress monitored. Extensive air pollution management may be costly, but it is still less expensive than the health costs which society now has to bear as a result of environmental pollution.4

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3 UNEP, *Environmental Data Report 1993-1994*, Blackwell, Oxford (1994).

4 World Bank, 1992, *World Development Report 1992: Development and the Environment*, New York, Oxford University Press.

The offset programme launched by most GCC countries should support government policies to promote the diversification of their economies away from oil-related activity and more toward the development of private manufacturing activities. However, the problem of emerging tendencies in most GCC countries to control levels of expatriate labour continues to impose an important constraint on the expansion of the sector, particularly in Kuwait and the United Arab Emirates. This was the main reason that countries such as Kuwait invested in manufacturing industries outside the country, and it may prompt the United Arab Emirates to follow suit. If this trend continues, it is likely that part of the outflow of investment, particularly private investment, may eventually be directed towards other ESCWA member countries and other Arab countries. Investment in the ESCWA region may be encouraged by the policy favoured by some GCC countries, to diversify investment away from the international market, and by prospects that may arise in the future in the more diversified economies. The strengthening of this trend will greatly depend on the nature of future expatriate labour policies pursued in the GCC countries, and on an improved business environment in the more diversified economies. This will, in turn, depend on progress made in the implementation of economic reform programmes to promote the private sector, improved political relations in the region, and the progress in the peace process.

In Kuwait, the manufacturing sector is unofficially estimated to have grown by 9.3 per cent in 1994, compared with 20.3 per cent in 1993 and 27.1 in 1992. The growth of the sector is dominated mainly by the higher value-added generated in the refinery and petrochemical industry (fertilizers), which has been repaired. The country succeeded, during the second half of 1994, in restoring its oil refining capacity to its pre-war level of 800,000 b/d.[113]

Before the outbreak of the Gulf crisis, 60 per cent of the manufacturing output in Kuwait was produced by the public sector and 40 per cent by both the mixed and private sectors. While the activities of the public sector were concentrated mainly in large-scale hydrocarbon export industries (mainly oil refining and fertilizers) the activities of the private sector were concentrated basically in small-scale industries that produced consumer goods mainly for the domestic market. This included food, textiles, garments, leather products and handicrafts. The activity of the private sector was severely affected by the return of migrant workers to their home countries. They represented the majority of skilled labour and were the owners of many textile factories and carpentry shops.

After the full recovery of refining capacity and the repair of the Shuaiba fertilizer facilities owned by the Kuwait Petrochemical Industries Company (KPIC), the activities of the manufacturing sector concentrated mainly in large-scale public sector exports of hydrocarbons. The Government plans to increase, by the end of the century, its domestic refining capacity to around 1 m/b/d and its overseas capacity to 7 m/b/d.[114] Major expansions in fertilizers and petrochemicals are planned at the Shuaiba port, with a total construction cost of around $1 billion for a plant that will be operational by 1997. The plant capacity will be 650,000 t/y of ethylene, 450,000 t/y of polypropylene, and 350,000 t/y of ethylene glycol. Kuwait also has an interest in the fertilizer industry overseas in the form of joint ventures, mainly in Tunisia, Turkey and China.[115]

In Saudi Arabia, the manufacturing sector, which contributes more than 8 per cent to GDP, slowed down in 1994, achieving a growth rate of 2.8 per cent, down from 4.5 per cent in 1993. Continued reductions in public expenditure, through the cancellation and/or postponement of projects and delayed payments to private sector contractors, and the emergence of a shortage of production capacity in electricity owing to increased demand, represent important constraints on the expansion of the sector. The decline in construction activities and the delay in government payments continued to have negative effects on the activities of the cement and construction materials industries in particular. Growth in the manufacturing sector was generated mainly by improvement in petrochemical exports, as a result of gradual recovery in the global market and a continued upswing in non-oil private manufacturing activities, particularly food, beverages, furniture and other light consumer industries, owing to a continued increase in domestic demand.

The growth in the manufacturing sector in Saudi Arabia in 1995 is expected to accelerate, and it is anticipated that export industries, particularly petrochemicals, plastics, aluminium, cables and other metal products, will continue to grow as a result of better growth prospects expected in the international markets. Food, beverages and other light industries are expected to continue to grow, pushed by increased domestic demand and by prospects in neighbouring export markets in other GCC countries. The decline in the

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[113] *Middle East Economic Survey*, vol. XXXVIII, No. 23, 6 March 1995.

[114] Ibid.

[115] Economist Intelligence Unit, *Country Profile, Kuwait, 1994-1995.*

activities of construction-related industries is expected to persist owing to the continued decline expected in the construction sector.[116]

In the United Arab Emirates, the manufacturing sector, which declined sharply in 1993 owing to a cut in public spending, recovered in 1994 and achieved a growth rate of 2.2 per cent. The country's new policy seems to restrict direct public sector investments in manufacturing, except for economically feasible projects. However, the private sector could not fill even part of the space left by the public sector retrenchment, since, according to the Emirates Industrial Bank, the sector is close to the limits of domestic market saturation within its resource base of capital, management and skills. Restrictions on large-scale public investments in manufacturing are expected to continue inasmuch as such investments are affected by the Government's policy of controlling the amount of expatriate labour.

Future expansion in the private manufacturing sector in the United Arab Emirates will have to address the regional market, though producing for a larger market has its constraints. Moving into higher value-added activities implies higher levels of technology in the local production processes, raising the risk element in new investments, and apparently private investors are hesitant to take that risk. It is believed that improved market information, the provision of institutional support for investment in new technology and the development of sales and marketing skills could reduce the market uncertainty.[117]

2. *Countries with more diversified economies*

In the countries with more diversified economies, apart from Iraq and the Palestinian territories, overall performance in the manufacturing sector is estimated to have slowed down in 1994, achieving a growth rate of around 1 per cent, down from 4 per cent in 1993. However, the sector's performance varied from one country to another. While Lebanon is estimated to have recorded a growth rate of 6.7 per cent in 1994, compared with 5 per cent in 1993, Egypt experienced a contraction in the manufacturing sector, with a negative growth of less than 1 per cent in 1994, down from 2 per cent in 1993. The sector grew in 1994 by 5 per cent in Jordan and 10.8 per cent in the Syrian Arab Republic.

In Egypt, the manufacturing sector continued to witness a general slow-down in its activity, owing to the slow pace of privatization. Moreover, the decline in oil prices affected the oil-related manufacturing industries. However, an upturn in manufacturing investment can be expected in 1995, the result of faster privatization, strengthening of the capital market and increased deregulation of the business environment. In addition, it is anticipated that interest rates will further decline gradually.

The private sector in Egypt continued to be the main source of growth in income and employment in the manufacturing sector. However, the decline in domestic demand and the fast-changing economic conditions in the major export markets of Eastern Europe in recent years have compelled manufacturers to seek new outlets for their products. While in the past only surplus production was exported, Egypt is now endeavouring to make quality products, particularly in the textile and garment industry, that will meet international market standards.

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[116] Henry T. Azzam, "Saudi Arabia: Economic Outlook: 1995", *The NCB Economist*, No. 1, vol. 5, January 1995.

[117] *Journal of the Emirates Industrial Bank*, vol. 9, No. 3, March 1994.

Box 7. EGYPT'S EFFORTS TO DEAL WITH ENVIRONMENTAL PROBLEMS

In addressing urban air pollution, the Egyptian Environmental Action Plan identifies the main sources of urban air pollution as high-sulphur fuel used in power generation and in some industrial processes, incomplete combustion and emissions of heavy metals such as lead from an inefficient transport sector, and specific industrial processes. The large concentrations of polluting industries in and around the major urban centres of Cairo and Alexandria, especially the steel, cement, fertilizer, and chemical industries, contribute to high levels of dust and sulphur dioxide (SO_2). The use of high-sulphur fuel oil in industry and for power generation has also added to high SO_2 levels in the atmosphere.[1]

Furthermore, Cairo is among the 20 megacities of the world selected by UNEP and WHO for detailed assessments of urban air quality problems. On the basis of the data compiled, Cairo has exceeded established limits for SO_2 and SPM concentrations. However, it is important to note that geography and climate play an important role in determining ambient SPM concentrations.

To address the problem of urban air pollution from motor vehicles, the Egyptian Plan adopted specific recommendations that include: (i) phasing out energy subsidies by 1995; (ii) introducing a tax on gasoline after 1995; (iii) reducing the amount of lead in gasoline; (iv) producing unleaded gasoline, and providing differential prices, and requiring gasoline distributors in Cairo and Alexandria to supply unleaded as well as leaded gasoline; (v) improving traffic management; (vi) improving mass transit in the long term; and (vii) setting lower import duties on fuel-efficient vehicles, vehicles with low emissions and vehicles with catalytic converters.

1 Egyptian Environmental Affairs Agency, Environmental Action Plan of Egypt, 1992.

The latest available data on private industrial investment indicate that the total cost of approved industrial projects for the private domestic and foreign sectors in 1993 amounted to LE 1,889 million ($567 million), with a planned annual production worth around LE 4,151 million ($1,247 million), providing 30,000 new job opportunities.[118] Nevertheless, there are no indications that the momentum was maintained in 1994, and despite the reportedly substantial number of responses by private manufacturing investors, including small investors, to offers to purchase floated shares in privatized manufacturing companies, the private sector continued to be cautious in compensating for the large retrenchment in public sector investments and seemed to be awaiting, among other things, the results of the implementation of the economic reform programme to decide on its domestic investment plans. A World Bank report on private sector development cites six major problems that hold back private investment in Egypt,[119] namely complicated tax laws, lack of skilled workers, lack of credit to small firms, uncertainty over government economic policy, excessive bureaucracy and unfavourable judicial systems. The report also indicates that the most critical financial constraint for private firms in Egypt is the lack of long-term credit to small businesses. An efficient capital market is important not only for the sale of public assets but also for the private sector

[118] *Al Hayat*, 20 January 1994 (London [in Arabic]).

[119] *Jordan Times*, 28 September 1994 (Amman).

to have the resources to replace the public sector as the principle engine of economic growth. Job creation and export expansion now depend on private businesses having access to long-term financing resources.[120]

In the Syrian Arab Republic, there are indications that manufacturing activity experienced impressive growth in both 1993 and 1994 and is expected to grow at a faster pace in 1995, owing to continued high amounts of public investments, an expected increase in manufacturing investment projects encouraged by Investment Law No. 10 of 1991, and the expected acceleration of economic reforms.

In 1993 and 1994, there was an acceleration in manufacturing growth owing mainly to (a) an improved export performance, especially with regard to phosphate, for which new export outlets were found in South-East Asia and Eastern Europe, and (b) the expansion of private-sector manufacturing activities, particularly in the textile and garment industry and in the food industry. In the phosphate industry, further growth in exports to the Indian market is expected, as the Governments of the Syrian Arab Republic and India concluded an agreement in mid-1994 for the establishment of a joint venture in the phosphate industry. Expansion in the textile subsector will depend on the identification of new export outlets and on the modernization and overhauling of the publicly run ginning mills as well as expansion of their capacity.[121]

Private sector manufacturing activities in the Syrian Arab Republic were boosted during 1993-1994 by increased government expenditure resulting from a huge inflow of concessional funds. Increased government expenditure will continue to have an impact on private manufacturing activities in 1995, particularly in light construction and related industries. The private sector in the Syrian Arab Republic was dynamic enough to benefit from the new opportunities in the domestic and export markets, mainly owing to high accumulated levels of liquidity, relatively large balances of foreign assets held abroad,[122] and progress made in economic reforms, particularly with the introduction of Investment Law No. 10 of 1991. The latest available data on investment indicate that the cost of approved investment projects totalled around LS 155 billion ($3.7 billion) by the end of June 1994, a large share of which was to be financed from repatriated capital and from Arab and foreign investors. Manufacturing projects accounted for more than 62 per cent of the approved projects, of which 39.2 per cent were in the food industry, 22.4 per cent in the textile and garment industry, 11.6 per cent in the metal industry, 9.8 per cent in the chemical industry, 7.1 per cent in basic industries and 4.7 per cent in the health and medicinal industry. Major projects included two textile and garment joint ventures for a Saudi Arabian investor with a total cost of more than LS 10 billion ($238 million), an iron bar project, projects for the production of pharmaceutical products, and a joint foreign project with the Nestlé Company amounting to $15 million.[123]

In Jordan, manufacturing activities continued to expand, recording a growth rate of 5.8 per cent in 1993 and an estimated 5 per cent in 1994. This expansion is mainly attributed to (a) improved export performance, particularly in the phosphate and pharmaceutical industries, (b) continued growth, though at a slower pace, in the construction sector and (c) increased local demand. In the last few years, Jordan has been directing

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[120] "Capital markets assume key role in maintaining Egypt's economic progress", *Middle East Economic Survey*, vol. XXXVII, No. 41, 11 July 1994.

[121] Economist Intelligence Unit, *Country Report: Syria*, various issues, 1994.

[122] Estimated by the Damascus Chamber of Industry to amount to more than $50 billion.

[123] *Al Hayat*, 1 August 1994.

its efforts at overcoming the marketing problem facing the phosphate industry. To secure export markets for its product, the country has been integrating some of its upstream phosphate production with downstream operations in the export market of countries such as Pakistan, India and Japan, while pharmaceutical exports found new markets in the Libyan Arab Jamahiriya, the Syrian Arab Republic and Yemen. The trend of increased exports is expected to continue in 1995, particularly if barriers to trade between Jordan and the Palestinian territories are gradually eliminated and the West Bank starts to import manufactured goods from Jordan.

The increase in domestic demand in Jordan is caused mainly by the continued impact of the return of around 300,000 nationals from the Gulf, in the wake of the Gulf crisis, with their repatriated savings. Some recovery in workers' remittances was noted in 1994, as some Jordanian nationals returned to the GCC countries or found employment opportunities in other countries in and outside the region.

In Lebanon, manufacturing value-added, which had grown by around 5 per cent in 1993, was estimated to have increased by 6.7 per cent in 1994 owing to the continued revival of economic activities and improved export performance. The main manufacturing exports in 1993 included garments, jewelry, iron and lead products, aluminium products, embroideries and handicrafts.[124] Despite increased bank credits to industrial projects, the credit still falls short of the sector's requirement. Moreover, the lack of medium- and long-term credit facilities is an important factor that continues to constrain manufacturing expansion in Lebanon.

Manufacturing activity is concentrated mainly in textiles and garments, leather and leather products, food processing and beverages. In recent years, a small pharmaceutical industry, metal working capacity, and local contributions to the electronics industry have developed.[125] Some estimates indicate that the sector employs around 125,000 persons. Among the country's major industrial plants are three cement plants and two refineries, one in Tripoli and the other at Zahrani, near Sidon, both of which were damaged during the civil war (the latter was destroyed by repeated military attacks). New refineries are under consideration by the Government.

Prospects for expansion in manufacturing activity in Lebanon in the coming years will greatly depend on the overall performance of the economy and will also be affected by progress made towards achieving a comprehensive peace in the Middle East.

In the Palestinian territories, the manufacturing sector in the last two years continued to be negatively affected by the recurring closure of borders, barring Palestinian workers from entering Israel, and delays in the disbursement of aid and, in turn, in implementation of development projects. The lack of an environment conducive to private investments, particularly in manufacturing is also a factor. This has prevented the manufacturing sector from taking advantage of new opportunities that could have arisen as a result of the establishment of Palestinian self-rule. Nevertheless, there are signs that significant expansions have already started in construction activities in the territories, particularly in the self-rule areas, to compensate for restrictions that were imposed throughout the occupation period. This will partly help to revive the construction-related industries.

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[124] Office of the United Nations Co-ordinator of Assistance for Reconstruction and Development of Lebanon, "Lebanon: Economic Developments" (16 April to 31 May 1994), Beirut.

[125] The Arab Banking Corporation (ABC) Group, "Lebanon's Economic Prospects", *Economic and Financial Quarterly*, No. 29, September 1994.

B. Emergence of a new outward-looking industrial strategy

With the beginning of the 1990s, various domestic, regional and global developments have compelled Governments in the region to start deregulating business activities so as to support the emergence of export-led industrial growth strategies. Many countries are gradually shifting to a private-sector-led industrial growth strategy, with heavy emphasis on export, such as in Egypt and, to a lesser extent, the Syrian Arab Republic. The success of the outward-looking strategy clearly depends on the promotion of exports in small- and medium-scale industries, particularly in downstream resource-based industries in the GCC countries, and, in most countries, on the anticipated participation of repatriated Arab investment and foreign direct investment (FDI). To this end, various countries of the region have started to introduce deregulation measures and economic reforms, particularly in areas concerning trade and foreign investment.

1. *The GCC countries*

The large industrial capacities that the GCC countries have built in the petrochemical, aluminium and iron and steel industries are faced with increased marketing difficulties, particularly in the EU region. The countries are focusing on a new export strategy entailing the diversification of their export markets and the development of new products for export. In this connection, they have realized that more secure markets for their primary products could be created overseas by integrating domestic upstream industry with offshore downstream industries through joint ventures with overseas trade partners. Furthermore, with instability in the international currency market, unfavourable experiences in overseas investment and difficulties being faced in marketing industrial primary commodities on the international markets, countries of the subregion are being compelled to look for export prospects within the GCC and the Arab region as well as in neighbouring regions. This entails the development of further downstream industries with higher value added products that are capital-, energy-, and technology-intensive, as these countries are endowed mainly with oil and gas resources and capital, and they have a small population base. Foreign partners were needed to help acquire, among other things, the know-how, marketing techniques, guaranteed export markets and additional confidence in their manufacturing products.

Within this context, offset investment programmes have been introduced in many GCC countries in an attempt to turn foreign partners into industrial partners.[126] Economic deregulation concerning foreign investments in manufacturing has started to receive more attention since the early 1990s as a way to improve the operation of the market economy, especially to promote private investments, both national and foreign. Some amendments were introduced to old laws, as in the case of Bahrain, the United Arab Emirates and Saudi Arabia, where foreign investors are now allowed to own 100 per cent of the industrial venture. In Bahrain, recent attempts include the amendment to the country's agency legislation, which broke the monopoly enjoyed by commercial agents. Furthermore, three countries (Saudi Arabia, Oman and Qatar) have decreed foreign investment promotion laws and associated regulations. In the rest of the group, investments in manufacturing activities are regulated through industrial and commercial laws. Currently, there are attempts to improve the trade information system so as to provide exporters with available information on export opportunities in the region and outside. In this respect, various trade promotion centres have been established or are under consideration. Trade information centres have already been established in Oman, the United Arab Emirates and Saudi Arabia, while in Bahrain a similar project is still under consideration. The establishment of industrial zones is another facet of the export promotion strategy in some GCC

[126] Nevertheless, the pace of new investment under the programme has generally been slow in the subregion.

countries. The Jebel Ali Free Zone has already been constructed in the United Arab Emirates, and a similar zone is under consideration in Qatar to promote re-export of manufactured products. In Qatar, additional industrial areas are under consideration for small- and medium-scale industries catering to the export market.

2. *Countries with more diversified economies*

In the more diversified economies, domestic factors were mainly responsible for refocusing on a more outward-looking export-led industrial growth strategy, particularly in Egypt and the Syrian Arab Republic. Moreover, recent events, such as the Gulf crisis and the transformation of the economies of Eastern Europe into market economies early in the decade, have surfaced the issue of diversification of industrial production, exports and export markets. Traditionally, most manufacturing exports in these countries (Jordan and Lebanon) were directed to the Gulf countries, and, to a lesser extent (Egypt and the Syrian Arab Republic), to Eastern European countries. These exports were dominated by a few commodities, mainly textiles and clothing and processed food items, the production of which was oriented to meet the requirements of these markets. An increased need for foreign currency by the private manufacturing sector (and the Government) and a decline in domestic demand, particularly in the case of Egypt, were also factors that have compelled manufacturers to look for outlets in the export market.

In the light of the above, investment laws and regulations have been subject to some modifications, particularly since the beginning of the decade, in Egypt and, to a lesser extent, in the Syrian Arab Republic. In late 1994, Egypt proclaimed a number of measures for the promotion of exports as part of its plan to increase exports from their current level of around $3 billion per year to $10 billion per year by the year 2000. Part of the costs of textile exporters who obtain ISO certification will be covered by the Government. Public banks will grant preferential interest rates 1 to 2 percentage points lower than those normally charged by commercial banks. Moreover, commissions charged on export financing will be cut by 25 to 50 per cent, and service fees paid by exporters and shippers, such as pilotage and berthing fees, will be reduced.[127]

In early 1994, the Syrian Arab Republic declared its intention to work towards improving its export strategy. Plans were announced to abolish all export taxes, which are as high as 35 per cent for some goods, and to establish a foreign trade unit to monitor the quality of exports, and a number of studies on increasing exports conducted by UNDP and the European Union are under way. While a slight improvement in export performance is forecast for 1995, in the long term, the recovery of exports is expected to be slow, as Syrian private and public sector industries come to terms with unsubsidized competition from abroad.

C. CHALLENGES CONFRONTING THE OUTWARD-LOOKING INDUSTRIAL STRATEGY

The export awareness in the ESCWA member countries, particularly in the more diversified economies, is gaining momentum that needs to be strengthened, especially in Egypt and the Syrian Arab Republic. Various challenges, however, are facing countries of the region in their pursuit of the emerging outward-looking industrial strategy.

To start with, a sustainable export strategy will have to be able to meet some of the needs of its neighbouring export markets (the regional Arab and Middle East markets). Member countries will have to realize that their competitive edge, particularly in downstream product industries, on which they are focusing, lies in proximity markets. This is all the more reinforced with the global liberalization of trade, which is

[127] Economist Intelligence Unit, *Country Report: Egypt*, No. 4, 1994 and No. 1, 1995.

intensifying competition in other export markets, particularly as regional industries are having to come to terms with unsubsidized international competition. Furthermore, since FDI is usually associated with the promotion of export industries, investors will be attracted not only by an improved investment climate but also by export prospects in the regional market. Regional merchandise trade continues to be marginal, even within the GCC countries, where it does not exceed 7 per cent of total trade, though this is partly attributable to the relatively low level of industrialization in the Arab and ESCWA region. The economic reform and trade liberalization process currently under way should help eliminate some of the barriers to regional trade, but this is a long process, and there is an urgent need for a clear policy commitment to facilitate intraregional merchandise trade in manufacturing by introducing measures to eliminate or reduce various non-tariff barriers, such as complicated trade procedures and undue delays in clearing entry of shipments at borders.

For the emerging outward-looking industrial strategy to succeed in the ESCWA region, it will also have to find other export outlets for its manufactured products in major neighbouring regions, particularly the European Union. Various challenges will be faced in accessing the European Union (and other major markets), particularly the difficulty in adhering to international standards[128] and related tools and specifications and to other quality controls imposed on exporting industrial firms. This entails serious efforts on the part of regional exporters to meet these requirements. The European Union is especially important to exporters of manufactured products in the region owing to its proximity and its absorptive capacity. Although the textile and garment industries represent one of the main export-led growth branches of industry in the region, particularly in the more diversified economies, most countries of the region never exhausted their export quotas under the MultiFiber Arrangement (MFA) to the EU or the United States. It is believed that this is mainly because most of these countries were not export-oriented or dynamic enough to take advantage of this export outlet. With the implementation of the GATT agreements, exporters in the ESCWA region should be able to benefit from the interim period and adjust their products partly to suit the needs and tastes of the European market (and other major potential markets). Another aspect will be the standardization requirements, which suppliers will eventually be faced with in their own domestic markets in order to compete with foreign products. Identifying specific market needs and tastes for manufactured imports in the European Union, improving the international competitiveness of the export product, developing more flexible production processes, developing more sophisticated marketing techniques, and continued product development are the main challenges that will be facing exporters in their attempt to access the EU market and other major new markets.

The ability to attract foreign direct investment is becoming critically important in pursuing the new industrial export strategy, as "the competitive export industry is built on foreign technology usually linked to FDI". Foreign firms bring with them not only capital and technical know-how but also capabilities in export marketing. In fact, the success of the outward-looking industrial strategy in the region will greatly depend on accumulating marketing capabilities, particularly in the downstream industries. While exports of intermediate manufactured commodities greatly depend on price competitiveness and world standard product quality, higher value-added manufactured products need to be associated with the ability to identify potential export markets and to design and target the product for such markets, a process the FDI partner may facilitate.[129] However, countries of the region may find it more difficult now than ever to attract FDI, as demand for foreign capital has increased with increased trade liberalization and the introduction of economic reforms in other developing countries, particularly China, and the transformation of the economies of Eastern

[128] Including ISO 9000 and related standards.

[129] UNIDO, "Trade and Industrialization", *Industry and Development: Global Report, 1993/1994* (Vienna, 1993).

Europe and the Commonwealth of Independent States (CIS) into market economies. Also, the unification of the European market will increase the inflow of capital. Therefore, it is crucial for most countries of the ESCWA region to improve the viability of their economic reform programmes and the efficiency of their implementation, with the aim of developing a more competitive and stable investment environment, particularly as regards foreign investment.

D. PROSPECTS

The countries of the ESCWA region are undergoing an important transitional period, the outcome of which will have a profound impact on their industrial growth prospects in the short and medium term. The features of this period relate mainly to: (a) the introduction of economic reforms; (b) adapting to new levels of oil prices; (c) facing the economic challenges of a changing world environment, including the emerging giant economic and trade blocs; (d) the creation of WTO; (e) increasingly rapid advances in applications of high technology in industry; and (f) the impact of the peace process on the region. The manufacturing industries in the ESCWA member countries are not prepared to face the challenges generated by the changing world environment. Many ESCWA member countries generally suffer from relatively weak and inefficient industrial enterprises, and these challenges are also being faced at a time when the manufacturing sector in many countries of this region is still recovering from the disastrous effects of devastating regional wars and severe civil strife. Moreover, it is more likely that the manufacturing sector in the ESCWA member countries will be slow in restructuring and in expanding export products to face global competition.

Nonetheless, recovery of manufacturing activities in the region will be promoted by expected economic recovery, and for oil-producing countries including Egypt and the Syrian Arab Republic, by improvements in oil prices, by relative improvements in the investment climate, by the expected acceleration of privatization (in the case of Egypt, the relatively more liberal regulatory environment that will emerge by 1995) and the progress made in the peace process. This would, in turn, promote investment in small and medium-sized industries. A continued tight fiscal policy to contain the fiscal deficit in 1994 and 1995 (along with prevailing high unemployment) is expected to continue to have, in both Egypt and Jordan, a negative impact on domestic demand for manufactured products, at least in the immediate future, while reduced government expenditure in the GCC countries is expected to be partly offset by expansion in autonomous government bodies and activities in the non-oil private sector, which are forecast to maintain the strong growth that began following the end of the Gulf crisis.

To narrow trade deficits (and non-oil trade deficits in the GCC countries), efforts will continue to be directed towards the promotion of exports of manufactured goods, and in some countries, such as Jordan and most GCC countries, government development strategies will continue to focus increasingly on the promotion of export-driven growth, particularly in manufacturing. This requires the exploration of new markets as well as improved quality and standards that meet the requirements of the international markets.

VIII. SOCIAL DEVELOPMENTS

A. POPULATION AND URBANIZATION

1. *Population size and growth*

The population of the ESCWA region was estimated in 1994 at 147.7 million, comprising 57.4 per cent of the Arab world's population (257.2 million) and 2.6 per cent of the world's total. The most populous country in the ESCWA region is Egypt, which, by mid-1995, will represent nearly 42.6 per cent of the total ESCWA region's population, followed by Iraq and Saudi Arabia. The least populated ESCWA member countries are Bahrain and Qatar with less than a million inhabitants.

Since 1990, the population of the ESCWA region has been growing at an annual rate of 2.7 per cent. However, the annual growth rate is expected to decrease steadily to 2.1 per cent during the period 2010-2015 and to 1.8 per cent by the year 2025. The annual population growth rate varies considerably among the ESCWA member countries. During 1990-1995, the fastest population growth occurred in Yemen (5 per cent) and Jordan (4.9 per cent), owing mainly to the return of nationals as a result of the Gulf crisis, while population growth was negative (6.5 per cent) in Kuwait (table 44). However, during 1995-2000, the fastest population growth is expected to occur in Oman (3.9 per cent), followed by Saudi Arabia (3.5 per cent) and the West Bank and Gaza Strip (3.4 per cent), owing to the fact that these countries and areas have no plans to influence fertility rates. Population growth will be slowest in Lebanon (1.8 per cent).

2. *Population structure by age*

In 1990, 42 per cent of the total population of the ESCWA region were under 15 years, while only 3 per cent were older than 65 years. Currently, 41 per cent are under 15 years, and 3 per cent are older than 65 years. After a decade the percentage of the people above age 65 will increase slightly to 4 per cent, but at the same time, the percentage of young people is expected to remain high (38 per cent of the total population). By 1995, 48 per cent of the population of the West Bank and Gaza Strip will be under 15 years, followed by Yemen, Oman and the Syrian Arab Republic (47 per cent), while Qatar has had the lowest level in the region (27 per cent).

3. *Fertility*

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 less developed regions (31 per 1,000), and far higher than the more developed regions (15 births per 1,000 population). During 1990-1995 it decreased to 34 births per 1,000 population, and for each five-year interval it 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. The total fertility rate for the ESCWA region was estimated in mid-1992 at 6.2 births per woman, which is far higher than the world's total fertility rate (3.3 births per woman). The countries of the ESCWA region have different levels of fertility rates. In mid-1992, Yemen and Oman maintained the highest fertility rates in the region (7.2 and 6.7 children per woman, respectively), while Lebanon exhibited the lowest fertility rate (3.1 children per woman) and the remaining countries had fertility rates ranging from 3.7 to 6.4 children per woman (table 45). Although the fertility levels of the ESCWA member countries are expected to decrease slowly and become homogeneous with time, by mid-2012, Yemen and Oman will still have the highest fertility rates in the region (5.1 and 4.9, respectively), while Lebanon will continue to have the lowest fertility rate (2.1 per woman).

TABLE 44. POPULATION SIZE AND AVERAGE ANNUAL GROWTH RATES, MEMBER COUNTRIES OF THE ESCWA REGION, MEDIUM VARIANT 1990-2000

Country or area	Population size (*in thousands*)						Growth rate (*percentage*)	
	1990		1995		2000		1990-1995	1995-2000
Bahrain	M	284	M	323	M	360		
	F	206	F	240	F	273		
	T	490	T	564	T	633	2.8	2.3
Egypt	M	28618	M	32043	M	35184		
	F	27694	F	30888	F	33961		
	T	56312	T	62931	T	69146	2.2	1.9
Iraq	M	9204	M	10408	M	12087		
	F	8874	F	10041	F	11666		
	T	18078	T	20449	T	23753	2.5	3
Jordan	M	2187	M	2785	M	3274		
	F	2072	F	2653	F	3134		
	T	4259	T	5439	T	6407	4.9	3.3
Kuwait	M	1218	M	777	M	937		
	F	925	F	770	F	881		
	T	2143	T	1547	T	1818	(6.5)	3.2
Lebanon	M	1241	M	1467	M	1609		
	F	1315	F	1542	F	1679		
	T	2555	T	3009	T	3289	3.3	1.8
Oman	M	921	M	1135	M	1371		
	F	829	F	1028	F	1256		
	T	1751	T	2163	T	2626	4.2	3.9
Qatar	M	328	M	365	M	393		
	F	157	F	185	F	212		
	T	485	T	551	T	605	2.6	1.9
Saudi Arabia	M	9168	M	9962	M	11700		
	F	6880	F	7918	F	9557		
	T	16048	T	17880	T	21257	2.2	3.5
Syrian Arab Republic	M	6239	M	7394	M	8730		
	F	6109	F	7268	F	8599		
	T	12348	T	14661	T	17329	3.4	3.3
United Arab Emirates	M	1086	M	1216	M	1321		
	F	585	F	688	F	786		
	T	1671	T	1904	T	2107	2.6	2
West Bank and Gaza Strip[a]	M	878	M	1078	M	1279		
	F	877	F	1067	F	1262		
	T	1755	T	2145	T	2541	4	3.4
Yemen	M	5536	M	7276	M	8603		
	F	5775	F	7225	F	8448		
	T	11311	T	14501	T	17051	5	3.2

Source: United Nations, *The Sex and Age Distribution of the World Populations, The 1994 Revision* (United Nations publication, Sales No. E. 95.XIII.2).

Note: ( ) Indicates negative.

a West Bank and Gaza Strip as estimated by the ESCWA secretariat.

TABLE 45. TREND IN TOTAL FERTILITY RATES IN THE ESCWA REGION, 1992, 2012

(At mid-year)

Country/Area	Mid-year	Total fertility rate	Life expectancy at birth
Bahrain	1992	3.75	71.2
	2012	2.43	75.5
Egypt	1992	4.12	61.6
	2012	2.5	69.8
Iraq	1992	5.7	66
	2012	3.89	72.1
Jordan	1992	5.7	67.9
	2012	3.89	73.3
Kuwait	1992	3.68	74.7
	2012	2.63	78.2
Lebanon	1992	3.09	68.5
	2012	2.1	73
Oman	1992	6.71	69.6
	2012	4.86	74.1
Qatar	1992	4.41	70
	2012	2.87	74.2
Saudi Arabia	1992	6.37	69.2
	2012	4.66	73.7
Syrian Arab Republic	1992	6.15	67.1
	2012	4	72.5
United Arab Emirates	1992	4.5	71.2
	2012	3.13	75
West Bank and Gaza	1992	6.7	65.9
Strip[a]	2012	5	72.2
Yemen	1992	7.18	52.7
	2012	5.14	62.7

Source: United Nations, *World Population Prospects, The 1992 Revision*, United Nations publication, Sales No. E.93.XIII.7.

a ESCWA secretariat estimates.

4. *Mortality*

The crude death rate in the ESCWA region, which was 8.5 deaths per 1,000 population during the period 1985-1990, declined to 7.4 deaths per 1,000 population during the period 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 2020-2025. However, the crude death rate is dependent on the age structure of the population, and it does not provide a good basis for comparison. Therefore, the life expectancy at birth, which shows the improvement of the health conditions in the ESCWA region, is a better indicator.

Life expectancy at birth in the ESCWA region was 65.6 years during 1990-1995, which is higher than the world average (64.7 years) and higher than the life expectancy in the Arab world (63.4 years). During the period 1990-1995, the highest life expectancy in the ESCWA region is found in the GCC countries. In Kuwait, it reached 74.7 years, followed by Bahrain (71.2 years) and the United Arab Emirates (71.2) years. However, in Yemen it was only 52.7 years. By 2020-2025, the 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 (77.0 years and 76.5 years, respectively), while in Yemen it is expected to reach 67.3 years.[130]

During 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 deaths per 1,000), and in Egypt it was 58 deaths per 1,000 live births. 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 ESCWA member countries (12 per 1,000), followed by Kuwait (14 per 1,000). However, the infant mortality rate is expected to decrease slowly but steadily in all the countries of the ESCWA region, and by 2020-2025, it will be highest in Yemen (39 per 1,000), followed by Egypt and Iraq (20 and 19 per 1,000, respectively) while in Bahrain it will drop to 5 per 1,000.

5. *Urbanization and internal migration*

In 1990, about 55 per cent (67.8 million) of the total population of the ESCWA region lived in urban areas (table 46). The level of urbanization is projected to reach 59 per cent (96 million) in the year 2000 and 67 per cent (156.7 million) by the year 2015. However, among the countries of the ESCWA region there are significant differences in the urbanization level. While Kuwait and Qatar are almost completely urbanized (97 per cent and 91.4 per cent, respectively), Yemen and Oman exhibit urbanization levels of under 35 per cent, and the remaining countries exhibit levels ranging from 44.8 per cent in Egypt to 87.2 per cent in Lebanon (table 46). In many of the region's more diversified economies, the productive capacities of cultivated land are under pressure from the rural population, whose numbers exceed agricultural capacity. In most of these countries, especially Egypt, Iraq, Jordan and the Syrian Arab Republic, internal migration has become a necessity, but it adds to the rapidly increasing urban population. Moreover, as the urbanization level increases in the region, by the year 2025 Kuwait and Qatar are projected to continue to have the highest levels of urbanization (98.6 per cent and 95.3 per cent, respectively), while Oman is expected to have the lowest level of urbanization (32.5 per cent).

6. *Population growth policies*

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 owing to high fertility levels. ESCWA member countries can be 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 view their growth rates as too high and have formulated explicit policies

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[130] United Nations, *World Population Prospects, The 1992 Revision* (United Nations publication, Sales No. E.93.XIII.7).

to slow them. Only Egypt has had such policies since the mid-1960s, and although Yemen finds its population growth rate 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 consider their growth rates to be too high, but they have no explicit policy in that respect, though Jordan is adopting a birth-spacing policy through an active family planning programme. The third group, consisting of those countries which consider their population growth rates satisfactory, includes 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 an intention to take further action. Similarly, Lebanon has no explicit policy although family planning is widespread; it has achieved the lowest population growth rates because of lower fertility and higher emigration. The fourth group includes Kuwait, which considers its population growth rate satisfactory, but at the same time 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.

TABLE 46. LEVEL OF URBANIZATION IN THE ESCWA REGION, SELECTED YEARS

Country/Area	1990	1995	2000	2005	2010	2015	2020	2025
ESCWA region	55.0	57.0	59.0	62.0	64.0	67.0	70.0	72.0
Bahrain	82.9	84.3	85.5	86.6	87.6	88.7	89.6	90.4
Egypt	43.9	44.8	46.4	48.7	51.8	55.4	58.9	62.2
Iraq	71.8	74.6	77.1	79.2	81.1	82.7	84.1	85.4
Jordan	68.0	71.5	74.5	77.0	79.2	80.9	82.5	83.9
Kuwait	95.8	97.0	97.7	98.0	98.2	98.3	98.4	98.6
Lebanon	83.8	87.2	89.5	91.1	92.1	92.8	93.4	93.9
Oman	11.0	13.2	15.7	18.5	21.7	25.1	28.7	32.5
Qatar	89.9	91.4	92.6	93.4	94.0	94.5	95.1	95.3
Saudi Arabia	77.3	80.2	81.8	83.3	84.7	86.0	87.1	88.2
Syrian Arab Republic	50.2	52.4	54.9	57.7	60.7	63.9	66.8	69.6
United Arab Emirates	80.9	84.0	86.2	87.8	88.7	89.7	90.5	91.3
West Bank and Gaza Strip	77.1	78.8	80.6	82.3	83.7	84.8	85.9	86.9
Yemen	28.9	33.6	38.4	43.0	47.4	51.2	54.9	58.4

Source: United Nations, *World Urbanization Prospects, The 1992 Revision.*

B. VULNERABLE GROUPS

1. *Disabled persons*

The benefits of social progress have not spread equally throughout the population of the ESCWA region. The majority of disabled persons, particularly those living in rural areas (half of the total), are not given equal access to new life options or benefits.

(a) *Disability statistics in the ESCWA region*

During the United Nations Decade of Disabled Persons (1983-1992), most countries in the ESCWA region made some progress in channelling human and physical resources towards the objectives of the World Programme of Action Concerning Disabled Persons, particularly in the area of impairment prevention, through the overall improvement of health conditions. The classic causes of impairment have been declining in relative terms owing to expanded child/mother immunization, better access to health care, improved water and sanitation facilities, lower fertility rates in some countries, better care for pregnant women, improved and active public campaign to promote literacy. However, it is assumed that the overall impairment/disability prevalence is still comparatively high in the ESCWA region. The present disability rate at the regional level may be estimated at between 7 and 10 per cent of the total population.[131] With an estimated regional population of about 147 million people in 1995, the estimate of the total number of disabled persons could range from 10.3 million to 14.7 million. The reported numbers of disabled individuals from government censuses and other sources vary widely, but they are all extremely under-enumerated. However, data from other pilot studies indicate the significance of disability in the region. According to a survey of two communities in the Gaza Strip, the incidence of disability ranged from 4.3 per cent to 4.5 per cent of the populations surveyed.[132] In Jordan, 11 per cent of the Jordanian families surveyed had a disabled member.[133] In Lebanon, it is estimated that 5 per cent of the current total population is disabled.

There are several hereditary, medical, socio-economic, environmental and cultural factors that have caused impairment/disability in the ESCWA region. These include: (a) poverty and malnutrition of mothers and children; (b) insufficient medical services; incomplete immunization of mothers and children; (c) high fertility and improper birth spacing among Arab women; (d) premature or late pregnancies; (e) the prevailing practice of marriage among close relatives; (f) armed conflicts; (g) traffic accidents; (h) increased life expectancy (old-age disability); and (i) negative social attitudes towards disabled persons and social isolation/stigma, leading to a “social handicap” for the region’s disabled citizens.

(b) *Poverty and disability*

Disability is closely correlated with poverty in the society. For instance, in the Gaza Strip, a significant relationship between disability and poverty was found in two communities (Bureij and al-Shati), about 31 per cent of those families with one disabled member in Bureij and 40 per cent in al-Shati are poor. These percentages increase to 32 per cent in Bureij and 43 per cent in al-Shati for families with two disabled members and 48 per cent in Bureij and 66 per cent in al-Shati for families with three or more disabled members (table 47). This shows a clear pattern of poverty (or its manifestation) negatively affecting the number of disabled family members within the same family.

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[131] The World Health Organization (WHO) currently estimates that 7 to 10 per cent of people in the world are disabled. The issue is controversial as each country’s classification of impairment/disability/handicap varies, and thus disability rates range from less than 1 per cent to over 20 per cent.

[132] Gaza National Committee for Rehabilitation (GNCR) and DIAKONIA, *Disability and Rehabilitation Needs in the Gaza Strip: A Survey Report on Bureij and al-Shati Refugee Camps* (Gaza City, 1993).

[133] Abdullah Al Zu’bi, Dept. of Statistics, *Disability in Jordan, 1993.*

TABLE 47. DISABILITY IN THE GAZA STRIP (BUREIJ AND AL-SHATI), 1993

No. of disabled within the same family	Financial status of the family in the Gaza Strip, 1993					
	Poor (%)		Middle level (%)		Well off (%)	
	Bureij	al-Shati	Bureij	al-Shati	Bureij	al-Shati
One disabled	31	40	41	42	28	18
Two disabled	32	43	43	43	25	14
Three disabled	48	66	25	23	27	11

Source: Gaza National Committee for Rehabilitation (GNCR) and DIAKONIA, *Disability and Rehabilitation Needs in the Gaza Strip: A Survey Report on Bureij and al-Shati Refugee Camps*, January 1993.

Bureij: chi sq. = 20.03357, p=0.005

al-Shati: chi sq. = 43.35005, p=0.0000

Immunization of newborn children is not yet complete in the ESCWA region. For example, infancy meningitis is still a major cause of childhood cerebral palsy according to a sample survey in Jordan. The proportion of fully immunized children (1 year old) against poliomyelitis during the period 1990-1992 was only 62 per cent in Yemen and 64 per cent in Iraq.[134] The rates of mothers immunized against tetanus during the same period ranged from 13 per cent in Yemen to 97 per cent in Oman. The rate was between 60 and 70 per cent in Egypt, Qatar and Saudi Arabia, between 30 and 50 per cent in Iraq and Jordan and less than 30 per cent in Kuwait. Women's vaccination against rubella together with a peri-natal examination is not yet universal in the ESCWA region. There are a number of childhood blindness cases (or cases of blindness combined with mental retardation) caused by maternal rubella infection in some ESCWA member countries.

(c) *High fertility and disability*

High fertility in the ESCWA region indicates the lack of birth spacing and late childbearing/rearing (after the age of 37). According to a 1993 Jordanian survey, almost 14 per cent of the mothers surveyed were over 35 years of age when they conceived their last child.[135] Pregnancy after the age of 37 runs a high risk of producing a child with Down's syndrome. According to another clinical research conducted in

[134] UNICEF, *The State of the World's Children 1992* and *The State of the World's Children 1994* (New York, Oxford University Press, 1994).

[135] Jordan, Ministry of Health, Department of Statistics and UNICEF Jordan, *Assessment of the Nutritional State of Preschool Children in Jordan*, 14 April 1993.

Jordan, the mean age of the mothers of the mentally retarded children with Down's syndrome in the experimental groups was 37 years.[136]

Box 8. THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

The World Summit for Social Development was held in Copenhagen from 6 to 12 March 1995 and was attended by 111 heads of State and Government. The highest priority was given to actions that would promote social progress and justice based on the full participation of all groups of society.

The Summit's three major agenda items were poverty alleviation, promotion of productive employment and social integration of all. Regarding social integration, it was recommended that the negative impact of structural adjustment and economic transformation on vulnerable and disadvantaged groups be minimized, that their marginalization in economic and social activities be prevented, and that appropriate measures be devised to ensure that these groups gain access to, and control over, economic resources and economic/social activities.

Moreover, Governments were urged to recognize and promote the abilities, talents and experience of vulnerable groups, to identify ways to prevent isolation and alienation and to enable them to make a positive contribution to society.

Regarding the most disadvantaged group—the disabled—it was recommended that Governments, in collaboration with the disabled persons' organizations and the private sector, work towards the equalization of opportunities, by promoting the United Nations Standard Rules on the Equalization of Opportunities for Persons with Disabilities and by developing strategies for implementing these rules.

Concerning the elderly, Governments were urged to ensure that elderly persons be able to maximize their contribution to society and play their full part in the community. Strategies should be developed within the context of the United Nations Principles for Older Persons and the Global Targets on Ageing for the Year 2001.

Strengthening family ties and promoting the role of the family in social integration was emphasized. In this respect, Governments were urged to ensure that all economic and social policies meet the needs of families, paying particular attention to their ability to care for children and disabled and elderly members.

According to a 1991 child health survey in Qatar, the number of children with an impairment, as a proportion of all children ever born, increases in accordance with the mother's age, indicating the risk of congenital impairments associated with the mother's age. The number of disabled children increases from 2.8 per 1,000 children ever born for mothers under 25 years old, to 6.2 per 1,000 for mothers aged 25-29, and to 9.6 per 1,000 for mothers aged 40-44 years old. The figures for surviving children with a disability

[136] Staffan Janson et al., "Severe Mental Retardation in Jordanian Children", *Bulletin of the Consulting Medical Laboratories*, volume 6, No. 2, April 1988.

show a similar picture.[137] The Qatar survey concluded that the risk of certain congenital impairments increased with the mother's age.

(d) *War disability*

The prolonged armed conflicts in the region have aggravated the disability problem. Although classical warfare itself affects mainly men, the aftermath of wars affect women and children even more. The aftermath of wars is still a key factor affecting disabilities in the region, particularly in Iraq, Lebanon and Palestine. In Iraq, psycho-social trauma was the most serious problem affecting children in the aftermath of the Gulf crisis.[138] In 1994, it was still affecting the welfare of Iraqi mothers and children, leading to an overall increase in childhood disability. According to the latest statistics released, during 1990-1994, the number of malnutrition cases increased from 102,487 to 1,312,678, and the number of poliomyelitis (a cause of permanent paralysis) cases increased by a factor of 7.5 during 1989-1993.[139] Kuwaiti children are still feeling the psycho-social trauma as well.

During the Palestinian *intifadah,* in addition to 855 fatalities, 58,000 casualties were reported in the West Bank, of which 30 per cent were children below the age of 15, and 25 per cent were women and girls. Furthermore, 10 per cent of all injuries resulted in a permanent disability, which constitutes a substantial increase over the pre-*intifadah* figures of about 60,000 persons with some kind of disability.[140] During the period May 1988 to July 1990 alone, UNRWA physiotherapists treated 3,885 cases, 3,068 of which were *intifadah*-related cases. A high percentage of patients with *intifadah*-related injuries are young adults and children.

In Lebanon, about 21.4 per cent of all male disabilities and 4.4 per cent of all female disabilities in Beirut were war casualties.[141]

(e) *Consanguinity and genetic disability*

One of the most important cultural and social problems influencing impairment in the ESCWA region is the practice of marriage between close relatives. Several studies indicate that the rate of consanguineous marriage is about 50 per cent in Jordan, 29 per cent in Egypt, 54 per cent in Kuwait and 25 per cent in

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[137] State of Qatar, Ministry of Health, *Qatar Child Health Survey*, 1991, chapter 6.

[138] "Health and Welfare in Iraq after the Gulf Crisis: An In-Depth Assessment", conducted in 1991 by the International Study Team funded by UNICEF and other private foundations.

[139] WHO, Iraqi national report submitted to the Intercountry Meeting on the Development of a National Plan for Community-Based Rehabilitation, Beirut, 28 November to 1 December 1994.

[140] UNRWA report submitted to the Eighth Inter-Agency Meeting on the United Nations Decade of Disabled Persons, Vienna, 5 to 7 December 1990.

[141] "Percentage distribution of impairments by causes and sex" (Beirut, 1992). Source: Shaar, quoted by Hicham Baroundy, 1994.

Lebanon.[142] Women's education seems to be a key to the solution of this problem. As shown in table 48, even the group of non-college-educated Jordanian women with higher education behave differently from the illiterate group, avoiding marriage to first cousins. Female university graduates showed a much wider range of freedom in terms of the selection of their husbands than other lower educational groups. Eighty per cent of Jordanian wives who had graduated from college avoided consanguineous marriage compared with 60 per cent of their male counterparts.

TABLE 48. JORDANIAN WIFE'S AND HUSBAND'S EDUCATION AND CONSANGUINITY
(*Percentage*)

Education	First cousins	Second cousins	Distant relationship	Total Consanguinity	None
Illiterate (wife)	31.4	5.5	12.7	49.6	50.4
Illiterate (husband)	23.6	4.1	15.5	43.2	56.9
Higher institute (wife)	26.9	8.6	10.8	46.3	53.8
Higher institute (husband)	38.6	5.7	12.5	56.8	43.2
University (wife)	12.0	4.0	4.0	20.0	80.0
University (husband)	25.1	6.0	8.2	39.3	60.7

Source: S.A. Khoury and D. Massad, "Consanguineous Marriage in Jordan", *American Journal of Medical Genetics*, 43:769-775 (1992).

(f) *Negative social attitudes and social marginalization*

Negative social reactions and rejection may create social barriers, which further handicap disabled citizens. In the Gaza Strip, a 1993 report indicated that participation in public life by disabled Palestinians, particularly disabled Palestinian women, is much more limited than that of the able-bodied. About 31 per cent of disabled females do not move about in their community at all, compared with only 13 per cent of disabled males. In addition, 64 per cent of disabled males move about by themselves in the community, compared with only 44 per cent of disabled females (table 49).

Twenty-eight per cent of disabled males do not attend school, while 31 per cent attend only at lower class levels, and the rest (41 per cent) attend school normally. However, 48 per cent of disabled females do not go to school at all, 19 per cent attend only at the lower level and 33 per cent attend school normally. The same gender-based difference can be found regarding participation in other social activities: 41 per cent of disabled girls do not participate in social activities at all compared with only 29 per cent of disabled boys.

It is clear from the data that social integration is a problem affecting the disabled in Bureij camp, particularly disabled women, who have more serious difficulty than their male counterparts in social integration.

[142] S.A. Khoury and D. Massad, "Consanguineous Marriage in Jordan", *American Journal of Medical Genetics*, 1992, pp. 769-775.

TABLE 49. SOCIAL PARTICIPATION OF DISABLED MEN AND WOMEN IN THE GAZA STRIP (BUREIJ), 1993
(*Percentage*)

Type of social activities	Percentage of gender category	
	Male	Female
Movement in community alone	64	44
No movement in community at all	13	31
	Chi sq. = 36.14959, p=0.000	
Attend school normally	41	33
Attend school only at lower level	31	19
Do not attend school at all	28	48
	Chi sq. = 10.50871, p=0.005	
Participation in social activity	49	31
No participation in social activity	29	41
	Chi sq. = 21.53889, p=0.000	

Source: Gaza National Committee for Rehabilitation (GNCR) and DIAKONIA, *Disability and Rehabilitation Needs in the Gaza Strip: A Survey Report on Bureij and al-Shati Refugee Camps*, January 1993.

(g) *Marriage of disabled persons*

Disabled adults face a marriage problem. As with social participation, disabled women in the region face more discrimination and difficulty in marrying and in maintaining a marriage. In Jordan, 62 per cent of disabled women were single, more than 18 per cent widowed, 16.3 per cent married and 3.4 per cent divorced (table 50), whereas among disabled men almost 60 per cent were single, 36.7 per cent were married, 3 per cent were widowed and less than 1 per cent were divorced. It is extremely difficult for disabled women to marry, establish their families and maintain a marriage.

TABLE 50. PERCENTAGE DISTRIBUTION OF DISABLED POPULATION (13 YEARS OLD AND OVER) IN JORDAN, BY MARITAL STATUS AND SEX, 1983
(*Percentage)*

	Disabled women	Disabled men	Total disabled	Deaf and mute men	Deaf and mute women
Single	62.17	59.26	60.30	67.07	73.20
Married	16.13	26.69	29.37	30.67	14.93
Divorced	3.36	0.89	1.83	0.40	3.23
Widowed	18.17	3.07	8.49	1.87	8.63

Source: Jordan, Department of Statistics, Statistics on the Disabled in Jordan, 1983. Quoted from *Social Statistics and Indicators in the ESCWA Region* (E/ESCWA/SD/98/8), developed by the United Nations Disability Statistics Database.

(h) *Conclusion*

In conclusion, the issue of disability can be addressed within the overall framework of human development in the region. It is important to alert the public to the danger of marriage between close relatives. Education, training and employment of disabled men and women should be promoted. Proper marriage counselling should be given to both disabled men and disabled women.

Finally, the role of women and mothers in preventing childhood disability should be emphasized, particularly in community-based rehabilitation. As the statistical data indicate a significant correlation between mothers' illiteracy and the incidence of childhood disability, female literacy (or family literacy) and overall development of women should be considered prerequisites for the prevention of disabilty and early intervention.

2. *The elderly*

(a) *Demographic trend of ageing in the ESCWA region*

The proportion of the elderly in total national population is currently low in all countries of the ESCWA region. In 1995, 5.3 per cent of the population of the region will be aged 60 and over. For individual countries, the figures will range from 3.3 per cent to 3.9 per cent in Bahrain, Qatar and Yemen; and from 4 per cent to 4.99 per cent in Iraq, Jordan, Oman, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates; 6.5 per cent in Egypt; and 8.3 per cent in Lebanon (table 51).

However, by 2025, about 8.6 per cent of the population of the ESCWA region will be 60 and over (table 51). Significant increases are projected for Bahrain (13 per cent), Kuwait (12.7 per cent), Qatar (21.6 per cent) and the United Arab Emirates (18.4 per cent). On the other hand, the bulk of the population structures of Jordan, Oman, the Syrian Arab Republic and Yemen will remain young at least during the first quarter of the twenty-first century. In Bahrain, Kuwait, Qatar and the United Arab Emirates, relatively large national incomes generated by oil revenues, combined with rapid urbanization, good standards of living, improved health care and gradually declining fertility rates resulting from the education of women, may have manifold effects, producing a drastic change in the demographic structure, including the marked ageing trends which have been projected.[143] In Egypt, the birth control measures which have been implemented by the Government will begin to show concrete results during the first quarter of the next century. The 60-plus population of Egypt will increase by a factor of three during 1995-2025 (table 51).

Similar trends are found in the 65-plus age group. In 1995, only 3.4 per cent of the total population of the ESCWA region will be over 65, and by 2025 the figure would reach 5.7 per cent. In Qatar and the United Arab Emirates, significant increases will be found in the proportion of this group. In the next two decades, the ESCWA region as a whole will encounter a considerable growth, both in absolute and relative terms, in the size of this group (table 51).

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[143] The United Nations global projection includes both nationals and non-nationals in the GCC countries. Normally, figures are projected on the basis of the combined fertility rates of nationals and non-nationals. For instance, according to the data in the *Demographic and Related Socio-Economic Data Sheets for Countries of the Economic and Social Commission for Western Asia as Assessed in 1988* (E/ESCWA/POP/89/8/Rev.1), the combined fertility rate of nationals and non-nationals in Kuwait in 1988 was 3.94 births per woman, compared with 6.21 for nationals and only 2.72 for non-nationals. Therefore, the projected percentages of the elderly in 2025 in some of the GCC countries may be overestimated.

TABLE 51. ESTIMATED AND PROJECTED POPULATION OF ALL AGES AND POPULATIONS AGED 60/65 AND OVER, IN THE ESCWA REGION, 1995, 2010 AND 2025

	A. Population 60 years and over (thousands)			Increase factor (60+)	B. Population 60 years and over (%)			C. Population 65 years and over (thousands)			Increase factor (65+)	D. Population 65 years and over (%)		
Year	1995	2010	2025	1995-2025	1995	2021	2025	1995	2010	2025	1995-2025	1995	2010	2025
World total	547131	764996	1194615	2.18	9.5	10.7	14.1	374353	521913	821827	2.20	6.5	7.3	9.7
ESCWA region	7461	12383	23930	3.21	5.3	6.0	8.6	4786	7843	15860	3.31	3.4	3.8	5.7
Bahrain	23	41	132	5.85	3.9	5.0	13.0	14	19	86	6.21	2.4	2.4	8.5
Egypt	3804	5904	11224	2.95	6.5	7.6	12.0	2458	3806	7670	3.12	4.2	4.9	8.2
Iraq	976	1775	3238	3.32	4.6	5.4	7.0	637	1150	2128	3.34	3.0	3.5	4.6
Jordan	209	356	692	3.31	4.4	4.7	6.4	128	242	411	3.20	2.7	3.2	3.8
Kuwait	43	131	354	8.18	2.7	6.0	12.7	27	76	229	8.39	1.7	3.5	8.2
Lebanon	251	306	542	2.15	8.3	8.1	12.1	167	212	340	2.04	5.5	5.6	7.6
Oman	80	161	287	3.58	4.4	5.3	6.1	51	97	202	3.97	2.8	3.2	4.3
Qatar	16	73	158	9.76	3.3	11.5	21.6	8	37	120	15.29	1.6	5.8	16.4
Saudi Arabia	757	1612	3275	4.32	4.3	5.8	8.1	475	945	2264	4.76	2.7	3.4	5.6
Syrian Arab Republic	635	966	1974	3.11	4.3	4.0	5.6	414	628	1199	2.90	2.8	2.6	3.4
United Arab Emirates	75	289	514	6.85	4.2	12.3	18.4	41	153	410	10.00	2.3	6.5	14.7
Yemen	542	790	1438	2.65	3.9	3.5	4.2	334	497	787	2.36	2.4	2.2	2.3

Source: United Nations, *World Population Prospects: The 1992 Revision* (United Nations publication, Sales No. E.93.XIII.7).

(b) *Sex ratios of the elderly*

The sex ratios for the elderly population show relative parity between the number of elderly men and women in most countries of the region. However, sex ratios in GCC countries are significantly high (over 200 in Qatar and the United Arab Emirates and 184 in Kuwait in 1995) as a result of the large-scale immigration of males for employment purposes, contributing to the over-representation of elderly males. Conversely, in labour-sending countries elderly women tend to outnumber elderly men.[144] Naturally, the services provided by families and by the community are affected by these differences in sex ratios.

(c) *Marital status of the elderly*

The gender-specific difference of the elderly population should be analysed together with their marital status, as elderly females tend to be more economically dependent. The available data indicate very high percentages of elderly widows in most ESCWA member countries, ranging from 47.9 per cent of all elderly women in Bahrain to 65.7 per cent in the United Arab Emirates. By comparison, the figures for elderly widowers in those countries are lower, ranging from only 3.7 per cent in Bahrain to 9.7 per cent in the United Arab Emirates.[145]

The same data show the percentage of divorced persons to be low for both elderly men and elderly women. The highest figures among ESCWA member countries are 4.6 per cent for elderly women in Bahrain and 4.2 per cent for elderly men in the United Arab Emirates.

The percentages of married elderly men are high compared with those of married elderly women. For example, while the lowest figure among elderly men was 82.1 per cent in the United Arab Emirates, the highest figure among elderly women was 49.7 per cent in the Syrian Arab Republic. This is in line with the fact that women tend to marry older men in the ESCWA region. Furthermore, it is presumed that elderly men tend to remarry after being widowed or divorced, while elderly widows or divorcees may have little or no alternative but to remain single. This is a serious problem as the majority of widows may have no means of income after the death of their spouses, and many are re-integrated into their parents' extended family as additional dependents.

(d) *Economic implications of ageing*

Future policies should be formulated well in advance to deal with the projected increase in the numbers of the elderly and to mitigate its potentially negative impact on the economies of the ESCWA region. An increase in dependency ratios means that fewer working-age people (15 to 59 years old) will be responsible for supporting both children (newborn to age 14) and the elderly (60 years old and over).

The overall ratio between the elderly and the rest of the adult population is an important factor affecting the stability of national pension and social security plans. This will influence the size of pension payments and the modalities for making them as well as the age at which retirement and payments should commence. It also has an impact on saving patterns (lower savings ratios) and overall economic growth.

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[144] ESCWA, "Demographic overview of the ageing situation in the ESCWA region and its developmental implications" (E/ESCWA/SD/1993/WG.1/11).

[145] Ibid., table 14.

(e) *Economic participation of the elderly*

The rates of the economically active male population for the 60-64 age group in 1995 is forecast to range from 65.15 per cent in Lebanon to 77.12 per cent in Qatar, much higher than the world average (62.16 per cent). In contrast, the equivalent rates for females would range from 1.1 per cent for Jordan to 15.33 per cent for Iraq, substantially lower than the world average of 18.06 per cent. Similar trends are found for the 65-plus group. Elderly men (65-plus) in the ESCWA region tend to remain more economically active compared with the world average, but the participation of elderly women in economic activity is limited.

(f) *The role of the family as care-giver*

The countries of the ESCWA region have given special attention and care to the elderly owing to cultural and religious values. The distinguished status of the elderly is maintained even today to a certain extent. However, parallel to the international trend, new opinions have emerged which address the issue of caring for them within the framework of State-sponsored services, particularly if both husband and wife work.

Although the nuclear family is on the increase, the strength of family relationships and the firmness of family ties still exist, as blood relationships between independent nuclear units are still maintained and the network of family ties is still relatively strong. Caring for the elderly is still largely a family responsibility even in nuclear families where mothers work, and grandparents could play a role in the upbringing of children as working mothers need their help in caring for the children. This solution would offer the mother a concrete benefit from the presence of elderly members of the family in the same household.

(g) *Literacy among the elderly*

UNESCO statistics[146] indicate that illiteracy levels among the older age groups of the population, especially among older women, are much higher than among the young. For example, 1986 statistics indicate that illiteracy rates in Egypt increase sharply with age. While 70.4 per cent of men and 90.8 per cent of women in the 65-plus age category were illiterate, the corresponding figures in the 20-24 age group were only 21.5 per cent and 51.6 per cent, respectively. The illiteracy rates for the total population over 15 were 36.4 per cent for males and 68.6 per cent for females. Furthermore, the illiteracy rates for both elderly men and women are much higher in rural areas than in urban areas in Egypt; 80 per cent of elderly men and 95.8 per cent of elderly women in rural Egypt are illiterate. In Iraq in 1987, 70.4 per cent of elderly men and 80.4 per cent of elderly women in the 65-plus age group were illiterate compared with only 13.0 per cent and 23.1 per cent, respectively, in the 20-24 age group. The same statistics indicate similar trends in all reporting countries of the ESCWA region. Eradication of illiteracy is indeed the priority for elderly populations in the ESCWA region. To combat this situation, several countries of the ESCWA region have already launched major adult-literacy programmes.

[146] UNESCO, *Statistical Year Book 1991* (Paris, 1991).

C. ASSESSMENT OF THE SOCIAL IMPACT OF STRUCTURAL ADJUSTMENT PROGRAMMES IN THE ESCWA REGION

1. *Introduction*

During the past two decades many ESCWA member countries have provided basic public services, particularly health and education, either free of charge or heavily subsidized, thus creating what can be called welfare States. People depend on the State to provide such services at low fees. Any decline in the provision of such subsidized services would have a negative social impact on the population as a whole, and on the vulnerable groups in particular. As a result of the heavy spending on basic social services, most of the ESCWA member countries have been able to reach relatively high human development profiles, as shown in table 52. The provision of such highly subsidized services are gradually being phased out in most ESCWA member countries as part of their respective structural adjustment programmes (SAPs). However, rather than focus entirely on basic economic issues, a successful SAP should address the basic social issue of upgrading human resources in order to be able to cope with the transformation of the society as a whole.

Although it is too early to assess the social impact of the ongoing structural adjustment programmes in the region, the reduction of government subsidies and subsequently the increased fees for social services may be expected to have a negative social impact, particularly on vulnerable groups such as the poor. As for education, the imposition of fees for elementary and primary education, as required by the SAP, would adversely affect the attendance of poor children, who may join the informal labour force at a very young age. Therefore, there is an urgent need to incorporate the social dimension into these programmes, including the provision of adequate safety nets for the most affected groups.

2. *Implementation of SAPs in the ESCWA region*

The experience of the ESCWA region in dealing with SAPs is still new. However, all ESCWA member countries will eventually face the negative social impact of the adjustment programmes if the social dimension is not taken into consideration. Issues such as improving the provisions for subsidized education, housing and health services for the poor, vocational training for the uneducated and retraining for the unemployed and the organization of the informal sector to contribute to productive employment should be addressed along with the restructuring of the economy. Irrespective of the economic and financial objectives of these policies, their implementation may have an adverse impact on the vulnerable groups of the population.

(a) *Egypt*

The Economic Reform and Structural Adjustment Programme (ERSAP) in Egypt was officially launched in April 1991 with the objectives of: (a) stabilizing the economy by reducing inflation and restoring macroeconomic balances; and (b) stimulating medium- and long-term growth that would transform the economy into a market-oriented one with minimal government intervention.

With the unemployment rate in Egypt having exceeded 15 per cent in 1994, the main challenge of the SAP is to create enough jobs to reduce the current rate. However, contractionary fiscal and monetary measures and reform in the public sector during the period 1991-1992 resulted in a reduction in public sector employment from 1,078,379 employees in fiscal year 1990/1991 to 1,013,667 employees in fiscal year

TABLE 52. PROFILE OF HUMAN DEVELOPMENT IN THE ESCWA REGION

Country	Percentage of population with access to: Health services 1985-1991	Safe water 1988-1991	Sanitation 1988-1991	Adult literacy rate (percentage) 1970	1992	Enrolment ratio for all levels age (6-23) 1990	GNP per capita (US$) 1991
Bahrain	100	100	100	--	79	75	7,150
Egypt	99	88	51	35	50	66	610
Iraq	99	91	70	34	62	62	740
Jordan	97	99	76	47	82	73	1,060
Kuwait	100	100	98	54	74	--	--
Lebanon	95	98	81	69	81	65	--
Oman	87	79	44	--	--	61	6,140
Qatar	100	89	97	--	--	--	15,040
Saudi Arabia	98	93	82	9	64	50	7,900
Syrian Arab Republic	99	73	83	40	67	66	1,170
United Arab Emirates	100	100	94	--	--	73	22,180
Republic of Yemen	30	--	68	8	41	43	520

Source: Economic and Social Commission for Western Asia based on UNDP, *Human Development Report, 1994*, table 2 (New York, Oxford University Press, 1994).

1991/1992, a drop of 6.4 per cent.[147] Moreover, the gradual abolishment of the graduate employment scheme (the Government extended the waiting period for a government job from 3-4 years in 1980 to 9-10 years in 1993) is expected to continue at the same, if not a higher, rate owing to privatization efforts. The total number of lay-offs is expected to reach 380,000, or about one quarter of the public sector employees, by the time the SAP is completed.[148]

Moreover, the decrease in government subsidies of goods and services that had been provided at low cost to the poor (such as basic food commodities, medical services, water and electricity, and education and transport) raised their cost of living and thus lowered their real income. Consequently, the poor have been forced to redefine their priorities in allocating their income; they must now spend more on basic nutritional needs, which entails a marked deterioration in other areas, including education and health.

The deep-rooted problem of poverty, compounded by unemployment, makes it impossible to ignore (a) the immediate adverse social effects of SAPs on the growing unemployment, falling real wages and higher prices as a result of the elimination of subsidies, and (b) the need to protect the vulnerable groups as early as possible. The deterioration in provision of welfare services to such groups carries with it a chain reaction over the medium to long run which will further weaken the ability of these groups to protect themselves from the negative social impact of structural change.

In 1991, Egypt established the Social Fund for Development (SFD) as a temporary step to protect the vulnerable population and low-income groups from the adverse effects of the SAP. The Fund's main objectives are: (a) to mobilize international and domestic funds on concessional terms; (b) to finance selected labour-intensive projects in public works, small enterprises and community development; (c) to develop and implement a labour mobility programme that complements the public enterprise reform programme; and (d) to strengthen the Government's capacity to design and monitor poverty alleviation policies in the long run.

The Fund 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 a total finance of LE 890.2 million and an estimated 12 million beneficiaries.[149]

There have been many criticisms of the efficiency of such finance programmes, since the main beneficiaries of the Fund operations were the urban middle-income groups, in addition to the high cost of creating employment opportunities. Other criticisms relate to the dependence on the SFD as a permanent tool to solve all of the unemployment and social problems associated with SAPs, while in theory it should be a

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[147] Ashraf Hussein, "Structural Adjustment Policies: evaluation with special reference to employment." Paper presented to the League of Arab States, Unit for Population Research, Brainstorming meeting on the impact of SAP on population. Cairo, January 1995, p. 18.

[148] Economic and Social Commission for Western Asia, *Structural Adjustment and Reform Policies in Egypt: Economic and Social Implications* (E/ESCWA/SED/1993/14), p. 52.

[149] Social Fund for Development, *Semi-Annual Report*, June 1994.

temporary tool to alleviate the negative impact of SAPs on selected vulnerable groups, and should be replaced by permanent institutions after the stabilization period.

(b) *Jordan*

In 1992, Jordan adopted its SAP for the period 1992-1998 to overcome financial imbalances and to reactivate the economy by implementing a package of economic measures aimed at increasing productive capacity by increasing the role of the private sector. The adverse impact on the social sector cannot be compared with that of Egypt owing to the different development path of each country, including the extent of poverty and the role of the public sector in the economy. Moreover, Jordan enjoys a higher human development portfolio when compared with Egypt, with an adult literacy rate of 82 per cent (table 52) and a more flexible social structure that allows labour mobility among various sectors.

The negative social impact of the SAP in Jordan has two aspects: (a) its negative impact on the poor; and (b) its inability to absorb or reduce unemployment. The two outcomes are interlinked in that unemployment feeds into poverty with the emergence of the new poor, which in turn results in a lower level of human development for the poor, and thus results in decreased productivity and employment in the medium to long run. The net social impact could be an increase in the gap between those who can afford to maintain social progress and those who fall into the poverty trap, thus increasing the polarization of the society as a whole. Such changes become rooted with time, and the two-year span needed for the SAP to take effect is not long enough to study its social impact and draw conclusions. However, it is important to take those changes into consideration in order to prevent the social conditions from deteriorating further.

The SAP allows for protection of vulnerable groups from further social deterioration by gradually phasing out subsidies for basic foodstuffs. The Employment and Development Fund and the National Assistance Fund were created in 1990 as safety nets to assist the most adversely affected vulnerable groups through targeting. However, a major problem that Jordan faces is the increasing unemployment rate, especially among the poor. The unemployment rate for those below the poverty line was estimated at 33 per cent in 1992, with 29.8 per cent males and 62.2 per cent females, while it reached 34.2 per cent for those under absolute poverty.[150] The young portfolio of the population (42 per cent of the population is below 15 years of age) implies the acceleration of the unemployment rate over time unless enough job opportunities are created to absorb the increasing number of new entrants. It is difficult to isolate the impact of the SAP on poverty or unemployment or other social distortions from that of other imbalances, but the problems remain to be dealt with, especially when the application of the SAP foresees a negative impact on an already deteriorated situation.

Another facet of the SAP that may have a negative impact on the vulnerable population is privatization and the initiation of private enterprises in the health and educational institutions that can provide a wider variety of services having better quality but at higher cost. A large number of private schools, universities and hospitals were established in the early 1990s that provided improved but expensive services. Such facilities are only affordable to relatively wealthy families and are beyond the means of the poor and the rural social groups. In addition, the Government is introducing cost-recovery schemes for public services that will lessen the accessibility of health and educational facilities to the poorer segment of society. These schemes

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[150] Economic and Social Commission for Western Asia, Structural adjustment and reform policies and their economic and social impact in Jordan (E/ESCWA/SED/1993/13 [in Arabic]), p. 46.

cause the gap between the rich and the poor to widen and may continue to do so in the future owing to the difference in the quality of services provided to each group. All this calls for a strategy incorporating social dimensions that will benefit the vulnerable groups within the society in order to stop the deterioration of their living standard and to better equip them to face the new economic realities.

3. *Conclusions and recommendations*

In addition to the macroeconomic imbalances, adjustment policies in the region need to address the issue of preparing and equipping the people to deal with the structural change, especially vulnerable groups such as the poor, the unemployed, and unskilled labourers. These policies should stress the resumption of economic growth as well as the development of an adequate human capital formation to enhance the adjustment process.

The above analysis calls for a rethinking of structural adjustment and a redefining of its priorities so as to bring it in line with the requirements of social development. The standard approaches of SAPs emphasize macroeconomic restructuring, but there are other structural aspects of society that should be adjusted simultaneously. Attention should be given to social policies that contribute to human security, stimulate the growth of human resources and skills and ensure equitable returns to productive activities. Structural adjustment programmes should also include modernization of the various sectors, a widening of the manufacturing base and, above all, preparing the human resources for the new structure. It should address the problems of redistribution of resources and assets, stimulation of the growth of productive skills according to future market needs and opportunities to employ these skills productively.

The success of the SAP depends to a large extent upon the institutional capacity of the country concerned to formulate, manage and monitor the programmes. Therefore, what is really needed is to strengthen the capacities of the government delivery systems and the institutional set-up. The social investment funds, which were established to channel funding for development projects to vulnerable groups, have limited resources and hence reach only a very small proportion of the vulnerable population. Consequently, these safety nets have to be provided with additional resources if they are to minimize the negative effects of these programmes on the poor and vulnerable groups.

The role of the State should be to design and implement more effective monitoring mechanisms and to increase the accountability of the market to the State. This requires working out new institutional arrangements that make adjustment measures more efficient and equitable to the less advantaged population through the promotion of social interactions. The role of Governments should be to regulate and control the activities of the private sector and coordinate its final production with incentives and information that would lead the private sector to behave in a manner that would collectively benefit the society as a whole while maintaining accountability. State intervention to ensure increased accountability would increase empowerment and participation at the local level. The Governments, civil societies and individuals all need to have a voice in economic and social decision-making, with the right balance to be found between these sectors.

Active labour market policies and appropriate labour market information systems are essential to allow for labour market flexibility and help jobseekers to plan better their training and educational requirements in order to adapt to the rapidly changing working environment and to improve the efficiency of the outlays of the public sector. Labour market flexibility and the speed of labour substitution among sectors plays a key role in expediting the structural adjustment process, as it results in better utilization of labour.

Increased public participation and decentralization in the decision-making process at both the planning and implementing stages is necessary for the society to interact with the new economic solutions and be prepared to face the difficulties associated with the SAP. People should be aware of the consequences of any restructuring, in the short and long run, so as to avoid marginalization of the vulnerable groups. Such public awareness would force the unskilled labour force to undergo vocational training for the jobs that will be required after the SAP is implemented and to achieve greater effectiveness in the use of their resources.

The role of NGOs, grass-roots organizations and voluntary societies should be strengthened to assist the vulnerable groups in overcoming the hardships of poverty and to assist with implementation of micro-enterprises for income generation, especially in rural areas and urban suburbs.

D. THE FAMILY AND WOMEN IN THE ARAB WORLD: OUTLOOK[151]

1. *The International Year of the Family*

(a) *Introduction*

Today, families in the Arab world are confronted with crises arising from wars and conflicts that leave behind refugees and displaced persons; poverty and famine; changing values and norms that shake foundations and strain family ties, causing tension among members; and unemployment resulting from changing economic structures and lifestyles. Nevertheless, the family remains vital for preserving and transmitting cultural values; it is the child's paradigm for the world outside. During the International Year of the Family, world attention was focused on enabling the family to fulfil its functions as the source of emotional and material stability, essential for the well-being of all its members.

The General Assembly, in its resolution 44/82 of 8 December 1989, proclaimed 1994 as the International Year of the Family, endorsing the proposed theme: "Family: resources and responsibilities in a changing world", with a view to creating among Governments, policy-makers and the public a greater awareness of the family as the natural and fundamental unit of society.

The main stated objectives of the International Year of the Family are: (a) to create among Governments, decision-makers and the public a greater awareness of family issues; (b) to support national institutions in their efforts to formulate and carry out family policies and monitor efforts to address family-related problems; (c) to enhance the effectiveness of local, regional and national family programmes; (d) to improve cooperation among national and international non-governmental organizations (NGOs); and (e) to build upon ongoing activities benefiting women, children, youth and ageing and disabled persons.

This was reinforced by General Assembly resolution 45/133 of 14 December 1990, in which the General Assembly expressed its confidence that 1994 would offer a unique opportunity to mobilize efforts, particularly at the local and national levels, to highlight the importance of the family, promote a better understanding of its functions and problems and strengthen national institutions to formulate, implement and monitor policies in respect of the family. The General Assembly also expressed its realization that in order for the International Year of the Family to be successful and for its impact and practical efficiency to be maximized, adequate preparation and the widespread support of all Governments, specialized agencies, intergovernmental and non-governmental organizations and the public were required.

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[151] Including women and families in the ESCWA region.

The Secretary-General, in his message of 15 May 1994, delivered on the occasion of the First International Day of Families, emphasized that the family played a pivotal role in the development process, constituting a key issue not only for the International Conference on Population and Development but also for the World Summit for Social Development and the Fourth World Conference on Women. In concert with the International Year of the Family, those important events would make invaluable contributions to an emerging comprehensive framework for global action to serve as guidelines for the next century. The Secretary-General further stressed that a "partnership" with families must be established in the formulation of a new social contract in order to face the challenges of the twenty-first century.

(b) *The Arab family*

The Arab family is both an economic and a social institution. It socializes and educates the children, provides protection and care to the elderly, disabled family members and other dependents and provides other social services that are often not available elsewhere.

The structure of the Arab family has been undergoing a radical transformation. Rapid urbanization, industrialization, migration, new technologies, access to information, armed conflicts and political disturbances have led to a gradual erosion of traditional social values and norms. Socio-economic factors, including the growing participation of women in the labour force, have had an impact on the fabric of the family in the region, contributing to the rise of the nuclear family and to changing attitudes and values that affect relations among family members. The extended family has been giving way to the nuclear family, not only in urban but also in rural areas owing to internal and external migration. Despite this change, an alternative to the family as a social institution and as a source of cohesion and support within the society has not emerged, although some of its functions are being undertaken by other entities.

The Arab family is generally characterized by its relatively large size, with children considered as assets and potential income-generators. Some Arab countries pursue policies encouraging population growth, while others advocate limiting population growth in order to improve the quality of life. In the latter group of countries, the predominance of children and youth in the family has taxed the family and posed serious problems for policy-makers. In recent years, however, a reduction in the size of the family has been registered in several Arab countries. This was largely associated with increased access by women to health services, education and employment. This improvement in the status of women is at the centre of the change in the structure, form and function of the Arab family and society.

Educated women are more aware of their rights as human beings and are more vocal in demanding them. The increasing participation of women in the labour force, especially the formal sector, has been a catalyst of change in the family structure. This has not only helped to improve the quality of family life but has also involved women in the decision-making process within the smallest unit in the society. The employment of women has also helped to change perceptions about their role in the family, shifting from a more authoritarian unitary head of family towards a more participatory and egalitarian relationship within the family. In effect, employment of women is a major step in redefining and redrawing the different but complementary roles of family members towards partnership within the family.

However, women's employment has given rise to new types of problems within the family with far-reaching implications for the society at large. The multiple roles that women are playing have taken a toll on their performance. These difficulties and frustrations are aggravated by an absence of day-care centres and other facilities to assist working mothers in carrying out their duties. Such facilities are available but exorbitant fees make them prohibitive for the average working mother.

The family provides a strong support system and a safety net in Arab society. The Arab family has been and should remain a "sanctuary of security, respect and love". All efforts should be exerted to maintain this support system and these strong family ties. With women working side by side with men, a redefinition of identities and a new division of responsibilities within the family have brought about a differentiation in roles, more sharing in decision-making and partnership within families at large.

While traditional family forms remain the norm in much of the region, changing economic and social realities have placed increasing pressure on family members in recent decades. These changes are posing difficult challenges to the Arab family and to policy-makers concerned with maintaining social stability and cohesion. These challenges include: weakening of family ties, owing partially to spatial mobility, a gradual shifting away from extended to nuclear and more flexible family forms, increasing emphasis on individual rather than communitarian social values, and a redefining of the traditional roles and expectations of individual family members, particularly those of women as "care-givers", towards a more egalitarian and task-sharing "partnership" within the family.

Therefore, this period of rapid transformation within Arab society and its most fundamental unit, the family, calls for immediate attention to ensure popular participation and the pursuit of a holistic approach to development. This may be achieved by redressing possible damage and social imbalances at the family and society level that may have been caused by discrepancies owing to time-lags, lack of harmony and synchronization among political, economic, social and cultural dimensions of development, and by bridging the gaps resulting from developments in one dimension outpacing developments in others.

Moreover, this transitional period may provide countries of the region with the opportunity to review their national legislation and clarify its actual and potential impact on families. New patterns of partnership that give men a greater role in child care and development and enable women to explore new opportunities for education and employment require support. This must be supported by research on the situation of families, assessment of existing services and identification of unmet needs.

(c) *Observing 1994 as the International Year of the Family*

At its sixteenth session, the United Nations Economic and Social Commission for Western Asia adopted resolution 186 (XVI) urging all ESCWA member States and international donors to provide the ESCWA secretariat with the necessary financial and other means of support needed to convene a regional preparatory meeting involving governmental and non-governmental organizations during 1993, in preparation for the International Year of the Family.

In implementation of that resolution and the recommendations of the United Nations Africa and Western Asia Preparatory Meeting for the International Year of the Family, held in Tunis from 29 March to 2 April 1993, the ESCWA secretariat called for the holding of an "Expert Group Meeting on the Arab Family in a Changing Society: A New Concept of Partnership". The Tunis regional preparatory meeting was followed by three other regional meetings, held respectively in Malta, China and Colombia. The meetings provided the basis for concrete action at the regional, national and local levels. At the Malta meeting, the Secretary-General, stressed that "the International Year of the Family should help in the promotion of human rights, especially the rights of the child, individual freedoms and gender equality, both in the family context and in the society at large", and that it was important to reinforce the family's inherent strengths to enable its members to realize their full potential.

2. *Arab plan of action for the advancement of women to the year 2005*[152]

(a) *Introduction*

The Arab Plan of Action for the Advancement of Women, was adopted by ESCWA and the League of Arab States in a meeting held in Amman from 6 to 10 November 1994. The Plan represents part of the Arab region's contribution to the preparations for the Fourth World Conference on Women. The Plan of Action is based on the Narobi Forward-looking Strategies, the international covenants relating to human rights and the rights of women and children, and the international conferences relating to women and children, particularly the 1990 World Summit for Children, the World Conference on Human Rights (1993) and the International Conference on Population and Development (1994).

(b) *General framework*

The Arab States are faced with several complex economic, social, cultural and technological challenges and prospects within a regional and international climate of accelerating changes, and a tendency towards greater economic and political domination, all of which have particularly affected women. The region is also witnessing tendencies towards extremism which distort the image of Arab women. Therefore, the Arab Plan of Action, for the implementation of which governmental and non-governmental efforts will be joined to those of Arab, regional and international organizations, is based on an accurate diagnosis of the conditions of the Arab region in general and of Arab women in particular.

The Arab region is facing numerous challenges which call for effective and innovative methods to deal with them, including the advancement of women. One of the major challenges in this domain lies in employment opportunities for women and their access to social services. Another challenge facing the Arab States is the inadequate conceptualization of human development which fails to ensure security for the people; to expand alternatives and opportunities to achieve justice and gender equity for full participation of women and youth; and to create conditions conducive to democracy based on pluralism and greater participation of citizens, including women at the grass-roots level, in the decision-making process, thus allowing the society to achieve its goals in accordance with a systemic, integrated and holistic approach to development under a democratic climate.

In this connection, reference should be made to the absence of dialogue in some Arab countries as a means of participation in many cases and to the occasional resort to violence in any form that produces tension and conflict, leading to family and social disintegration. It should also be noted that most of the causes of tension in society are essentially economic and social, though they sometimes assume a political and military character; often they are dealt with as a political and security phenomenon only. Some hostile parties exploit social tension to destabilize society.

The success of the ongoing peace process depends on the immediate implementation of the United Nations resolutions that call for Israel's complete withdrawal from all occupied Arab land in Palestine, southern Lebanon and the Syrian Golan. These resolutions also guarantee the right of the Palestinian people to return, self-determination and the establishment of an independent State on their land with Jerusalem as

[152] Based on the Plan of Action for the Advancement of Women to the year 2005 contained in document E/ESCWA/SD/1994/9 of March 1995.

its capital, as well as the respect of the right of the Lebanese people to full sovereignty over their national territory. A comprehensive and just peace and stability in the region are prerequisites to development and equality. A comprehensive and just peace would free the human and financial resources that are being spent on military equipment and wars, when they could be geared towards development that provides women with equal opportunities for participation.

The basic deficiencies and weaknesses in the field of statistics, information and surveys carried out without disaggregation of data by gender remain a major impediment to Arab Governments' efforts to formulate effective development policies concerning women in an age when possession of information and the ability to store, retrieve and transmit it have come to assume a crucial role in determining the competitiveness of nations to keep abreast of the times.

However, swift action to eliminate the effects of war, occupation and armed conflict in the Arab region and the suffering they have caused, especially the Gulf war, is a fundamental condition for rebuilding Arab cooperation and solidarity and putting an end to the suffering of women, children and the elderly.

In addition, policies of Arab countries should be conducive to increasing the participation of women in the management of resources and should improve women's access to quality education and opportunities for work to enable them to contribute effectively to the development process, and to face the regional and global challenges and changes affecting them throughout their life cycles.

Based on the above, the Arab Plan of Action for the Advancement of Women to the Year 2005 urges the Arab Governments to speed up the formulation of policies and take action necessary for providing the appropriate environment and preparing the prerequisites for effectively responding to women's critical areas of concern, including: acquisition of legal rights, participation in decision-making, raising awareness, improvement of the level and quality of education, eradication of illiteracy, rehabilitation, creation of job opportunities, alleviation of poverty, provision of health services including medical and psychological counselling services, protection of the environment and the utilization of the media as a means for development. The Arab Plan of Action also urges these Governments to pay particular attention to establishing at the highest executive level of authority a central machinery or mechanism to deal with women's issues where such a mechanism does not exist, and to strengthening the existing mechanisms and programmes concerned with women and to assisting non-governmental organizations in capacity- and institution-building.

(c) *Strategic objectives of Arab women derived from the critical areas of concern and action to be taken*

(i) *Safeguarding the right of Arab women to participate in power structures and decision-making mechanisms*

Most Arab Governments are anxious to improve the situation of women in power structures and in the decision-making process. To that end, they pass laws and legislation to promote the status of Arab women. However, women's participation in power structures is still far below the 30 per cent target set for 1995 by the Economic and Social Council (recommendation VI in the annex to Economic and Social Council resolution 1990/15). This calls for action on the part of Governments and non-governmental organizations and for support from regional and international organizations.

Furthermore, the rights of women are an integral part of the social, economic, political and cultural rights defined in the Universal Declaration of Human Rights; therefore, they may not be violated under any circumstances or for any reason.

Therefore, efforts should be made to achieve the target set by the Economic and Social Council for the participation of women in power and decision-making structures and to mobilize society—both men and women—and raise awareness in order to change the negative and biased attitude of society towards women and their role in decision-making, and to adopt mechanisms and measures which enable them to achieve that goal.

(ii) *Alleviation of poverty for Arab women*

Despite the lack of accurate gender-disaggregated data on poverty in the Arab States consistent with the indicators adopted by the United Nations Commission on the Status of Women, it is obvious that the effect of global economic recession combined with structural adjustment policies and programmes in some Arab States, the transition to a market economy and the associated shrinking in the role of the public sector in creating job opportunities and providing social services, as well as the exacerbation of the problem of foreign debt and its servicing and the dwindling of revenues and financial resources for development, have undermined the capacity of Governments to provide for the basic needs of their populations, and as such have undermined anti-poverty initiatives, especially those benefiting women and children. This situation, coupled with war, civil strife, armed conflict, Israeli occupation, arbitrary measures imposed on States, and environmental degradation, has exacerbated the suffering of women and resulted in an overall increase in the number of households living in poverty and in the number of poor, female-headed households.

The general objective is to eradicate poverty, eliminate its causes and alleviate its effect on women, within the framework of comprehensive development based on principles such as self-reliance, especially for female-headed households.

(iii) *Ensuring Arab women equal access to all levels of education*

During the past three decades, Arab women have been exposed to various factors and changes in the field of education, especially following the oil boom of the 1970s, which led to an increase in school enrolment rates and the commitment of a considerable number of Arab countries to social welfare policies for their citizens. However, despite the reduction of illiteracy rates in the Arab countries and the rise in the enrolment rates at the various levels of education, the absolute number of illiterate people increased as a result of the rise in drop-out rates as well as other economic, political and social factors. Gender disparities still exist in some Arab countries since the drop-out rates from schools are high among young girls, especially in rural and remote areas as well as in occupied territories. Even in those Arab countries that did achieve gender equity in school enrolment rates, girls continue to enrol in stereotyped female-labelled disciplines, which limits their growth potential in non-traditional scientific and technological fields of education.

The general objective is to give females equal opportunity in education and to ensure that women benefit from education, eradication-of-illiteracy programmes, and vocational training to achieve self-reliance.

(iv) *Ensuring Arab women equal access to health services*

Although Arab women's health has improved in recent years, according to the United Nations human development index (HDI), it is still below the standard and varies from one Arab country to another. Most

Arab countries continue to have a relatively low female life expectancy at birth, in comparison with developed countries. Maternal mortality and morbidity rates are considered high. Infant mortality and morbidity rates are also high, especially for females. Environmental pollution leads to various diseases, while high fertility rates lead to a deterioration in women's health as a result of too early, too late or too frequent pregnancies, especially for women living under dire economic conditions. Malnutrition leads to an increase in the number of mothers and children suffering from anaemia. Lack of awareness in respect of reproductive health, including family planning, inadequacy and poor quality of health services, is one of the problems still unresolved in some Arab countries. Some Arab countries are still suffering from inadequate health care as a result of economic, social and political factors such as wars, occupation, conflicts, or siege.

Therefore, the plan's objective is to safeguard the right of women to participate actively in the formulation and implementation of health plans and policies which meet their needs and ensure good physical, mental and social health for women throughout their life cycle and in all areas.

(v) *Promoting Arab women's economic self-reliance and capacities to enter the labour market*

The social and economic changes in the Arab region have led to a quantitative and qualitative increase in the female labour force, reflected in a rise in the rate of female education which has resulted in diversifying the demand for women working in modern economic sectors such as industry and in services and a relative increase in the participation of women at all levels in the workplace, including management and decision-making positions requiring high-level scientific and technical skills. Despite the progress achieved, women's work in the agricultural sector, which employs the largest share of the female labour force in most Arab countries, remains seasonal and mostly unremunerated. The migration of men from rural areas has placed a heavier burden on women while at the same time raising the value of their contribution to that sector, whether remunerated or not. Furthermore, educated women are facing unemployment because of the lack of job opportunities commensurate with their qualifications and fields of specialization and also because of some traditional values reinforcing stereotypes and preventing women and men from working in fields considered male or female preserves.

One of the most important factors limiting the productivity of women is the uneven distribution of time between their duties in the workplace and their familial role as mothers and wives within a social context that discourages men from sharing domestic responsibilities with women; in addition there is an inadequacy of nurseries, day-care centres and related support services that assist women in performing their multiple roles.

In this respect, the objective is to enable women to strengthen their capabilities, promote their economic self-reliance and increase their contribution to economic activity including participation in the development planning exercise.

(vi) *Overcoming the effects of war, occupation and armed conflict on Arab women*

The Arab region has witnessed several wars as a result of the Arab-Israeli conflict, the Iran-Iraq war, and the Gulf war as well as civil strife and armed internal conflicts. The people of some Arab countries suffered from different kinds of exile, expulsion, captivity, imprisonment, disablement, siege, embargo, deportation and displacement of thousands of families. It is well known that recurring wars and conflicts in the world have negative effects such as heavy public expenditure on defence budgets for armaments at the expense of development projects, an increase in the number of prisoners of war, refugees, displaced persons and exiles, most of whom are women and children. Moreover, women living under conditions of war are victims of violence, torture, kidnapping and rape as well as psychological disorders.

The participation of women in conflict resolution and in efforts to maintain peace should be increased and women should be protected against the effects of conflict.

(vii) *Elimination of violence against women*

Some women suffer from violence in its various forms, such as violence in the family, in the workplace and in public life. Violence is considered a violation of basic human rights. For instance, forcing young girls to quit school, sometimes forcing them into marriage, battering of girls by family members and sometimes putting pressure on women to waive their legal, personal or civil rights because of social customs and traditions are all considered forms of violence against women. Women in particular are subject to violence and rape during wars, under occupation and all sorts of armed conflict (especially women refugees, deportees, displaced women, prisoners of war, and detainees). Women are also subject to violence in the absence of democracy and respect for human rights.

The general objective is to enforce international conventions that guarantee women's civil rights in general, and during occupation, wars and armed conflict in particular, to provide women with adequate protection from all forms of violence, and to strengthen the preventive means and measures by ensuring the participation of countries at the Arab, regional and international levels in combating these phenomena and limiting their incidence through education, awareness and the enforcement of laws.

(viii) *Participation of women in managing natural resources and safeguarding the environment*

Environmental endowments and limited natural resources in the Arab region are factors that constrain the ability to meet fully and satisfy adequately the growing population needs, especially those of women and children. It is therefore imperative to accord special consideration to environmental issues and the factors that lead to environmental degradation in Arab societies and their impact on the health, social and economic conditions of women and the family.

The general objective is to promote the capacities of women and guarantee their effective participation in the protection of the environment and the rational and sound management of natural resources.

(ix) *Using the communications media effectively to effect changes in roles in society and promote equality between men and women*

The communications media—whether printed or audiovisual—in the region sometimes portray the Arab woman by reinforcing her traditional stereotyped role and downplaying her positive and changing role in which she shares with man the new concepts related to improving the quality of life and participating in the process of social, political and economic development. The mass media in the world focus on a distorted image of the Arab in general and Arab women in particular. Mass media are effective instruments in accelerating the process of sustainable development and because of their strong impact on people's behaviour and perceptions they are catalysts of change in social customs and behaviour. The media are highly influential in creating new perceptions and behaviour and in spurring action for "development, equality and peace".

The mass media—in various forms—should be sufficiently and appropriately used to project a positive image of the active and effective role of Arab women in the family and in society. They should aim to develop women's capabilities and skills, through carrying out well-studied media programmes with messages containing concepts, values, perceptions and images reinforcing those of Arab and international strategies for the advancement of women.