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LIST OF INSETS

ABBREVIATIONS AND EXPLANATORY NOTES

AFESD	Arab Fund for Economic and Social Development
ALBA	Aluminium Bahrain
bbl	Barrel(s)
b/d	Barrels per day
c.i.f.	Cost, insurance, freight
CIS	Commonwealth of Independent States
DUBAL	Dubai Aluminium Company
dwt	Dead-weight tonnage
EC	European Communities
EEC	European Economic Community
EGYPTALUM	Egypt Establishment for Aluminium Production
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	Free on board
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
HADEED	Saudi Iron and Steel Company
ICC	International Chamber of Commerce
IDS	International Development Strategy
IMF	International Monetary Fund
JPMC	Jordan Phosphate Mines Company
KM^2	Square kilometres
LDC	Least developed country
LNG	Liquefied natural gas

ABBREVIATIONS AND EXPLANATORY NOTES (continued)

LPG	Liquefied petroleum gas
m/b/d	Million barrels per day
MCM	Million cubic metres
More diversified economies	Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic
MTBE	Methyl tertiary butyl ether
MVA	Manufacturing value added
MW	Megawatts
NGOs	Non-governmental organizations
OAPEC	Organization of Arab Petroleum Exporting Countries
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SABIC	Saudi Basic Industries Corporation
SDR	Special drawing rights
SNPA	Substantial New Programme of Action
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
VLCC	Very large crude carriers

Notes: References to dollars ($) are to United States dollars, unless otherwise stated; Two dots (..) indicate that data are not available or not separately reported; An em dash (--) indicates that the amount is nil or negligible; A hyphen (-) indicates that the item is not applicable.

OVERVIEW

The overall economic performance of the ESCWA region, a number of detractive developments and features notwithstanding, improved significantly in 1992, with the notable exception of Iraq, which continued to be adversely affected by United Nations sanctions. This improvement is reflected in higher aggregate output and per capita income levels, marked improvement in the internal and external balance situation and reduced inflationary pressures.

The region appears to have generally recovered from the consequences of the Gulf crisis. Aggregate gross domestic product (GDP) is estimated to have grown by 4.6 per cent in 1992, after declining in the preceding two years. All member countries except Iraq and the Republic of Yemen shared in the improved performance.

Several developments have contributed to the improved performance. Progress in the implementation of economic reform programmes has: enabled some traditionally deficit member countries (Egypt and Jordan) to lessen their internal and external imbalances considerably; contributed to the improvement of overall economic performance and prospects; enhanced the international credit standing of the member countries, eliciting positive effects on the external debt situation; and reduced inflationary pressures.

While privatization and policies of "opening-up" and deregulation are central to the economic-reform programmes advocated by the International Monetary Fund (IMF) and the World Bank for Egypt and Jordan, the trend has also been gaining momentum in other countries of the region, including the Syrian Arab Republic and Yemen. An expanded role for the private sector is being pursued in the context of liberalizing trade and pricing and providing greater incentives for investors (e.g., Law No. 10 of 4 May 1991 in the Syrian Arab Republic, and Law No. 22 of 1991 in the Republic of Yemen). At the same time, increasing attention is being paid to raising the efficiency of public enterprises and to economic management.

Remarkable resiliency was shown by some countries in coping with the aftermath of the Gulf crisis. Jordan is notable in this regard because of its handling of the returnee problems, the manner in which it capitalized on their skills and savings, and alternative markets and sources of aid which it found for those who had suffered losses in the Gulf. This is highly significant, given the presumed high vulnerability of the Jordanian economy to external influences and shocks. The considerable progress made by Kuwait in reconstruction, particularly in the rehabilitation of its oil production and export facilities, is also worthy of mention.

Though tangible results have not yet been achieved, commitment to the Middle East peace negotiations has held, presenting some potentially far-reaching implications for future growth and development in the region in the event of their successful conclusion.

Other positive features and developments include: (a) the improved prospects for the Lebanese economy, reflected in (i) the increasingly positive and forthcoming attitude by international and regional lending institutions and aid donors, (ii) a significant improvement in the exchange rate of the Lebanese pound (LL) from LL 2,750 to the dollar to LL 1740 to the dollar in the four months up to February 1993, associated with a significant rise in international reserves, and (iii) some abatement in inflationary pressures; (b) recovery in non-oil-sector activities in the Gulf (including banking, manufacturing and trade), and capital inflows (including capital repatriated during the Gulf crisis); (c) good agricultural harvest due to abundant rain- and snowfall which favourably affected Jordan, Lebanon and the Syrian Arab Republic (the latter has also benefited from the expansion in the production and export of crude oil); and (d) record revenues from tourism and Suez Canal dues in Egypt and partial recovery of tourism in Jordan.

Other developments and features, however, have continued to detract from performance and development prospects.

Regional cooperation efforts suffered a severe setback as a result of the Gulf crisis and war; this situation has persisted, creating adverse effects on regional trade, aid and labour flows, particularly for the less-endowed member countries. Frequent border disputes have also contributed to strained relations, even among members of the same economic grouping and/or those with traditionally close economic and cultural ties. This is unfortunate since the weakening of integrative arrangements and institutions in the region is taking place at a time when other regions are forging closer economic ties and forming ever larger economic blocs.

Demographic pressures continue to place a severe strain on the limited resources of a number of countries in the region, making the creation of employment opportunities and provision of social services such as education and health--as well as generating adequate savings--increasingly difficult. The unemployment problem has been aggravated by the loss of employment opportunities in the Gulf and by recruitment policies that generally favour labour from outside the region and discriminate against nationals of some member countries, a practice which emerged in the wake of the Gulf crisis.

The priority given to security and defence (accentuated by the Gulf crisis) continues to divert scarce resources away from development. This has also contributed to widening budget deficits in some of the traditionally surplus countries, obliging some of them to resort to foreign borrowing and the liquidation of assets held abroad and to pursue more conservative aid policies.

Income disparities within and among countries of the region remain a pressing problem which could become a serious destabilizing factor undermining the development process.

The maintenance of economic sanctions by the United Nations against Iraq has continued to impose severe constraints on the country's ability to repair the war damage and resume development and growth.

Intensified efforts by the Israeli authorities to suppress the <u>intifadah</u> have led to further deterioration in the economic and social conditions of people in the occupied Palestinian territories.

In a number of countries, including Iraq, Lebanon, and Yemen, inflation and pressure on the national currency have remained untenably high. In Lebanon, there was a significant strengthening of the national currency, but the rate of inflation in 1992 is estimated at 120 per cent as prices failed to fall commensurately.

The disastrous consequences of the Gulf crisis and war, coupled with the inability of the main power groups to reach agreement hampered the implementation of the agreement that brought together Yemen and Democratic Yemen in May 1990.

Attacks on foreign tourists in Egypt since the latter part of 1992, if they continue, pose a threat to the Egyptian tourism industry and thus to a significant source of foreign exchange earnings.

Also, developments at the international level were mostly unfavourable. World output, after falling by 0.6 per cent in 1991 in the first global contraction in the post-war era, grew by 0.4 per cent in 1992, i.e. by less than one fourth the rate that had been projected a year earlier (1.5 per cent).

The volume of world merchandise trade grew by about 4.5 per cent in 1992, compared to 3.9 per cent in 1991 (the smallest growth since 1983). This was the ninth consecutive year in which world trade grew more rapidly than world output--a period that has also been characterized by large-scale international transfers of financial resources. Stronger economic activity in the developed market economies and a slow-down in the contraction of output in the economies in transition are expected to boost the growth of world trade in 1993.

The countries of the ESCWA region are still trying to adjust to the significant social changes that have emerged in the wake of the Gulf crisis. The crisis further aggravated problems such as unemployment, disparate living standards, poverty, drug abuse, disability, refugees and returnees. High population growth, the massive influx of returnees and reduced aid flows have worsened the poverty problem in several member countries. The situation has been further exacerbated by inadequate employment opportunities and inadequate health, education, and other social facilities, particularly in the rural areas. Deteriorating rural conditions have led to the massive displacement of people and to worsening urban poverty. In Iraq, there has been a rapid increase in poverty levels resulting from the Gulf crisis and war and from the economic sanctions imposed by the United Nations Security Council. In contrast with the general improvement in health services, the health situation in Iraq has continued to deteriorate, reflecting inadequate medical supplies and services. The infant mortality rate has quadrupled, and cholera and typhoid--which had previously been eradicated--have returned. In Jordan, where almost 30 per cent of the population is considered to live below the poverty line, the Gulf crisis has added further strain. In Yemen, indications are that poverty has increased, precipitated by the return of more than 850,000 persons from the Gulf region and between 40,000 and 60,000 from Somalia and other parts of eastern Africa.

I. THE INTERNATIONAL SETTING

A. World output and trade

1. World economic growth

As previously mentioned, world output in 1992 grew by less than one fourth the rate that had been projected a year earlier (table 1). The virtual stagnation in world output in 1992 was largely the result of two major developments: first, the developed market economies grew by a mere 1.5 per cent; second, production continued to contract sharply in several of the economies in transition in Eastern Europe and the former Soviet Union, recording an average drop in output of 18.4 per cent.

The recession and recovery in major industrial countries have not followed the pattern of previous cycles in the post-war period since these countries have simultaneously faced difficulties that exerted a drag on recovery. Private-sector debt overhang continued to constrain economic activity in major industrial countries. In other industrial countries, a sharp decline in asset prices, particularly in real estate, weakened bank portfolios and reduced household wealth and therefore propensity to spend. The situation has been further complicated by problems faced by Germany as a result of the high costs of unification and the turmoil in European currency markets.

In the developing countries, output is estimated to have increased by 4.5 per cent, i.e., by more than 1 percentage point over 1991. However, this growth conceals significant disparities among the various developing regions. Latin America and the Caribbean economies are estimated to have grown by 2 per cent (2.9 per cent in 1991); Africa, still suffering from a severe drought, by 2.3 per cent; and Western Asia by 4.5 per cent.

World average per capita output fell in 1992, and virtually no increase is expected in 1993.[1/] The decline was especially marked in Eastern Europe and the former Soviet Union, while output in the developing countries of Asia grew substantially faster than the population.

2. World trade

The volume of world trade (average of exports and imports) grew by about 4.6 per cent in 1992, or three times faster than the growth of output in industrial countries (table 2). Many factors acted to dampen demand for tradeable goods in 1991 such as the recession in North America and the United Kingdom, weakening investment trends in Japan, economic slow-down in Western Europe and the sharp contraction of output in Eastern Europe and the former

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1/ For the world as a whole, output has not grown faster than population since 1989. The previous occasion on which world per capita output fell was in 1982, the last year of the economic recession of the early 1980s (United Nations, Economic and Social Council, "The World Economy at the end of 1992, [E/1993/INF/1], p. 3).

Table 1. Growth of world output by region, 1981-1993
(Annual percentage change in gross domestic product)

	1981-1988	1989	1990	1991	1992[a]	1993[b]
World	2.9	3.3	1.7	-0.6	0.4	2.0
Developed market economies	2.8	3.4	2.4	0.7	1.5	2.0
United States	2.9	2.5	0.8	-1.2	1.8	2.6
European Community	2.1	3.6	2.8	0.6	1.3	1.2
Japan	4.1	4.8	5.2	4.5	1.8	2.3
Economies in transition	3.1	2.3	-5.0	-16.4	-18.4	-3.5
Developing countries	3.1	3.5	3.4	3.5	4.5	5.0

Source: United Nations, Economic and Social Council, The World Economy at the end of 1992: (E/1993/INF/1, Table 1, P.5.)

a/ Preliminary estimates.
b/ Forecast.

Soviet Union. Stronger economic activity in the developed market economies and a slow-down in the contraction of output in the economies in transition are expected to boost the growth of world trade to 6.2 per cent in 1993, declines in the exports and imports of developing countries notwithstanding.[2/]

Developing countries as a whole suffered a further deterioration in their terms of trade of 2.6 per cent in 1992, after a decline of 4.3 per cent in 1991. This can be traced, in part, to the increase in the dollar price of internationally traded manufactures by over 4 per cent. International prices of non-fuel commodities declined by 2.5 per cent in dollar terms, and by approximately 6.5 per cent relative to prices of manufactures in the first nine months of 1992. Prices of tropical beverages declined by around 17 per cent, while mineral and metal prices fell by around 2.5 per cent.

Average oil prices in 1992 remained at about the same level as in 1991. Demand for oil remained relatively weak, largely owing to stagnation in the developed market economies. Oil prices strengthened somewhat in the second and third quarters of the year but weakened subsequently.[3/]

2/ United Nations Conference on Trade and Development (UNCTAD), Trade and Development Report, 1992 (UNCTAD/TDR/12), pp. 5-7.

3/ Economic and Social Council, The World Economy at the end of 1992 (E/1993/INF/1), p. 15 and annex table A9.

Table 2. World trade volume, 1980-1993
(Percentage change)

	1980-1990	1990	1991	1992[a]	1993[b]
World[c]	4.3	4.6	3.9	4.6	6.2
Developed market-economy countries					
Exports	4.4	5.7	3.0	3.1	6.4
Imports	4.9	4.6	2.9	3.7	6.4
Central and Eastern Europe and former Soviet Union					
Exports	0.9	-10.7	-20.8	-7.6	-1.5
Imports	1.5	-5.2	-31.4	-7.7	1.1
Developing Countries					
Exports	3.7	6.1	10.4	10.6	5.3
Imports	3.9	6.0	12.8	9.6	7.8
of which in:					
Latin America					
Exports	4.8	3.1	4.1	7.3	6.4
Imports	-0.3	5.1	15.5	11.1	4.4
Africa					
Exports	-0.7	9.2	2.3	3.9	1.2
Imports	-1.5	7.9	2.0	4.9	2.6
Asia					
Exports	4.3	7.4	15.3	15.8	5.5
Imports	6.5	10.8	14.3	11.5	9.1
China					
Exports	11.5	13.0	8.7	9.4	5.6
Imports	11.8	-13.1	19.3	15.2	12.8

Source: Columns 1 and 5, and column 4 for Central and Eastern Europe and former Soviet Union are from United Nations Conference on Trade and Development, Trade and Development Report, 1992, September 1992, table 2, p. 6. The rest of the table is from United Nations, Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1).

a/ Preliminary estimates.
b/ Forecast.
c/ Average of exports and imports.

3. Dollar exchange rate

During 1991 and the first nine months of 1992, the United States dollar continued to depreciate against other major currencies (table 3). However, the currency turmoil in Europe, uncertainty regarding the approval of the Maastricht Treaty by some EC countries, economic recession in Germany following unification, improvement in some economic indicators in the United States, and tension in the Gulf area reversed the trend during the fourth quarter of 1992, and the dollar appreciated by 4.7 per cent against the Japanese yen, 14.9 per cent against the deutsche mark, 15.2 per cent against the pound Sterling and 16.2 per cent against the French franc. Despite this improvement, and apart from short-term fluctuations, the depreciation of the dollar since its peak in late February 1985 has been considerable. In terms of the Japanese yen, the German deutsche mark, the French franc and the British pound, the United States dollar depreciated by 37.7 per cent, 34.1 per cent, 27 per cent and 4.9 per cent, respectively.

B. Employment, inflation and interest rates

1. Unemployment

In the developed market economies as a group, unemployment rose from 6.7 per cent in 1991 to 7.3 per cent in 1992 (table 4). In the major industrial countries, the unemployment rate increased from 6.3 per cent to 6.8 per cent while in other industrial countries it increased from 8.7 per cent to 9.7 per cent during the same period.

Table 3. Rate of exchange of the United States dollar against major currencies, 1985-1992
(End of period)

	1985	1990	1991	Third quarter 1992a/	1992	Percentage change 1990-1991	Percentage change 1991-1992	Percentage change third quarter 1992-1992	Percentage change 1985-1992
Japanese yen	200.50	134.40	128.20	119.20	124.84	-4.6	-0.3	4.7	-37.7
German deutsche mark	2.46	1.49	1.52	1.41	1.62	2.0	6.6	14.9	-34.1
British pound sterlingb/	1.44	1.93	1.87	1.78	1.51	3.2	-19.3	-15.2	-4.9
French franc	7.56	5.13	5.18	4.76	5.53	0.9	6.8	16.2	-27.0

Source: IMF, International Financial Statistics, December 1992.

a/ Jordan Times, 5 January 1993.
b/ Dollars per pound sterling.

Table 4. Unemployment rates in developed market economies, 1985-1993
(Percentage of total labour force)

	1985	1989	1990	1991	1992[a]	1993[b]
All developed market economies	7.7	6.1	6.0	6.7	7.3	7.3
Major industrial countries	7.2	5.7	5.6	6.3	6.8	6.8
Canada	10.4	7.5	8.1	10.2	11.3	11.0
France	10.2	9.4	9.0	9.5	9.8	9.8
Germany	7.2	5.6	4.9	4.3	4.7	4.8
Italy	9.6	10.9	10.3	9.9	10.1	10.4
Japan	2.6	2.3	2.1	2.1	2.2	2.3
United Kingdom	11.2	7.1	6.8	8.9	9.9	10.2
United States	7.1	5.2	5.4	6.6	7.4	7.2
Other industrial countries	10.3	8.1	7.9	8.7	9.7	9.6
European Community	10.6	8.8	8.3	8.6	9.2	9.3

Source: United Nations, Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1), annex table A.5, p. 21.

a/ Preliminary estimates.
b/ Forecast.

2. Inflation

Sluggish growth in the developed market economies reinforced the downward trend in inflation in 1992, reducing it in many cases to levels not seen since the 1960s. The average rate of inflation for all developed market economies declined from 4.5 per cent in 1991 to 3.4 per cent in 1992, compared to 5.2 per cent in 1990 (table 5). With the modest rate of growth forecast for the world economy in 1993, inflation in the developed market economies is forecast to remain unchanged in 1993.[4/]

The average annual rate of inflation in the developing countries declined considerably in 1991 to reach 74.5 per cent, compared to 477 per cent in 1990. The largest decline was in Latin America (from 1,747 per cent to 229 per cent) where inflation became increasingly manageable under the effects of stabilization and adjustment programmes implemented in several countries. However, in Africa, Western Asia, South and East Asia and China, inflation reached higher levels in 1991.[5/]

4/ United Nations, Economic and Social Council, The Economy in 1992: An Update (E/1992/INF/8), 22 October 1992, pp. 4, 8 and annex table A.VII.

5/ Ibid., annex table A.VIII, p. 21.

Table 5. Inflation in developed market economies, 1985-1993
(Annual percentage change in consumer prices)

	1985	1989	1990	1991	1992[a]	1993[b]
All developed market economies	4.2	4.6	5.2	4.5	3.4	3.4
Major industrial countries	3.8	4.4	4.8	4.2	3.1	3.1
Canada	4.0	5.0	4.8	5.6	1.6	2.0
France	5.7	3.5	3.4	3.1	2.8	2.6
Germany	2.2	2.8	2.7	3.5	3.9	3.7
Italy	9.2	6.3	6.4	6.4	5.5	5.6
Japan	2.0	2.3	3.1	3.3	2.3	2.0
United Kingdom	6.0	7.8	9.5	5.9	3.7	3.6
United States	3.5	4.8	5.4	4.3	3.0	3.1
Other industrial countries	6.9	6.2	7.0	6.3	5.2	5.2
European Community	5.8	5.3	5.6	5.1	4.5	4.3

Source: United Nations, Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1), annex table A.4, p.21.

a/ Preliminary estimates.
b/ Forecast.

3. Interest rates

Short-term interest rates in the United States fell from 5.7 per cent in 1991 to 2.9 per cent in 1992, less than one third their 1989 level; however, long-term interest rates did not fall much, reflecting uncertainty regarding the future. In Canada, the drop in the interest rate was mild (from 7.4 per cent to 6.8 per cent). In Japan, the Central Bank has been gradually easing its policy stance, and in July 1992 it made the fifth cut in a year; consequently the short-term rate of interest declined from 7.5 per cent to 4.6 per cent (table 6).

Table 6. Major developed market economies: short-term interest rates, 1985-1992
(Period average; per cent per annum)

Country	1985	1989	1990	1991	1992
Canada	9.8	12.1	11.6	7.4	6.8
France	9.9	9.1	9.9	9.5	9.5[a]
Germany	5.2	6.6	7.9	8.8	9.4
Italy	15.3	12.7	12.4	12.2	12.7[b]
Japan	6.5	4.9	7.2	7.5	4.6
United Kingdom	10.8	13.9	14.7	11.7	6.8
United States	8.1	9.2	8.1	5.7	2.9

Source: IMF, International Financial Statistics, March 1993.
a/ November.
b/ 2nd Quarter.

Interest rates in Europe remained high despite weak growth. In early 1991, the Bundesbank tightened monetary policy in Germany in order to combat inflation and excessive growth in the money supply and in credit. In July 1992, the discount rate was further increased to 8.75.

Inset 1. Rio Conference on Environment and Development

The United Nations Conference on Environment and Development (UNCED), or the "Earth Summit", was held in Rio de Janeiro, Brazil, from 3 to 14 June 1992 after two years of preparatory work. The Conference marked an important new phase of international cooperation in development and environmental management based on the recognition of the need for an integrated approach to all issues of environment and development. The Conference adopted the Rio Declaration on Environment and Development, a comprehensive programme of action called Agenda 21, and a set of principles/elements on forests. In addition, the United Nations Framework Convention on Climate Change and the Framework Convention on the Conservation of Biological Diversity were opened for signature at the Conference.

The Agenda covers all areas where the environment and the economy intersect. Action-oriented proposals consist of four parts, grouped into 40 chapters and more than 100 programme areas which are described as the basis for action. The first part addresses the social and economic dimensions of sustainable development and includes programme areas relating to combating poverty, changing consumption patterns, addressing demographic dynamics and human settlements, promoting health and integrating environment and development in decision-making and international cooperation. The second part deals with conservation and management of resources for development and contains recommendations for protecting the atmosphere, the oceans and the quality and supply of fresh water resources, combating deforestation, desertification and drought, promoting sustainable rural and mountain development and preserving biological diversity. It also addresses the issue of environmentally sound management of biotechnology, of toxic chemicals and radioactive and hazardous wastes, including the prevention of their illegal international trafficking. The third part deals with sustainable and equitable development action for women, children and youth and contains recommendations to strengthen the role of indigenous people in sustainable development. The fourth part describes the science plan, the objectives of which include the vigorous implementation of the major ongoing earth system research and observation systems, as well as strengthening interdisciplinary cooperation among the natural, social, engineering and health sciences. It also calls for objective scientific assessments of global issues and for clear explanations of scientific findings to the general public and policy makers. Strengthening non-governmental and intergovernmental organizations and industry are also advocated, and the need for capacity-building in science receives strong emphasis.

The General Assembly approved in November 1992 the Report of UNCED and the Secretary-General stated that the challenge after Rio is to maintain the momentum of commitment to sustainable development in order to transform it into policies and practice and to give it effective and coordinated institutional support.[6] To that end, a set of arrangements has been approved, including the organization by the General Assembly of regular reviews of the implementation of Agenda 21. The Economic and Social Council, for its part, will assist the General Assembly by overseeing system-wide coordination and the implementation of Agenda 21 and making recommendations in this regard. In order to ensure effective follow-up to the Conference and progress in the implementation of Agenda 21 at the national, regional and international levels, a high-level Commission on Sustainable Development (CSD) has been established. Information will be provided to the Commission by Governments on a voluntary basis. Membership in the Commission has been limited to 53 Governments, which will serve on a rotating basis. The first substantive meeting of the Commission to discuss the implementation of Agenda 21 was intended to be held in May or June 1993; the Commission is expected to meet annually thereafter. The Secretary-General also announced the formation of an inter-agency commission on sustainable development to be set up by the Administrative Committee on Coordination (ACC) to coordinate cooperation among all agencies and programmes in the United Nations system.[7]

C. World trading system

1. Progress in the Uruguay Round

Developments in the world trading system in 1992 were over-shadowed by disappointment over the lack of progress in the Uruguay Round of multilateral negotiations, the conclusion of which is already more than two years overdue. The Draft Final Act on the Uruguay Round was submitted by the Director-General of GATT to the participants on 20 December 1991. In January 1992, the Trade Negotiating Committee (TNC), after having a first collective assessment, agreed to move forward on a work programme designed to conclude the Round, but negotiations failed to gain any momentum.[8] In November, differences between the United States and the EC reached crisis levels following the breakdown of talks in Chicago over European subsidies on oil seeds. However, by the end of the month, the two parties had reached an agreement on the issue of agricultural subsidies, although France, the EC country most concerned with agricultural subsidies, did not accept the agreement. A package of agreements

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6/ ESCWA, Summary of Agenda 21 (E/ESCWA/ENV/1992/16/Rev.1), 25 November, 1992.

7/ ESCWA, Agenda 21, Chapter 38, "International Institutional Arrangements".

8/ UNCTAD, News of the Uruguay Round of Multilateral Trade Negotiations, No. 052, 11 November 1992.

acceptable to all parties still requires complex negotiations in a large number of areas, including services, tariffs and non-tariff barriers. Moreover, negotiations still face strong opposition to the liberalization of farm trade in a number of other countries.9/

2. Regional economic blocs

On 1 January 1993, the European Communities (EC) formally became a single market, enabling goods, services, money and people to move freely among the countries of the Community. On this date border controls were removed on goods while movement of money and capital has been free since July 1990. Initially, 1 July 1993 was set for the removal of all border inspection points although three member countries (namely the United Kingdom, Ireland and Denmark) still oppose the free movement of people for fear of encouraging terrorism, drug trafficking and illegal immigration.10/

After fourteen months of negotiations, the United States, Canada and Mexico reached a free trade agreement during the second week of December 1992 thus creating the world's largest free-trade bloc. The North American Free Trade Agreement (NAFTA), to take effect on 1 January 1994, will gradually eliminate barriers to trade among the three countries over a period of 15 years and form a free trade zone of 360 million people generating goods and services worth $6 trillion a year. The pact marks the first time that the United States has covered environmental concerns in a trade treaty, mainly pollution along the United States-Mexico border.

Poland, Hungary and Czechoslovakia signed a free-trade agreement in December 1992 to remove duties on industrial and agricultural goods. The pact would come into force after three months and is intended to facilitate a gradual removal of obstacles to trade among the signatories by the year 2001. Barriers to trade in raw materials (such as taxes, duties and quotas) were to be removed in March 1993, while duties on agricultural goods and many industrial products would be subject to a gradual, five-year decrease.11/

In November 1992, six former Soviet Republics, together with Afghanistan, joined the Economic Cooperation Organization (ECO), which had comprised Iran, Pakistan and Turkey. Thus, an economic bloc linking Europe and Asia was created. With a population of 300 million, the 10-member group becomes the largest economic bloc after the European Community and NAFTA but is unlikely to exert the same influence.

9/ Containerization-international, December, 1992; and United Nations Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1).

10/ Al-Rai newspaper (Arabic) January 5, 1993, Amman, Jordan; The Commission of the European Communities, "European Economy: Annual Economic Report 1990-91, No. 46, December 1990.

11/ Jordan Times, 12 December 1992.

D. Countries in transition

The transition process in Eastern Europe and the former Soviet Union entered its third year of difficult internal and external circumstances. Nevertheless, hopeful signs emerged in 1992 which were absent a year earlier. Recession appears to have bottomed in Poland, Hungary, and Czechoslovakia, and the macro-economic policy performance in the latter has been remarkably good. According to their economic performance, the countries in transition may be classified into four groups: the first group contains countries which started the transition process early (i.e., Poland, Hungary and Czechoslovakia). Their prospects appear to be good despite high inflation. The second group comprises Albania, Romania and Bulgaria. The decline in their output in 1992 should be lower than in 1991; inflation has been brought down in Bulgaria while it remains very high in Romania. The third group includes Russia and the independent republics which initiated first a hesitant reform but quickened it after the coup of 1991. The fourth group covers the Baltic States.

The main problems facing these countries are: (a) high budget deficits because of low revenue levels and rigidity in expenditures; (b) inefficient banking systems; (c) low level of investment; and (d) political constraints.[12/]

In 1993, economic growth is forecast to resume in Hungary, Poland and Czechoslovakia although uncertainties surrounding the effects of the separation of the latter into two republics in January 1993 cloud the outlook. However, output is expected to continue to decline in the successor States of the Soviet Union, particularly the Russian Federation, albeit by far smaller magnitudes than in 1991 and 1992.[13/]

The privatization process, on the other hand, has been very slow and has brought little, if any, revenues to Governments because in many cases public enterprises are sold to foreigners against outstanding debt. In addition, all Eastern European countries are facing practical problems in implementing privatization; such problems include the ideal share of the private sector in total economic activity, the kinds and number of agencies to be created, and the illegal practices of some newly created private companies.

As for trade and payments, Eastern European exports to the rest of Europe continued to expand in 1992, while imports declined because of poor economic performance; consequently their current accounts improved. Capital inflow has been relatively low as banks are still hesitant to make loans to Eastern European countries; however, the inflow of foreign investment and debt relief increased. The latter is expected to comprise approximately 50 per cent of the financing available to Eastern European countries. In the former Soviet Union, on the other hand, both the trade and the current accounts have been

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12/ United Nations Economic Commission for Europe, Economic Survey of Europe in 1991-1992.

13/ United Nations Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1).

deteriorating, and the restructuring of the Russian debt is one of the most critical problems facing the country.[14/]

E. World economic prospects for 1993

The sluggish performance of the world economy forecast for 1993, in which output is expected to grow by only 2 per cent, is predicated mainly on the very slow pace of growth forecast for the developed market economies. Under existing or announced policies, Japan and the United States are expected to grow by 2.3 per cent and 2.6 per cent, respectively, while European growth is expected to average only around 1 per cent, as in 1992, even allowing for a gradual easing of monetary policy in the region. Fiscal policy in Europe, however, was generally set to tighten and thus hold back the rate of growth. In any event, no overall improvement is expected in the unusually high rate of unemployment; the minor improvement forecast in the recovering economies are offset by a deterioration in the more sluggish ones, leaving the rate of unemployment unchanged from its 1992 level of 7.3 per cent. No significant gains are anticipated on the inflation front either, and the average inflation rate for the developed market economies is not expected to change.

Important improvements in output are expected in the transition economies. The overall decline in output of 18.4 per cent recorded in 1992 will give way to a decline of only 3.5 per cent in 1993. The decline in output in the former Soviet Union is forecast to decelerate from 23 per cent in 1992 to only 5 per cent in 1993, while in Eastern Europe, where output declined by 4.2 per cent, a minimal growth of 0.1 per cent is forecast.

The developing countries, on the other hand, are expected to grow in 1993 at the fastest overall rate since the 1970s, i.e., by 5 per cent. High growth is forecast to be entirely concentrated in Asia. China may grow once more by 10 per cent, and growth in South and East Asia is forecast to rise by approximately 6 per cent. Western Asia is likely to maintain the 1992 pace of recovery, i.e., 5.5 per cent growth.

Meanwhile, a number of Latin American economies, such as those of Argentina, Chile and Venezuela, which have been growing strongly in 1992, may slow down to more moderate rates in 1993. Greater uncertainties surround the growth prospects of Brazil. In Africa, a marginal improvement in growth of output to around 3 per cent is forecast for 1993.[15/]

14/ See note 12.

15/ United Nations, Economic and Social Council, The World Economy at the End of 1992 (E/1993/INF/1).

II. OVERALL ECONOMIC PERFORMANCE AND POLICIES

The GDP of the ESCWA region as a whole is estimated (in 1985 prices) at $265.3 billion in 1991 and $277.6 billion in 1992. Overall, it appears that the region has recovered from the consequences of the Gulf crisis and war. Aggregate GDP is estimated to have grown by 4.6 per cent in 1992, having declined in the preceding two years (table 7). All countries except Iraq and Yemen achieved positive growth rates in 1992. As a result, average per capita income in the region, which had declined by 7.8 per cent in 1991, increased by 1.4 per cent in 1992 (table 8).

Improvement in the overall economic performance of the region is attributed to several factors: (a) higher crude-oil production and exports; (b) the rapid pace of reconstruction in Kuwait; (c) progress in the implementation of economic reform programmes and in expanding the role of the private sector in a number of countries; (d) the remarkable resiliency shown by some countries in coping with the aftermath of the Gulf crisis; (e) recovery in non-oil-sector activities in the Gulf countries, as well as capital inflows--including capital repatriated during the Gulf crisis; (f) good agricultural harvests in Jordan, Lebanon and the Syrian Arab Republic; and (g) record-high revenues in Egypt from tourism and Suez Canal dues and in Jordan from partial recovery of tourism.

A. GCC countries

The GCC countries are estimated to have achieved a 5.2 per cent real growth rate in 1992, compared to a slight decline in 1991 (table 9). The fastest growth (30 per cent) was recorded by Kuwait, where GDP had declined by over two fifths in 1991. This robust rebound in economic activity is largely attributed to the sharp increase in oil production, which by the end of 1992 had come close to pre-Gulf crisis levels and raised oil revenues from $430 million in 1991 to $4,172 million in 1992. Another factor was the boom in construction activity to restore the country's devastated physical and institutional infrastructure, oil installations and basic services. However, activity in Kuwait's non-oil sector remained generally depressed in 1992. The reduction in population has depressed demand, adversely affecting a number of sectors, particularly trade. Moreover, the impact of the Gulf crisis on the financial resources of the country has been aggravated by problems with mismanagement of investments abroad, which resulted in substantial losses (unofficially estimated at $5 billion).

Improved business confidence and an increase in both public- and private-sector investment in several GCC countries, particularly in Saudi Arabia, enhanced overall economic performance, despite the decline in oil revenues in some countries. Favourable growth rates experienced in non-oil-sector activities compensated for the drop in oil revenues.

The economy of Bahrain slowed down in 1992. The GDP is estimated to have grown by approximately 2 per cent, compared to 4 per cent in 1991. This is attributed to lower oil revenues and unfavourable performance in other sectors. The country's economy remains heavily dependent on regional developments, particularly those in GCC countries. The return of business confidence in these countries, and the gradual recovery of financial and banking activities should contribute to improve performance in the non-oil sectors of the economy.

Table 7. Gross domestic product at constant 1985 prices and annual growth rates in the ESCWA region, 1989-1992

	GDP (millions of dollars)				Growth rate (percentage)		
	1989	1990	1991a/	1992a/	1989/1990	1990/1991	1991/1992
GCC countriesb/	164 146.5	169 609.2	169 362.4	178 150.8	3.30	-0.15	5.20
GCC countries (excluding Kuwait)	138 158.1	151 417.2	159 115.5	164 829.9	9.6	5.1	3.6
Diversified economiesc/	119 130.8	104 666.9	89 545.3	93 207.7	-12.1	-14.4	4.1
Diversified economies (excluding Iraq)	62 498.0	65 023.8	68 089.1	71 107.8	4.0	4.7	4.4
Least developed country: Yemen	6 989.8	6 692.4	6 371.2	6 243.8	-3.0	-4.8	-2.0
Total ESCWA	290 267.1	280 968.5	265 278.9	277 602.3	-3.20	-5.6	4.6
Total ESCWA (excluding Iraq and Kuwait)	207 645.9	223 133.4	233 575.8	242 181.5	7.5	4.7	3.7
Total ESCWA (excluding Kuwait)	264 278.7	262 776.5	255 032	264 281.4	-0.6	-2.9	3.6
Total ESCWA (excluding Iraq)	233 634.3	241 325.4	243 822.7	255 502.4	3.3	1.0	4.8

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

a/ Estimates.

b/ Gulf Cooperation Counicl countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates).

c/ Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic.

Table 8. Per capita gross domestic product in the ESCWA region, 1990-1992
(United States dollars at constant 1985 prices)

	United States dollars			Growth rate (percentage)	
	1990	1991 (estimates)	1992 (estimates)	1991	1992
GCC countries					
Bahrain	8 232.0	8 329.4	8 271.9	1.2	-0.7
Kuwait	8 489.0	9 315.4	9 315.3	9.7	-
Oman	4 671.0	4 847.6	5 093.6	3.8	5.0
Qatar	15 820.0	15 398.6	15 462.2	-2.7	0.41
Saudi Arabia	6 862.3	7 032.4	7 070.5	2.5	0.55
United Arab Emirates	16 536.0	16 350.0	15 929.7	-1.1	-2.5
Subtotal	7 938.2	8 068.3	8 094.5	1.6	0.30
Diversified economies					
Egypt	648.8	650.4	655.2	0.25	0.70
Jordan	1 216.4	1 143.0	1 152.5	-6.0	0.8
Iraq	2 085.4	1 093.2	1 103.9	-47.5	0.9
Lebanon	1 291.3	1 303.8	1 342.2	0.9	2.9
Syrian Arab Republic	1 825.3	1 917.4	1 946.4	5.0	1.5
Subtotal	1 149.8	954.1	965.6	-17.0	1.20
Least developed country					
Yemen	510.2	465.2	442.8	-8.8	-4.9
Total ESCWA	2 238.5	2 063.9	2 092.6	-7.8	1.4

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

Table 9. Gross domestic product by country and country grouping, 1989-1992

	GDP in millions of dollars at constant 1985 prices				Growth rate (percentage)		
	1989	1990	1991 (estimates)	1992 (estimates)	1990	1991	1992
GCC countries							
Bahrain	4 090.4	4 140.7	4 306.3	4 392.4	1.3	4.0	2.0
Kuwait	25 988.4	18 192.0	10 246.9	13 320.9	-30.0	-43.7	30.0
Oman	6 621.3	7 118.7	7 654.3	8 333.2	7.50	7.52	9.0
Qatar	7 128.6	7 688.5	7 760.9	8 071.3	7.90	1.0	4.0
Saudi Arabia	94 478.2	102 043.0	108 165.5	112 492.2	8.0	6.0	4.0
United Arab Emirates	25 839.6	30 426.3	31 228.5	31 540.8	17.8	2.6	0.9
Subtotal	164 146.5	169 609.2	169 362.4	178 150.8	3.30	-0.15	5.2
Diversified economies							
Egypt	33 643.0	34 484.1	35 518.6	36 761.7	2.5	3.0	3.5
Iraq	56 632.8	39 643.1	21 456.2	22 099.9	-30.0	-46.0	3.0
Jordan	4 883.5	4 877.7	4 901.5	5 293.7	-0.12	0.50	8.0
Lebanon	3 610.5	3 538.2	3 644.3	3 826.5	-2.0	3.0	5.0
Syrian Arab Republic	20 361.0	22 123.8	24 024.7	25 225.9	8.6	8.5	5.0
Subtotal	119 130.8	104 666.9	89 545.3	93 207.7	-12.1	-14.4	4.1
Least developed country							
Yemen	6 989.8	6 692.4	6 371.2	6 243.8	-3.0	-4.8	-2.0
Total ESCWA	290 267.1	280 968.5	265 278.9	277 602.3	-3.2	-5.6	4.6

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

Oman maintained its good economic performance, its GDP increasing by 9 per cent in 1992, up from 7.5 per cent in 1991. In 1992, oil revenues increased by 4.7 per cent, but, as in other GCC countries, growth in the non-oil sector has been the major factor behind the good performance of the Omani economy.

The overall economic performance of Qatar improved in 1992. It is estimated that GDP, which had grown by only 1 per cent in 1991, recorded a growth rate of 4 per cent in 1992. The poor economic performance of the oil sector in 1991 reflected the decline of oil production by roughly 5 per cent and oil export revenues by 15 per cent. Increased oil production and exports contributed significantly to the improved economic performance of 1992. The expansion in private-sector activity was stimulated by the increased public expenditures in construction and in other sectors of the economy, particularly in developing natural gas.

In Saudi Arabia, GDP grew by 6 per cent in 1991 and 4 per cent in 1992, and oil revenues increased by 12 per cent in 1992. The non-oil sector also contributed to the good performance. The manufacturing sector is estimated to have grown by 6 per cent in 1991 and 6.4 per cent in 1992. The good performance in this sector is attributed largely to the increase in output of petrochemical and fertilizer industries and to expanding private-sector investment activity. However, the main driving force in the Saudi economy remains the Government.

An improved economic environment following the Gulf War contributed to the economic recovery in the United Arab Emirates in 1992. The good performance of the non-oil sector compensated for the decrease in oil revenues. It is estimated that GDP grew by 0.9 per cent despite the decline in the oil sector.

At the sectoral level, agriculture performed poorly during 1992 in most GCC countries. In Saudi Arabia, the largest agricultural producer in the group, the index number of agricultural output declined by 16.1 per cent in 1992 after recording an average annual growth rate of 20.9 per cent during the period 1981-1992. The share of the sector in aggregate GDP of the GCC countries did not exceed 4.6 per cent in 1991 (table 10).

Table 10. ESCWA region: percentage share of agriculture in GDP, 1989-1991

Country groups	1989	1990	1991
GCC countries	4.7	4.5	4.6
Diversified economies	17.8	20.8	25.5
Least developed country: Yemen	23.9	20.6	20.4
Total ESCWA	10.6	11.9	13.2

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

The manufacturing sector performed well in the GCC countries in 1991 and 1992. The sector's average annual growth rate reached 10.9 per cent in 1991, compared with a decline of 7.5 per cent in 1990. The fastest growth in 1991 was achieved by Kuwait (40.6 per cent), followed by Oman (21.1 per cent), Qatar (10 per cent) and Saudi Arabia (6 per cent). However, the contribution of manufacturing activity to GDP in 1991, though somewhat higher than in 1990, remained significantly less than it had been in 1989 (table 11).

Table 11. ESCWA region: percentage share of manufacturing in GDP, 1989-1991

Country groups	1989	1990	1991
GCC countries	9.4	7.7	8.1
Diversified economies	13.7	13.9	12.0
Least developed country: Yemen	9.5	8.4	9.8
Total ESCWA	11.2	10.4	9.7

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

1. Policy issues

As has been indicated, the GCC countries have managed in general to overcome the adverse affects of the Gulf crisis and war. This is reflected in the return of business confidence, increasing investment by both the public and private sectors, and good performance in non-oil activity. However, some GCC countries, particularly Kuwait, are still confronted with crisis-related problems. The Gulf crisis resulted in a significant erosion of financial resources in some traditionally surplus countries of this group. This obliged them to resort to borrowing from international financial markets and drawing on their foreign assets in order to meet the huge costs related to defence and the reconstruction and rehabilitation of their economies.

The resulting financial constraints have created negative spillovers for the other countries of the region owing to their close links with the Gulf economies. Hence, greater emphasis needs to be placed on better and more efficient management of resources in order to cope with the end of the era of abundant financial resources experienced during the 1970s and early 1980s and with the shift in oil market conditions in favour of consumers. This trend is expected to be reinforced by the requirements of reconstruction and defence spending; the rise in oil exports to meet these requirements will exert a downward pressure on oil prices. The GCC countries have been intensifying their efforts to diversify and privatize their economies so as to reduce their overwhelming dependence on oil (table 12). However, despite lucrative incentives offered to the private sector, results have been below expectations. The scope of privatization in all sectors of the GCC countries is nevertheless expected to expand in the coming years. The financial constraints which emerged as a result of the Gulf crisis and war have had a strong dampening influence on public expenditures, the major factor determining economy activity, including that of the private sector. This is likely to continue for some time, implying increased opportunities for private-sector involvement and participation.

Table 12. ESCWA region: percentage share of mining in GDP, 1989-1991

Country groups	1989	1990	1991
GCC countries	32.5	39.2	35.6
Diversified economies	14.2	8.2	1.9
Least developed country: Yemen	6.4	8.4	6.0
Total ESCWA	24.2	25.2	21.7

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

B. Diversified economies

In 1992, most countries in this group recovered from the short-term consequences of the Gulf crisis and war. Their combined GDP, having declined by 14.4 per cent in 1991, is estimated to have grown by 4.1 per cent in 1992 (table 7). Contributing to the overall improvement of economic conditions and performance are the policy of opening-up and the positive results realized in tackling economic imbalances, improvement in agricultural performance, and an upsurge in construction activity, especially in Jordan.

Jordan is estimated to have achieved the highest growth (more than 8 per cent in real terms compared with only 0.5 per cent in 1991 and 4 per cent targeted in the structural adjustment programme). Severely hit by the Gulf crisis and war, the country has managed to significantly reduce the severe consequences of the crisis reflected in the return of more than a quarter of a million Jordanians and Palestinians from Kuwait and the disruption of trade and economic relations with the GCC countries and Iraq, the latter being its principal source of foreign exchange (remittances, earnings from exports, soft loans and grants). The central factor behind this robust upswing was the boom in the construction sector, boosted by the sharp rise in demand and investment, and financed mainly through the repatriated savings of the returnees. It is estimated that the construction sector grew by 15 per cent in 1992, and the manufacturing sector, propelled by new investments from returnees, expanded by 14 per cent. Agriculture also performed well in 1992 as a result of favourable weather conditions; it is estimated that agricultural output rose by 10 per cent in 1992. Progress in implementing economic reform measures has enabled Jordan to scale down its internal and external imbalances considerably, enhancing in the process its international credit standing, which in turn produced positive effects on external debt and inflation.

Jordan has also been successful in finding new outlets for its exports, which compensated partially for the loss of markets in Iraq and the Gulf States. Economic reforms have proceeded, due attention being paid to ensuring the avoidance of undue social hardships. In reducing subsidies and raising taxes to rationalize public expenditures, the Government has been keen to ensure that these and other measures will not lead to high inflation or negatively affect employment and standards of living.

Privatization policies are being activated in Jordan. Publicly owned companies are envisaged to be transferred to the private sector. The Government has also been considering policy measures to create a more conducive environment for private investors, both domestic and foreign. Such measures include expanding the free-zone areas and improving laws and regulations governing their operations, the goal being to expand exports, particularly of manufactured goods, and achieve a more balanced regional dispersion of growth and development.

The Egyptian economy is estimated to have grown by 3.5 per cent in 1992. Higher oil revenues and earnings from tourism and Suez Canal dues, improvement in the country's balance-of-payments position, increase in private-sector investments and progress in implementing economic reforms contributed to the general improvement of the economic environment in the country.

Economic reforms, supported by international financial and lending institutions, are being implemented cautiously to avoid negative effects on growth, employment, and standards of living. In this respect, the Government has established a social fund aimed at alleviating the negative impact of reduced subsidies on low-income segments of the society and on unemployment resulting from privatization and re-organization of the public sector. In view of the lack of studies on the social impact of economic-reform policies, it is not possible to assess the short- and medium-term social implications arising from the implementation of these policies. Hence, acute social problems cannot be attributed to the impact of adjustment policies pursued by the Government. However, it is generally recognized that poverty is a major factor feeding the extremism which has badly affected tourism and investment.

The GDP of the Syrian Arab Republic, is estimated to have increased by 5 per cent in real terms in 1992, boosted by higher public and private investment, a rise in oil production and a good agricultural season. While this represents a deceleration from the 8 per cent growth realized in 1991, it is still a good achievement in view of the levelling off of oil prices, the decline in exports to the former Soviet Union and the reduction in aid flows from the Gulf countries. The growth momentum has been helped by the improvement in economic conditions and prospects brought about by government economic-reform policies designed to encourage greater private-sector participation in investment and trade, as well as to reduce subsidies and price distortions, including the rate of exchange.

However, the Government remains cautious in implementing economic reforms, and is not in favour of radical or sudden changes in economic policy, which has been based on a centrally-planned system for decades. It considers that drastic changes may lead to a sharp increase in prices and unemployment. In this respect, it is worth mentioning that the Government has not yet taken any steps towards privatization, putting its emphasis for the time being on improving the management of the public sector in order to make it more responsive to market signals.

Iraq's economy has continued to suffer from the consequences of the Gulf War and the effects of United Nations sanctions. Despite some improvements in the construction and agricultural sectors, overall economic and social conditions have worsened, as reflected in the depreciation of the Iraqi dinar, shortages in foodstuffs, medicines, and intermediate products. Although Iraq enjoys a relatively balanced economic structure, oil exerts a dominant influence on the economy. Thus, the continuation of the embargo on oil exports is depriving the country of its major source of income and development.

With the consolidation of the security situation and political stability, Lebanon embarked on restoration and rehabilitation of State authority, provision of basic services and reconstruction of damaged physical infrastructure. All of this has contributed to the improvement of overall economic performance and prospects. It is estimated that growth in GDP accelerated from 3 per cent in 1991 to 5 per cent in 1992. Available data point to an improvement in the balance of payments. The improved economic and political situation has induced some capital inflows, although far less than expected, despite promises made by a number of donor countries and international and regional financial institutions, thus slowing down the pace of rehabilitation and reconstruction in the country.

Yemen, the region's least developed member country, continued to suffer from the consequences of the Gulf crisis and war. Sharply reduced workers' remittances and aid flows, lower oil revenues and a series of strikes by civil servants and trade unions served to depress economic activity. The country's GDP declined for the third year in a row, though the decline of 2 per cent in 1992 was less than in the preceding two years (4.8 per cent in 1991). Following the reunification of the two parts of Yemen in May 1990, various policy measures were introduced to liberalize the economy, including the lifting of price controls, the relaxation of exchange controls and providing incentives to the private sector. However, the devastating effects of the Gulf crisis and war and the inability of the main power groups to reach agreement have hindered the consolidation of institutions and policies in the implementation of the unification agreement. The success of the first multi-party elections in the country in April 1993 should foster political stability and accelerate the pace of consolidation.

1. Policy issues

Important structural problems remain despite the satisfactory economic performance realized in 1992 by most countries with more diversified economies and the relative success attained in the implementation of structural adjustment programmes and economic reforms and in reducing the external debt burden, particularly in Egypt, Jordan and, to a lesser extent, the Syrian Arab Republic. Inflationary pressures continued to pose a serious problem for a number of countries, particularly Iraq, Lebanon and Yemen. Iraq continued to suffer from high inflation, fueled by severe supply constraints and an excessive money supply. In Lebanon, inflation was similarly accentuated by the depreciation of the domestic currency throughout most of 1992. During the first six months of 1992, the rate of inflation attained 200 per cent in Lebanon but subsided somewhat in the latter part of the year. In Yemen, inflation remained high, exacerbated by excessive aggregate demand, depreciation of the local currency and a large budget deficit. Though no official figures were available, indications are that inflation was over 50 per cent in 1992, up from about 40 per cent in 1991. However, the inflation rate fell considerably during 1992 in Egypt and Jordan.

Unemployment, exacerbated by the Gulf crisis, continues to be a major problem, especially in Egypt, Jordan and Yemen. Although no official data are available, indications are that unemployment remains high (double-digit) in these countries. This is not only affecting living standards but is also being reflected in increased social tensions. Prospects for resolving the unemployment problem in the short- and medium-term appear poor. However, the pressure could be eased considerably if expatriate employment policies in member countries with labour shortages became more favourable.

Most countries with high unemployment rates are also heavily dependent on external financial resources, particularly from within the region (table 13). The aftermath of the Gulf crisis weakened the financial resource position of the traditionally surplus countries in the region and hence reduced financial flows to the other countries. However, the liberalization policies pursued by the more diversified countries could attract direct private investments, partially compensating for the decline in official flows.

Table 13. Gross investment, savings and resource balance, 1989-1991
(Percentage of GDP)

Country groups	Year	Gross Investment	Gross Savings	Resource balance
GCC countries	1989	20.8	27.2	6.4
	1990	19.0	33.1	14.1
	1991	18.7	26.4	7.7
Diversified economies	1989	20.1	15.2	-4.9
	1990	24.1	17.4	-6.6
	1991	15.6	7.9	-7.7
Least developed country: Yemen	1989	18.7	-5.5	-24.2
	1990	12.9	-9.7	-22.6
	1991	13.0	0.25	-12.8
Total ESCWA	1989	20.5	21.3	0.78
	1990	22.0	25.4	4.3
	1991	17.3	18.5	1.15

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

Privatization gained further momentum in 1992. In Egypt and Jordan, privatization is being pursued within the framework of economic and financial structural adjustment programmes. However, a number of related issues remain a cause for concern: the manner in which the sale of public enterprises will be effected in the absence of developed financial markets; the budgetary impact of privatization; the re-employment of workers made redundant; and the ultimate role of the public sector. Such considerations have led the Egyptian Government to opt for a cautious and gradual privatization policy.

Both the Syrian Arab Republic and Yemen already have investment-promotion laws issued not only as a vehicle for promoting investment but also to encourage private-sector participation. In the Syrian Arab Republic, economic reform is moving ahead, as can be seen from the significant increase recently observed in private investment activities, particularly in the transport sector. The process of privatization, however, has not yet begun. The Syrian Government prefers, at this stage, to focus on improving the management of public-sector entities and providing incentives to the private sector.

C. Economic outlook

The economic outlook for 1993 is not expected to differ significantly from 1992 for the region as a whole. Prospects will be largely governed by: (a) the situation in the international oil market; (b) progress in the Middle East peace negotiations; (c) internal stability and political developments, particularly in Iraq; the state of cooperation among member countries; and (d) success in removing structural imbalances and ensuring conditions for sustainable development.

The situation in the oil market is not expected to diverge significantly from recent trends; the only major change could be the resumption of production and exports by Iraq. With its large production capacity and dire need for foreign exchange, Iraq may be initially expected to attempt to maximize production and exports. This would strain the ability of OPEC to maintain supplies at levels consistent with world demand, creating adverse effects on the already soft oil prices. World oil demand is not expected to increase significantly in 1993, owing mainly to the continued economic slow-down in overall world economic activity.

While prospects in the GCC countries remain largely linked to oil, the non-oil sectors are expected to continue expanding. In the more diversified economies, the outlook for 1993 varies from one country to another. In Egypt, economic performance will be affected by the ability of the Government to maintain the momentum of economic reform, particularly in the direction of privatization and rationalization of the operations and management of public enterprises. The volume of oil revenues, tourism and remittances is another factor. While oil revenues depend on the level of oil prices, which is not expected to change significantly in 1993, revenues from tourism could be adversely affected by anti-tourist attitudes and acts, which have reduced the flow of tourists considerably since the last quarter of 1992.

In Jordan, the economy is expected to continue to grow satisfactorily, though at a slower pace than in 1992. Actual performance will largely depend on success in attracting additional investment (foreign and domestic), the ability to find alternative sources of aid, and export outlets, where intensive and concerted public and private efforts have been positively rewarded.

In the Syrian Arab Republic, economic performance will depend in considerable measure on the performance of the agricultural sector, oil revenues and increased private-sector investment, all of which appear to enjoy good prospects.

In Yemen, the prospects are for the poor economic performance to extend into 1993. The country still suffers from a lack of foreign exchange owing to reduced remittances, aid flows and oil exports. Moreover, economic recovery is hindered by lack of progress in translating the 1990 unity agreement into workable policies and institutions. However, the first multi-party election was held in the country in April 1993 and should lead to political stability and accelerate the process of consolidation--essential prerequisites for the resumption of growth.

On present trends, prospects for the Lebanese economy in 1993 are favourable and will be deepened by the ability of the Government to deliver on its main promises.

Performance in 1993 in the countries that were adversely affected by the Gulf crisis and war, notably Yemen and Jordan, will continue to be overshadowed by the slow progress in the direction of regional reconciliation.

III. DEVELOPMENTS IN THE ENERGY SECTOR

Oil markets in 1992 were relatively calm compared with 1990 and the first half of 1991, with average prices remaining virtually unchanged ($18.50 per barrel) between 1991 and 1992. On the supply side, the year witnessed the gradual return of Kuwait's oil production to close to its pre-Gulf crisis level, and OPEC (Organization of Petroleum Exporting Countries) production averaging 24.4 million barrels a day (m/b/d), its highest level since 1980. On the demand side, the increase was only marginal (0.4 per cent), reflecting the persistence of recession in most OECD (Organization for Economic Cooperation and Development) countries, the hesitant recovery in the United States, and the sharp decline in economic activity in the former Soviet Union and Eastern Europe (the economies in transition).

However, developments in the demand for oil varied considerably among various groups of countries. While demand in the OECD countries increased by 1 per cent in 1992, it continued to decline in the countries of the Commonwealth of Independent States (CIS) and Eastern Europe (table 14). In the CIS countries, demand declined by 13.3 per cent to 7.2 m/b/d in 1992, down from 8.3 m/b/d in 1991,[16/] reflecting the overall contraction in economic activity. Oil demand in the developing countries increased by 4.4 per cent in 1991 and 5.6 per cent in 1992. The fastest increase occurred in Asia and particularly China, where demand increased by 11.9 per cent in 1992, stimulated by fast economic growth. Nevertheless, despite faster growth in the developing countries, their demand still represents 39.2 per cent of that of OECD countries and 22.5 per cent of the world total. In OPEC countries, demand increased by 6.3 per cent in 1992 to 5.1 m/b/d, up from 4.8 m/b/d in 1991. Despite this relatively high growth, the group's demand for oil remains only 7.6 per cent of the world total and 23.8 per cent of that of the developing countries.

The situation in the oil market in 1993 is not expected to differ significantly from recent trends. On the supply side, the ability of OPEC to deal with the oversupply from the market will be decisive. However, this may not be easy, as recent experience shows, in view of the financial pressures with which most OPEC members are confronted. Iraq's return to the oil market could strain OPEC's ability to maintain supplies in line with world demand, lowering the already low oil prices. Initially, Iraq may be expected to maximize output to make up for lost revenues and meet its immense needs for reconstruction.

Against this generally unfavourable supply situation, world demand is not expected to increase significantly in 1993, owing mainly to the continued slow-down in overall world economic activity. Pressure on demand could also come from the proposed European Community energy tax.

A. OPEC oil production

The year 1992 started with high expectations for an early world economic recovery. Most analysts predicted an end to the recession and an economic

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16/ OPEC Bulletin, January 1993, p. 28.

Table 14. World oil demand, 1990-1993
(Million barrels per day)

	1990	1991	1992	1993*	Percentage change 1992/1991
OECD	37.9	38.1	38.5	39.1	1.0
OPEC	4.6	4.8	5.1	5.3	6.3
CIS	8.4	8.3	7.2	6.7	-13.3
Central and Eastern Europe	1.6	1.2	1.1	1.1	-8.3
Rest of world	13.7	14.3	15.1	15.8	5.6
Total world demand	66.2	66.7	67.0	68.0	0.4

Source: Middle East Economic Survey, 21 December 1992, based on OECD, Economic Outlook, December 1992.

* Estimates.

rebound early in 1992. Reflecting this optimism, the expectation of higher demand during the winter season, pressing needs to finance development and (for the Gulf countries) to meet the cost of the Gulf War, OPEC production rose to 25.26 m/b/d in January 1992,[17/] the highest level since 1980. During the first quarter of 1992, OPEC's average daily crude-oil production reached 24.95 m/b/d, representing an increase of 3.1 per cent over the average for 1991. Concerned with the continued fall in oil prices, which in the first quarter of 1992 reached their lowest level since the second quarter of 1990, OPEC decided to reduce its production ceiling for the second quarter to 22.98 m/b/d from its previous level of 23.65 m/b/d. However, this lasted only for the duration of the second quarter as production rose again during the third quarter to 25.41 m/b/d, i.e., by 10.6 per cent over the second-quarter level. Furthermore, out of concern over its declining share in the world oil market, OPEC decided at its meeting on 16-17 September to shift its policy focus towards preserving its market share, which had dwindled to 38.3 per cent during the first half of 1992. Consequently, the production quota was raised to 24.2 m/b/d during the fourth quarter of 1992. Although OPEC's market share increased to 39.9 per cent in October, the decision precipitated a fall in oil prices. The average OPEC basket price declined by 12.3 per cent in December to $17.69 per barrel, down from its June level of $20.18 per barrel.

17/ Petroleum Economist, January 1993, p. 48.

For 1992 as a whole, OPEC's output rose by 4.7 per cent to an average of 24.4 m/b/d, up from an average of 23.3 m/b/d in 1991 (table 15), the absence of Iraq notwithstanding. The largest increase (more than sevenfold over 1991) was achieved by Kuwait; Saudi Arabia followed, raising its production from 8.23 m/b/d in 1991 to 8.42 m/b/d in 1992. As a result, Saudi Arabia's share within OPEC rose to 34.4 per cent from 23.9 per cent in 1989. While production increased in Kuwait, Saudi Arabia, Qatar and Ecuador, it declined by 3.2 per cent in the United Arab Emirates, 1.6 per cent in Venezuela, 1 per cent in the Libyan Arab Jamahiriya and 0.7 per cent in Algeria. Although OPEC's share in the total oil market increased in 1992 to 39.9 per cent from 37.3 per cent in 1991, it remained below its 1980 level of 42.9 per cent.

In comparison, oil production in the CIS countries continued its downward trend. After declining in 1991 to its lowest level since 1987, output fell further in 1992, reaching less than 9 m/b/d, compared to 12.18 m/b/d in 1989,[18/] i.e., a decline of 26.1 per cent during 1989-1992. This sharp decline reflects both technical problems and a deep contraction in economic activity.

Oil production in the United States also continued the downward trend of the last few years. In 1992, crude-oil production reached 7.15 m/b/d, down by 3.6 per cent from 7.42 m/b/d in 1991.[19/] During 1989-1992, production of crude oil in the United States declined by 12.2 per cent, while imports increased by 19.4 per cent.

B. Oil production in the ESCWA region

After declining by 3.5 per cent in 1991, total crude-oil production in the ESCWA region rebounded by 8.8 per cent in 1992 to an average daily output of 14.96 m/b/d (table 15). However, the overall increase conceals large inter-country differences. Those that managed to raise production were Iraq (50.5 per cent), Kuwait (719 per cent), Saudi Arabia (3.2 per cent) and the Syrian Arab Republic (7.1 per cent); the first two countries did so from initially very low levels, with Iraq's output still only about one sixth of its pre-Gulf crisis level. In Bahrain, Egypt, the United Arab Emirates and Yemen, output fell by 2.4 per cent, 4.3 per cent, 3.2 per cent and 11.5 per cent, respectively. The share of the region in OPEC's output recovered from 59 per cent in 1991 to 61.3 per cent in 1992, the same share as in 1990 but significantly below the 65.3 per cent share in 1989.

C. Oil prices

Unfavourable supply and demand developments brought down oil prices in January 1992 to $16.71 per barrel (table 16 and chart), their lowest level since April 1990 and 25.4 per cent below January 1991. For the first quarter of 1992, the average price reached $16.73 per barrel, representing a 12.1 per cent drop from the first quarter of 1991, and 20.5 per cent below the OPEC target of $21.00 per barrel. During the second quarter, oil prices recovered partially, reflecting mainly OPEC's decision to reduce the production ceiling

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18/ Calculated from Arab Oil and Gas, 1 February 1993, p. 33.
19/ Oil and Gas Journal, 25 January 1993, p. 63.

Table 15. ESCWA, OPEC and world crude-oil production, 1989-1992
(Million barrels per day)

	1989	1990	1991	1992
Bahrain	0.042	0.042	0.042	0.041
Egypt	0.863	0.789	0.909	0.870
Iraq	2.795	2.022	0.299	0.450
Kuwait[a/]	1.845	1.179	0.129	1.056
Oman	0.639	0.660	0.700	0.729
Qatar	0.384	0.384	0.383	0.397
Saudi Arabia[a/]	5.165	6.465	8.230	8.420
Syrian Arab Republic	0.368	0.408	0.495	0.530
United Arab Emirates	1.870	2.048	2.368	2.292
Republic of Yemen	0.189	0.199	0.199	0.176
Total ESCWA	14.160	14.286	13.754	14.962
Total OPEC	21.70	23.30	23.30	24.40
Total world	63.843	64.893	64.759	64.889
ESCWA as percentage of OPEC	65.3	61.3	59.0	61.3
ESCWA as percentage of the world	22.2	22.0	21.2	23.1
OPEC as percentage of the world	34.0	35.6	36.0	37.6

Source: Arab Oil and Gas (various issues), and Petroleum Intelligence Weekly, 11 January 1993, p. 3.

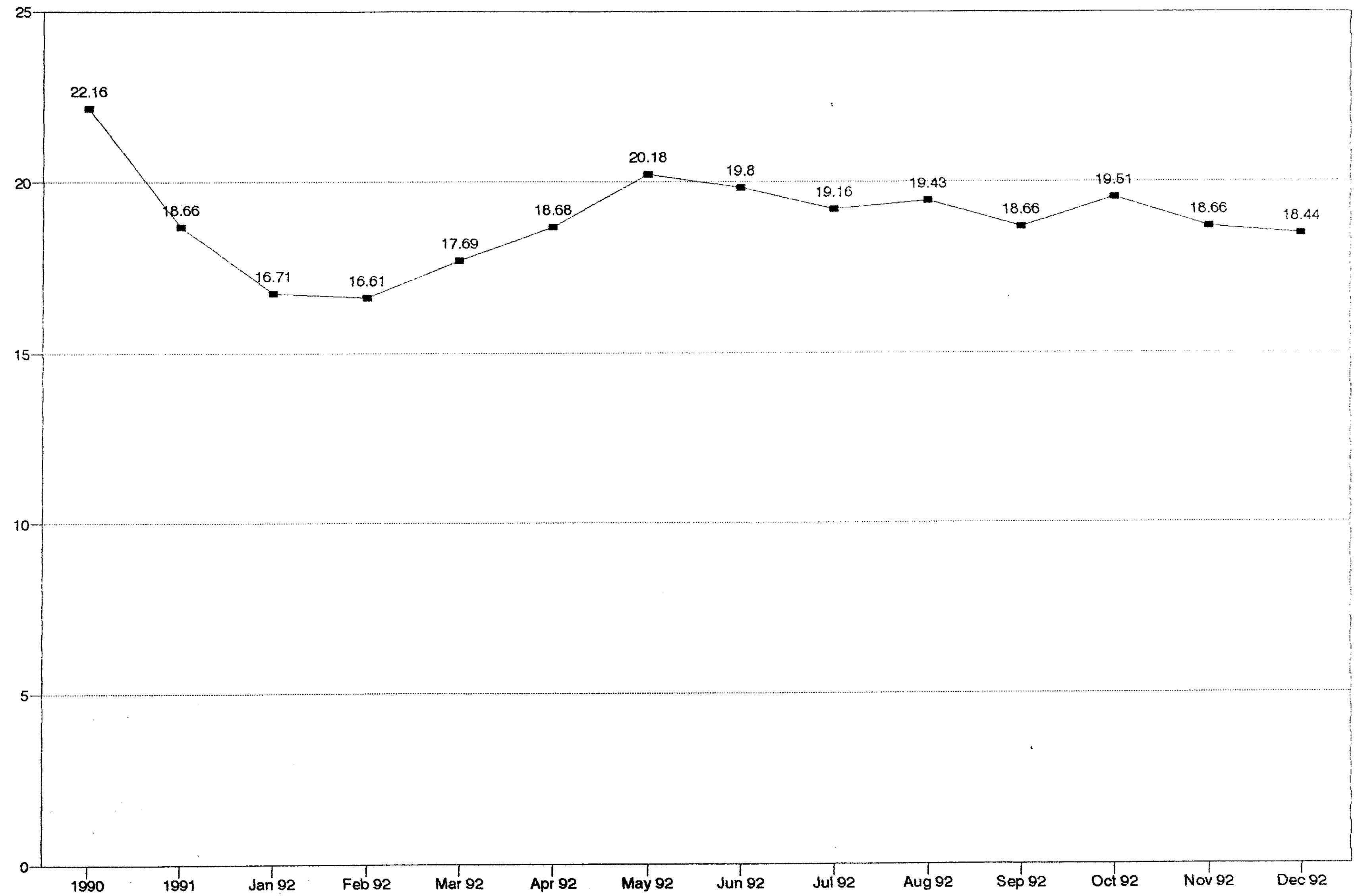
a/ Including its share of the Neutral-Zone output.

to 22.98 m/b/d from 23.65 m/b/d. This helped push average prices by 13.2 per cent to $18.86 per barrel during the quarter, attaining in June the highest level ($20.18 per barrel) recorded since January 1991. Oil prices held during the third quarter of 1992, averaging $19.45 per barrel, i.e., 3 per cent over the second quarter average. However, during the fourth quarter, oil prices came again under pressure and dropped to an average of $18.73 per barrel, reflecting the change in OPEC's production policy adopted during its 16-17 September meeting, abandoning the production ceiling in favour of protecting its market share.

For 1992 as a whole, oil prices averaged $18.41 per barrel, down from $18.66 per barrel in 1991 and $22.26 per barrel in 1990, and far below the OPEC target of $21.00 per barrel. Oil prices could have come under more pressure had Iraq been allowed to resume production and export.

The outlook for oil prices will continue to be determined by the interaction of several factors: (a) the level of economic activity in major oil-importing countries; (b) the extent of success in energy conservation and energy substitution policies in the industrial countries; (c) an increase in

Chart: <u>OPEC average oil-prices (1990-1992)</u>
(in United States dollars)



<u>Source</u>: Table 16.

Table 16. Average price of the OPEC basket of seven crudes, 1990-1992
(United States dollars)

	1990	1991	1992
January	19.98	22.38	16.71
February	19.02	17.55	16.89
March	17.69	17.19	16.61
April	15.63	17.38	17.69
May	15.45	17.78	18.70
June	14.05	17.22	20.18
July	15.68	18.20	19.80
August	24.69	18.47	19.16
September	32.06	19.19	19.40
October	34.58	20.42	19.55
November	31.04	19.79	18.73
December	26.11	17.15	17.96
Average for the year	22.26	18.66	18.41

Source: Arab Oil and Gas (various issues).

oil supplies, particularly from outside OPEC countries; (d) the rate of decline in production in the CIS countries and the United States; (e) political stability in the Gulf region; and (f) the state of relations among OPEC member countries.

These factors, in addition to the possible return of Iraqi oil to the market, will shape the trend in oil prices during 1993. Available estimates indicate that oil demand is expected to reach 67.5 m/b/d,[20/] which represents an increase of about 1 m/b/d from 1992. On the supply side, production from the CIS and the United States is expected to continue to decline, leaving only OPEC with a capacity to increase output. Therefore, the demand for OPEC oil could be expected to increase in the coming years.

In view of the sluggish world economic situation, OPEC over-production and the possibility of resumed supplies by Iraq, prices in 1993 are not expected to rise. Resumption of Iraqi oil exports may lead to a steep decline in prices in the absence of an agreement on production levels. It is therefore vital for OPEC to resolve this issue with minimum disruption to the market. Furthermore, oil demand could decline also if the proposed energy tax in the EEC countries is implemented. The tax could have important implications for the oil exporting countries and for the ESCWA region as a whole at a time when it has just emerged from the devastating effects of the Gulf War.

20/ Middle East Economic Digest, 8 January, 1993, p. 2.

Inset 2. The European Community's energy tax

The carbon/energy tax being proposed by the EEC countries as an environmental measure intended to contain carbon dioxide emissions is viewed by oil exporters as discriminatory since oil is already being taxed in EEC countries (table 17), and oil pollutes less than coal. Moreover, coal production is subsidized in a number of EEC countries (Belgium, Germany, Spain and the United Kingdom).

Table 17. Percentage* of taxes in gasoline and diesel prices in the EEC in 1991

	Gasoline	Diesel
Belgium	66.5	45.2
Denmark	67.8	20.9
France	75.0	54.3
Germany	67.6	51.8
Greece	67.6	42.2
Ireland	66.2	49.8
Italy	76.0	63.9
Luxembourg	54.9	31.9
Netherlands	70.0	45.6
Portugal	72.2	56.3
Spain	65.4	51.1
United Kingdom	66.0	65.5

Source: OPEC Bulletin, November/December 1992, p. 8.

* Percentage of taxes in final prices.

According to some estimates, the proposed tax could cost the GCC countries $75 billion in lost revenues by the year 2000, which is almost equivalent to total oil revenues in 1992.

The GCC countries have reacted strongly to the proposed tax and have threatened retaliatory measures. Major oil-exporting countries within and outside OPEC, concerned over the impact of the proposed tax on oil prices and revenues, met in April 1993 in Oman to discuss the proposed tax. Though no specific measures were taken, the meeting reflected the importance these countries attach to the issue.

D. Oil revenues in the ESCWA region

Oil revenues in the major ESCWA oil-exporting countries remain the most important source of foreign-exchange earnings. In 1992, oil revenues accounted for 63 per cent of total budget revenues in Bahrain, 76 per cent in

Oman, 70 per cent in Saudi Arabia, 57 per cent in the Syrian Arab Republic and 65 per cent in the United Arab Emirates.

Oil revenues of the ESCWA region increased by 13.1 per cent, from $68.5 billion in 1991 to $77.5 billion in 1992, but remained 6.7 per cent below their 1990 level of $81.7 billion (table 18).

Table 18. ESCWA region oil revenues, 1990-1992
(Millions of United States dollars)

	1990	1991	1992	Percentage change 1992/1991
Bahrain	800	788	847	7.5
Egypt	1 300	1 200	1 200	-
Iraq	9 463	-	-	-
Kuwait a/	5 563	430	4 172	869.7
Oman	3 994	3 162	3 312	4.8
Qatar	2 800	2 383	2 567	7.7
Saudi Arabia a/	40 128	43 306	48 496	12.0
Syrian Arab Republic	1 470	2 100	2 180	3.8
United Arab Emirates	15 690	14 666	14 323	-2.4
Yemen	475	454	380	-16.3
Total ESCWA	81 656	68 490	77 477	13.1
Total OPEC	146 396	128 681	136 607	6.2
ESCWA as percentage of OPEC	55.8	53.2	56.2	

Sources: Arab Oil and Gas (various issues); and Petroleum Intelligence Weekly, 11 January 1993, p. 3.

a/ Including its 50 per cent share of the neutral-zone output.

This can be explained by the continued absence of Iraq from the oil market--except for the export of 50,000 barrels a day to Jordan in repayment of debt--and the decline in oil prices from an average of $22.26 per barrel in 1990 to $18.41 per barrel in 1992.

The highest increase in revenues was recorded by Kuwait (870 per cent), where revenues reached $4.17 billion, compared to only $0.43 billion in 1991. Owing to its special situation, Kuwait was allowed to produce oil at full capacity and outside the OPEC system of temporary production allocation. However, despite this jump, Kuwait's oil revenues in 1992 remained considerably below their pre-Gulf crisis levels.

Saudi Arabia's oil revenues rose by 12 per cent in 1992 to $48.5 billion. Increases were also recorded by Qatar (7.7 per cent), Oman (4.8 per cent) and the Syrian Arab Republic (3.8 per cent).21/ Revenues fell in the United Arab Emirates and Yemen by 2.4 and 16.3 per cent, respectively. In Yemen, oil revenues have been declining since 1990.

Comparing 1992 with 1989, the year preceding the Gulf crisis, it is worth mentioning that Saudi Arabia's oil revenues doubled in the interval, while Kuwait's 1992 revenues were only 45 per cent of their level in 1989.

The share of the ESCWA countries in total OPEC revenues increased from 53.2 per cent in 1991 to 56.7 per cent in 1992. This was a result of the recovery in Kuwait's oil revenues and the substantial increase in those of Saudi Arabia, on the one hand, and decline in oil revenues in some other OPEC members (Algeria, Indonesia, the Libyan Arab Republic and Venezuela).

E. Oil reserves and production capacity

Proven oil reserves in the ESCWA region, at 574.8 billion barrels, were virtually unchanged between 1991 and 1992, accounting for 57.7 per cent of the world total (table 19). Saudi Arabia alone is situated over 260.3 billion barrels of proven oil reserves, or 45.3 per cent of the ESCWA region's total and 26.1 per cent of the world total. Iraq comes second with 100 billion barrels, representing 17.4 per cent of the ESCWA total and 10 per cent of the world total. Saudi Arabia, Iraq, Kuwait and the United Arab Emirates together account for 96.5 per cent of the proven reserves of the region and for 55.5 per cent of those of the world. These reserves can sustain current oil production in the region for about another 105 years, compared with only 43 years for the world as a whole. However, within ESCWA, the period varies markedly from country to country (table 20).

The proven oil reserves of the region account for almost 75 per cent of OPEC's total. This gives the region, and especially its larger producers, a prominent role within OPEC in shaping future oil policies at a time when oil production is declining in other major oil-producing areas.22/ Proven oil reserves in the CIS countries were estimated at 57 billion barrels at the end of 1992, and those of the United States at 24.7 billion barrels. At current production rates, these reserves can sustain production for another 17 and 9.4 years, respectively. The latest estimates indicate that the oil imports of the United States will increase from 40 per cent of total consumption to 57 per cent by the year 2010. This, together with declining oil exports from the CIS countries (to only 95 million tons in 1992, down from 158.6 million tons in 1991),23/ will give the region more weight in the oil industry. The demand for oil from the ESCWA region is expected to increase in the coming years, particularly if the current level of oil prices, which discourages discoveries in high-cost production areas, continues. Furthermore, recent data indicate that China could become a net oil importer by 1994.

21/ In 1992, oil revenues in the Syrian Arab Republic were more than 48 per cent above those of 1990. This is attributed to the sharp increase in average daily output from 408,000 b/d to 530,000 b/d during this interval.

22/ Arab Oil and Gas, 16 January 1993, p. 42.

23/ Ibid., 1 February 1993, p. 33.

Table 19. ESCWA region proven oil reserves, 1980 and 1990-1992
(Millions of barrels)

	1980	1990	1991	1992
Bahrain	240	100	100	100
Egypt	3 100	6 200	6200	6 200
Iraq	31 000	100 000	100,000	100 000
Kuwait[a/]	68 530	79 000	96500	96 500
Oman	2 400	4 300	4250	4 480
Qatar	3 760	4 500	3750	3 700
Saudi Arabia[a/]	166 480	60 000	260,340	260 300
Syrian Arab Republic	2 000	1 700	1700	1 700
United Arab Emirates	294 411	98 000	98000	97 000
Yemen	..	4 000	4000	4 000
Total ESCWA	306 921	575 900	574 940	574 780
Total world	641 623	999 110	991 011	997 040
ESCWA as percentage of world total	47.8	57.6	58.0	57.7

Sources: Arab Oil and Gas, 1 February 1993, p. 44; and Oil and Gas Journal (various issues).

a/ Including its share in the Neutral Zone.

F. Other energy sources

1. Natural gas

(a) The ESCWA region and the international gas market

The ESCWA region holds slightly over 17 per cent of the world's natural gas reserves, rendering it a potential contributor to the steadily expanding international gas market. World trade in gas and related products increased during 1991 by 4.6 per cent, accounting for 15.2 per cent of marketed gas.[24/] Though most of the gas produced in the region is geared toward domestic consumption, the ESCWA countries with large reserves are undertaking export-oriented development projects such as Qatar's three-phase North Field development project, which is currently under way. Europe and Asia are considered potential markets for gas from the region, and a number of agreements were concluded during 1992 to purchase gas once production and export facilities are in place. At present, liquefied natural gas (LNG) is exported from the United Arab Emirates and Saudi Arabia to Japan.

24/ Patrick Heren, "Shuffled pack comes up trumps", Petroleum Economist, August 1992, pp. 7-10. Also see UNESCWA, Proceedings of the Interregional Symposium on Gas Development and Market Prospects by the Year 2000 and Beyond, Damascus, Syrian Arab Republic, 20-26 June 1992 (forthcoming).

Table 20. ESCWA region proven oil reserves/production ratio

	Proven oil reserves (millions of barrels)	Oil production 1992 (millions of barrels)	Proven oil reserves/ production (years)
Bahrain	100	14.965	6.68
Egypt	6 200	317.550	19.52
Iraq	100 000	152.205	657.00*
Kuwait	96 500	378.140	255.20*
Oman	4 480	266.085	16.84
Qatar	3 700	144.175	25.66
Saudi Arabia	260 300	3 084.250	84.40
Syrian Arab Republic	1 700	193.450	8.79
United Arab Emirates	97 800	846.070	115.60
Republic of Yemen	4 000	64.240	62.27
Total ESCWA	574 780	5 461.130	105.25

Source: Arab Oil and Gas, 1 February 1993, p. 44.

* The ratios for Iraq, and to a lesser but important extent, for Kuwait are distorted by the low production, reflecting in the former country the impact of sanctions and in the latter incomplete recovery following the Gulf War.

The demand for natural gas is growing world-wide, partly due to growing concern over environmental problems associated with the use of hydrocarbon fuel. Gas is the cleanest burning fossil fuel, and many Governments are encouraging its use over other fuels. Marketed production of gas increased by almost 3 per cent world-wide during 1991 and is expected to rise further, especially if environmental regulations are enacted and enforced. Such regulations in some developed countries have led to expectations of a surge in demand for methyl tertiary butyl ether (MTBE).25/ MTBE demand is forecast to grow from less than 200,000 b/d in 1992 to 400,000 b/d in 1995 and to reach 500,000 b/d by the year 2000.26/ The production of MTBE requires butane as a feedstock. Other uses of natural gas, e.g., as a vehicle fuel, are considered commercially viable in some areas. Compressed natural gas may become a substitute for diesel fuel and feasible for use in commercial fleets.27/ Demand for gas is also increasing in many Asian countries where economic development is proceeding rapidly. The newly industrialized countries

25/ MTBE is an oxygenate which is added to gasoline to enhance its octane level and reduce lead content.

26/ Oil and Gas Journal, 20 July 1992, p. 55.

27/ Petroleum Economist, July 1992, p. 28.

and the southern provinces of China may represent future markets for ESCWA-region gas.

(b) Natural-gas reserves

Proven gas reserves in the ESCWA region increased by 14 per cent during 1992, mainly due to discoveries in Qatar, Oman, Egypt, and Yemen (table 21). ESCWA's share of total world gas reserves increased slightly since world-wide reserves also increased during this period. While the region is less important in the gas market than in the oil market, these figures show that gas is significant as a domestic energy source and that the ESCWA region has the potential to become an important exporter.

At current production rates, enough gas is available for the region as a whole for 258 years. This compares favourably with the world ratio of 65 years. The reserve/production ratio ranges from 26 years in Bahrain to almost 3,000 years in Kuwait (table 21).

(c) Gas production and consumption

The gas-producing countries in the region made considerable efforts during the past decade to reduce flaring and losses of natural gas. Petrochemical, fertilizer and other industries were developed to utilize associated and nonassociated natural gas. The GCC area now boasts a modern petrochemical industry which competes successfully world-wide and uses natural gas as a feedstock. Other ESCWA countries have encouraged the domestic use of natural gas as a substitute for petroleum and petroleum products, and gas is increasingly used by households throughout the region. In addition, natural gas is used to generate electricity in several member countries.

Encouraging the domestic use of natural gas has become a policy of many ESCWA countries holding natural-gas reserves as a means to reduce consumption of petroleum and petroleum products. This policy is intended to allow more petroleum for export in countries such as Egypt and the Syrian Arab Republic, or to reduce the drain on hard currency in oil-importing countries such as Jordan.

Marketed production of natural gas in Bahrain increased slightly during 1991 (table 22). Bahrain's reserves are limited; it is actively exploring for hydrocarbon resources and hopes to find gas. Seismic surveys and exploration wells have been undertaken offshore, but fresh reserves have not yet been located.[28]

Egypt continues to pursue a policy of substituting oil and petroleum products with natural gas for domestic consumption. During 1992, marketed production of natural gas increased by almost 12 per cent, reaching over 9 billion cubic metres.[29] Officials are optimistic that further reserves will be found and estimate that reserves will reach over 2 trillion cubic

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28/ Arab Oil and Gas, vol. 21, No. 491, 1 March 1992, p. 22; and Arab Oil and Gas, vol. 21, No. 493, 1 April 1992, pp. 21-22.

29/ Petroleum Economist, August 1992, p. 8.

Table 21. Natural-gas reserves in the ESCWA region, 1991-1992
(Million cubic metres)

Country	1991	1992	Reserve/ production ratio (years)	Percentage change 1991-1992
Bahrain	170	170	26	-
Egypt	351	436	48	24.19
Iraq	2 690	3 101	2 819	15.26
Jordan	3	6	29	100.00
Kuwait	1 373	1 498	2 996	9.07
Oman	280	479	137	70.72
Qatar	4 587	6 428	691	40.12
Saudi Arabia	5 226	5 185	162	-0.78
Syrian Arab Republic	181	198	57	9.38
United Arab Emirates	5 644	5 749	223	2.66
Yemen	198	394		98.57
Total ESCWA	20 704	23 688	258	14.41
Total world	123 973	138 338	65	11.59
ESCWA/world (percentage)	16.7%	17.2%		

Source: Oil and Gas Journal (various issues).

Note: To calculate reserve/production ratios, 1991 production figures were used. Since there was no marketed gas produced in Yemen, the ratio could not be calculated.

metres by the year 2010.30/ Discoveries were made in late 1991 and early 1992 offshore and in the Nile Delta and western desert areas. Plans to develop these discoveries include a gas pipeline from offshore reserves. Egypt is also planning to expand the gas distribution network in Cairo and is undertaking work on another gas system which will gather gas from the Gulf of Suez and the Sinai and add 10 per cent to total gas production.31/ In addition, efforts have been made to encourage greater efficiency in consumption of energy products, including gas. During 1991, Egypt raised prices of natural gas to reflect the economic cost of energy on the international markets and will gradually raise prices of other energy products in an effort to curb consumption.32/

30/ Middle East Economic Digest, 3 April 1992, p. 16.

31/ Arab Oil and Gas, 16 September 1991, p. 12.

32/ Arab Oil and Gas, 1 September 1991, p. 41.

Table 22. Marketed production of natural gas in the ESCWA region, 1990-1991

(Million cubic metres)

Country	1990	1991	Percentage change 1990-1991
Bahrain	6 170	6 600	6.97
Egypt	8 110	9 080	11.96
Iraq	4 180	1 100	-73.68
Jordan	156	210	34.62
Kuwait	5 230	500	-90.44
Oman	2 800	3 500	25.00
Qatar	6 720	9 300	38.39
Saudi Arabia	30 500	32 000	4.92
Syrian Arab Republic	1 070	4 320	303.74
United Arab Emirates	22 100	25 940	17.38
Total ESCWA	87 036	92 550	6.34
Total world	2 071 025	2 119 190	2.33
ESCWA/world (percentage)	4.1	4.4	

Source: ESCWA, based on data from Petroleum Economist, August 1990, p. 8

During 1992, Iraq's production of natural gas reached 45 per cent of its pre-Gulf War level.[33/] Iraq has been producing associated gas from northern fields and pumping the surplus oil back into the ground. Iraq uses gas for electricity generation, domestic cooking and heating. Prior to the Gulf War, Iraq exported natural gas to Kuwait via pipeline.

Jordan is continuing its efforts at exploration of natural gas, and a study is under way to identify ways of furthering the utilization of existing resources near the Iraqi border. Currently, natural gas is used to fuel an electricity plant, and work is under way to expand its capacity. Jordan announced in 1991 that the use of natural gas for electricity generation has saved $20 million in fuel oil bills.[34/]

Kuwait's gas reserves are mostly in the form of associated gas. The country's four gas booster stations were either damaged or destroyed during the Gulf War; after the war, gas burned along with the burning oil wells or escaped from gushing wells. The LPG plant, however, was not damaged and enough repairs were made to terminal facilities to allow exports of butane and propane to Japan in early 1992.[35/] During 1991, marketed production was quite low and Kuwait imported gas for domestic use.[36/]

33/ Jordan Times, 9 June 1992, p. 7.

34/ Jordan Times, 12 August 1991, p. 1.

35/ Arab Oil and Gas, vol. 21, No. 493, 1 April 1992, p. 8.

36/ Middle East Economic Survey, 24 June 1991, p. D5.

The export-oriented second phase of Qatar's North Field development project appeared to suffer a setback at the beginning of 1992 when British Petroleum withdrew from the development consortium. However, by the end of the year, Mobil had joined the scheme. Development is currently under way toward exporting liquefied natural gas (LNG) to Japan for use in electricity plants beginning in 1997. Qatar also signed a memorandum of understanding with Italy in 1992 for the development and sale of up to 9 million tons per year of LNG. This project includes pipelines and liquefaction and shore facilities to be constructed in cooperation with various Italian firms. In addition, Qatar is exploring the possibility of piping gas to Pakistan. The $3 billion proposed pipeline would pass through the United Arab Emirates and Iran and would allow Qatar to export over 100 million cubic metres per day to Pakistan and to the Jebel Ali industrial zone in the United Arab Emirates.[37/]

Production of marketed natural gas in the Syrian Arab Republic rose considerably in 1991. Reserves increased by almost 10 per cent during 1992. The Syrian Arab Republic is undertaking measures to utilize its gas reserves domestically in the production of electricity and for use in various industries. A $300 million gas-gathering project in nonassociated gas fields in the Palmyra region has been initiated.[38/] It is also in the process of commissioning a comprehensive study on utilization of natural gas. In late 1991, a gas processing plant with a capacity of over 4 million cubic metres per day was opened at the Omar field using associated gas from nearby oil fields.[39/] Two other gas processing plants at Suwaidiyah and Jbaisseh are in operation with a total capacity of almost 2.4 million cubic metres per day. In early 1992, the Syrian Arab Republic initiated work on an electricity plant designed to utilize natural gas.[40/] Currently, all marketed natural gas is destined for domestic use.

Recent discoveries in Oman have resulted in a significant upward revision of total reserves in 1992 to 479 billion cubic metres (table 21). Oman announced two new discoveries of gas during 1991 located in the northern part of the country close to areas where gas had previously been found.[41/] These and other recent discoveries are a result of serious and continuing exploration efforts. Various licences for exploration and drilling during 1991 were awarded in the Haffar area, believed to be rich in gas.[42/]. Oman announced an ambitious $9 billion liquefied natural gas project to be undertaken in a joint venture in which Petroleum Development Oman (PDO) will participate.[43/] Currently, the gas produced is consumed locally, but this new project is aimed at the export market, most probably Japan.

At present Oman utilizes gas domestically for reinjection into oil fields, for generating electricity and operating desalination plants and for other industrial uses. Plans are under way to increase domestic use of gas as

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37/ Ibid.

38/ Middle East Economic Survey, 16 December 1991, p. A9.

39/ Arab Oil and Gas, 16 December 1991, p. 19.

40/ Middle East Economic Digest, 31 January 1992, p. 29.

41/ Middle East Economic Survey, 24 June 1991, p. A7.

42/ Arab Oil and Gas, 1 October 1991, p. 23.

43/ Petroleum Economist, August 1992, pp. 11-12.

well as to invest in downstream industries using natural gas as a feedstock and for other export schemes. Recent forecasts estimate that, at planned production levels, Oman holds enough reserves to export gas for 20 years and to satisfy domestic needs for 50 years.

Saudi Arabia increased its gas output by almost 5 per cent during 1991 (table 22). It is undertaking various projects to expand the petrochemical industry, which utilizes natural gas. New facilities under construction and in earlier planning stages include those designed to meet the expected increases in demand for MTBE in export markets during this decade. Additional developments include four contracts signed in late 1991 to provide LPG to Japan, South Korea and the United States.[44/] Additional agreements with Japanese companies are under discussion.

Overall marketed production of natural gas in the United Arab Emirates increased by over 17 per cent in 1991. A $US 1 billion dollar project is currently under way to develop nonassociated gas in the offshore Khuff field.[45/] This project will enable the doubling of LNG and LPG production at the Das Island plant. Pipelines will also be constructed. Activities to increase the production of onshore associated gas are also under way including the expansion of the Bab gas processing facility and increasing the efficiency of the Bu Hasa plant.[46/] Other plans include an MTBE plant in Dubai's Jebel Ali free zone and the construction of a pipeline to further increase the utilization of gas for electricity generation at the free zone by two thirds.

Exploration for both oil and gas is continuing in the United Arab Emirates and is expected to intensify during the next five years. The number of rigs devoted to exploration increased from 12 in 1991 to 20 in 1992.

Although Yemen has yet to produce gas for domestic use, it commissioned two studies during 1991 to assess the potential for developing gas in the Marib Jawf area for domestic use and export.[47/] Rising gas/oil ratios in the Marib oil fields has caused a slow-down in oil production to avoid flaring gas until plans to process the gas are implemented. An earlier study by a Dutch firm recommended that the gas be used to produce LPG and LNG. The project would cost $1.2 billion. A gas recycling unit is currently under construction on the Assal al-Kamil field. It will have a capacity of approximately 11 million cubic metres/day and is expected to be completed by 1994. Yemen currently produces gas at the Alif field but this gas is used for reinjection purposes.

2. Electricity generation

The year 1992 witnessed further progress in the provision of electricity in areas affected by the Gulf War and in interconnecting systems in the region, and a continuation of the commitment by many ESCWA countries to provide electricity to all rural areas.

44/ Middle East Economic Survey, 16 December 1991, p. A6.
45/ Petroleum Economist, June 1992, pp. 23-26.
46/ Ibid.
47/ Arab Oil and Gas, 16 September 1991, p. 16.

Iraq's capability was completely disrupted, as most of its power stations were targeted during the first days of the Gulf War. By May 1991, however, the electricity grid was reconnected and electricity was made available in larger cities and towns. By early 1992, 75 per cent of the grid had been brought back on line. Kuwait also restored its electricity production capabilities soon after the end of the war. In early 1990, Kuwait's installed capacity totalled 6,790 megawatts (MW) and by October 1991, 4,000 MW had been restored along with 95 per cent of the network.

Civil strife in Lebanon interfered with normal power supplies throughout the 1980s. Although the civil war has ended, electricity services have not yet been restored to pre-war levels. Power shortages occur throughout the country, and many Lebanese obtain their electricity from individually-owned generators. However, priority is being given to the electricity sector in reconstruction plans. Lebanese officials estimate that the provision of adequate electricity supplies will cost $1.18 billion, which includes the cost of building two new electricity-generating plants with a total capacity of 900 MW. Regional funding organizations, including the Arab Fund for Economic and Social Development (AFESD) and the Kuwait Fund for Arab Economic Development, have pledged substantial support for this endeavour, in addition to prospects for funding from outside the region.

All rural areas in Jordan are to be provided with electricity by the end of 1994 at a cost of JD 19.5 million.[48/] Oman is also trying to improve its capability to provide electricity to rural areas.

In Yemen, the construction of a 180 MW electricity-generating plant near Sana'a is planned. Efforts are also under way to connect the two systems in the northern and southern regions of the country. Yemen is also considering using recently discovered natural-gas reserves to produce electricity. This would entail converting existing power plants to gas and, in the long run, building additional power plants which utilize gas.

Egypt has also experienced considerable increases in the demand for electricity in the past few years, and demand is expected to continue to increase at a rate of 6 per cent or more in the coming decade.

Due in part to growing demand, the Syrian Arab Republic continues to face problems with shortages in electricity despite the resumption of hydroelectric production previously interrupted by the filling of the Ataturk Dam in Turkey. Electricity generation increased by 6.7 per cent in 1991, with hydroelectric power accounting for 13.4 per cent of total supplies. There are plans to develop natural gas for use in the generation of electricity.

The interconnection of electricity systems remains a goal of many countries in the region. Efforts are under way to connect Egypt and Jordan. This project should be operational by 1996. Longer-run plans include further connections to the Syrian Arab Republic, Lebanon, Turkey and eventually Iraq. Similar plans to connect the systems of the Gulf Cooperation Council countries exist; the results of a detailed study were discussed in early 1992 by the six

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48/ Jordan Times, 23 February 1993.

member countries. Originally, the plan was expected to be completed by 2005, but its implementation was delayed by the Gulf crisis. Once the two grids are completed, the possibility will exist to connect them which will enable electric power to be shared throughout Western Asia. A recently completed study commissioned by AFESD reported that a unified Arab power grid would save the Arab countries a total of $4 billion. The project, estimated at a cost of $3.1 billion, could be completed in 20 years.

3. New and renewable energy sources

The use of renewable energy sources is actively encouraged in many ESCWA countries. Egypt, the Syrian Arab Republic and Yemen have witnessed increases in the use of renewable energy sources during the past few years, as well as Government- and international organization-sponsored pilot projects and training programmes, designed to promote the use of renewable energy technologies. Renewable energy sources are becoming increasingly attractive with the spread of awareness of environmental hazards associated with the use of conventional hydrocarbon sources of energy.

A wind farm was successfully installed in Egypt and is now connected to the local power grid at Ras Ghareb, about 320 kilometres south-east of Cairo on the Red Sea.[49/] About 1.2 million kWh is generated annually by the wind farm, which supplements energy generated by local power plants fueled by conventional energy sources. The coastal areas of the Red Sea are considered ideal areas for utilizing wind power in Egypt, and studies are under way to determine their feasibility. Possibilities also exist for utilizing hybrid wind/diesel systems for generating electricity in remote areas.

49/ United States Agency for International Development and Government of Egypt, Ministry of Electricity and Energy, An Overview of Egyptian Renewable Energy Programs and the Renewable Energy Field Testing Project (Nasr City, Egypt: New and Renewable Energy Authority), 1990.

IV. DEVELOPMENTS IN INTERNATIONAL TRADE AND PAYMENTS

International factors and events--mainly the world economic recession, the unification of Germany and the transition process in Eastern Europe and the former Soviet Union which affected world trade performance in 1990 and 1991--have had less impact on the external sector of the ESCWA region than domestic and regional events including the Gulf War, sanctions against Iraq, re-construction of Kuwait, economic recovery in the GCC countries and structural adjustment programmes in some member countries, including the liberalization of the external sector.

The maintenance of economic sanctions against Iraq, and the destruction of Kuwait's capacity to export oil, kept these two major oil exporters out of the oil market during 1991; in addition, oil prices went back to their pre-war level. Consequently, the region's total exports declined by about 12.4 per cent compared to an increase of about 16 per cent in 1990, despite improvement in the export performance of some countries. In contrast imports, excluding those of Iraq, increased by 6.4 per cent compared to 3.6 per cent in 1990. The rise in the region's imports was mainly caused by the economic boom in the GCC countries and the reconstruction activity in Kuwait. The decline in exports and expansion in imports, coupled with higher imports of services and transfer payments, was reflected in a widening of the current account deficit. Consequently, the GCC countries, specifically Saudi Arabia and Kuwait, resorted to borrowing from international financial markets and to drawing on reserves. Improvements in the current accounts of other ESCWA countries--especially Egypt and Jordan--notwithstanding, the region's overall current account turned a very large deficit.

Although statistics on the region's external sector during 1992 are still partial and incomplete, judging by some indicators and preliminary data,[50/] the region's exports and imports should show a marked expansion in 1992. However, while improvement is to be expected in the GCC countries' current account with the settlement of the financial obligations arising from the Gulf crisis, the surge in other ESCWA countries' current account recorded in 1991 must have been checked: "exceptional financing" and transfers in 1991 were transitory phenomenon connected with the Gulf crisis and war, while tourism was badly hit in Egypt.

A. Overall trade performance

1. Exports

The aggregate dollar value of the ESCWA region's exports (excluding Iraq) declined from $93.1 billion in 1990, its highest level since 1983, to $89.9

50/ In particular: the recovery in Kuwait's oil production and exports; the continuation of the economic boom in the GCC countries, which began in oil- and government-related activities in 1991 and then spread to private-sector activity during 1992; trade liberalization measures in some member countries which started in 1991 and continued into 1992; and efforts by some countries to access new markets following the loss of traditional ones.

billion in 1991, or by 3.5 per cent. It remained, however, higher than in 1985 and in the period 1988-1989 (table 23 and annex table 1). The decline reflected essentially the drop in overall GCC countries' exports by 3.8 per cent. Apart from Saudi Arabia and Qatar, where exports increased by 10 per cent and 6.4 per cent, respectively, exports of the remaining four GCC countries declined at rates ranging between 6.5 per cent for Oman and 91 per cent for Kuwait. The increase in Saudi Arabia's exports from $44.4 billion in 1990 to $48.8 billion in 1991 resulted from a 6.3 per cent rise in the value of oil exports,51/ and a 43 per cent expansion in that of non-oil exports. The decline in the United Arab Emirates' exports from about $22 billion to $20.2 billion was entirely caused by a decline in oil exports, the increase in the volume of oil exports by 12.7 per cent being insufficient to offset the fall in prices.52/ However, both countries, especially Saudi Arabia, continued to enjoy very high levels of exports compared to the previous period. In contrast to the boom in 1990 which resulted from a sharp increase in oil prices and quantities exported, the situation in 1991 reflected good performance in non-oil exports and re-exports as well.

Egypt's exports increased by 41 per cent in 1991, compared to only 0.7 per cent in 1990, with exports of oil increasing by 18 per cent, those of other industries by 3.7 per cent and "unclassified" commodities by 24.8 per cent. The increase reflected the Government's efforts to gear production towards foreign markets, including the phasing out of quantitative export restrictions. In May 1991, the Egyptian Government started reducing the number of products covered by: export bans from 20 to 6; export quotas, from 17 to 4; and items requiring prior government approval for export from 37 to only 1 item. In order to further reduce discrimination against exports, the Government has also improved the drawback and temporary admission mechanisms.53/

Exports of Jordan recovered and rose by 6.5 per cent, having declined by 1.4 per cent in 1990. However, the recovery resulted from an 83.5 per cent expansion in re-exports as national exports declined by 2.2 per cent. Among the latter, food and live animals, beverages and tobacco, animal and vegetable oils and fats, mineral fuels, and lubricants and related materials increased at rates ranging between 43 per cent and 360 per cent compared to 1990. The rest of exports, comprising over four fifths of the total, declined at rates ranging between 6.3 per cent and 48.3 per cent, including exports of phosphate, which declined by 11.2 per cent because of the loss of the East European market.54/

51/ The quantity of oil exported increased by 26.6 per cent, i.e., from 6.4 million barrels a day (b/d) to 8.1 million b/d, which compensated for the 16 per cent decline in prices. The National Commercial Bank Economist, vol. 3, No. 1, January 1993.

52/ Ibid., vol. 3, No. 2, February-March 1993.

53/ GATT, Trade Policy Review Mechanism (The Arab Republic of Egypt) (C/RM/G/28), 14 September 1992, p. 5.

54/ Central Bank of Jordan, Monthly Statistical Bulletin, vol. 28, No. 12, December 1992, table 38, p. 66; and Annual Report, No. 28, 1991, p. 64.

Table 23. Average annual varition* in export and import values
(Percentage)

	Exports (f.o.b.)				Imports (c.i.f.)			
	1985-1988	1988-1989	1989-1990	1990-1991	1985-1988	1988-1989	1989-1990	1990-1991
ESCWA region	-5.3	30.5	15.8	-12.4	-0.3	0.0	3.6	6.4
Major oil exporters a/	-6.0	29.7	16.1	-13.6	-1.4	4.6	-0.6	7.4
Iraq	1.0	32.1	-34.8 b/	..	-2.1	7.4	-33.6 b/	..
GCC countries	-7.3	29.2	27.4	-3.8	-1.3	4.2	5.2	19.2
Bahrain	-5.9	17.4	32.7	-9.4	-5.8	20.9	18.4	9.4
Kuwait	-9.5	47.8	-49.1 b/	-91.0	-2.5	4.3	-48.3 b/	94.2
Oman	-13.1	20.3	32.6	-6.5	-11.3	2.4	18.9	19.1
Qatar	-4.8	24.7	40.0	6.4	3.6	4.7	16.9	11.0
Saudi Arabia	-4.8	19.5	56.6	10.0	-2.7	-2.9	13.8	11.4
United Arab Emirates	-6.0	41.6	26.7	-8.0	9.2	17.5	11.9	13.2
Other ESCWA countries	3.8	11.7	12.6	-0.3	3.0	-12.7	17.2	3.6
Egypt	4.9	21.0	0.7	41.0	16.4	-14.1	23.8	-15.7
Jordan	9.5	6.0	-1.4	6.5	0.7	-23.4	22.0	-3.5
Lebanon	16.2	-23.1	2.9	-1.2	5.2	-6.0	13.9	45.4
Syrian Arab Republic	-6.3	123.5	35.1	-22.6	-17.5	-6.0	20.4	24.7
The region's least developed country								
(Republic of Yemen) c/	9.4	38.2	-6.8	-28.8	-4.2	-2.4	-18.5	25.6
- Yemen	63.5	37.7	-16.5	..	-5.3	1.2	-14.8	..
- Democratic Yemen	-36.5	39.5	48.7	..	-1.6	-10.4	-27.6	..

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

* Compound rates of growth based on terminal years.

a/ GCC countries plus Iraq.
b/ Data for 1990 covered 7 months only (January-July).
c/ Democratic Yemen and Yemen united in May 1990 to form the Republic of Yemen.

The 1989 arrangement, by which the former Soviet Union accepted Syrian exports in payment for debt, boosted exports of the Syrian Arab Republic from $1.3 billion in 1988 to $3 billion in 1989 and to $4.1 billion in 1990. The arrangement, however, came to an end in mid-1991, and Syrian exports to the former Soviet Union declined consequently from 14 billion Syrian pounds (LS) in 1990 to LS 7 billion in 1991, and total exports declined by 23 per cent as private-sector exporters could not readily switch to other destinations.55/

Exports from Yemen, the region's least-developed member country, dropped by 28.8 per cent, following a decline of 6.8 per cent in 1990. Consequently, exports fell to $0.5 billion. The decline was mainly in exports of food items and fuel. In general, the reasons which caused the decline in 1990 were: the allocation of a greater part of oil production, which would otherwise have been exported, to meeting domestic demand after the country stopped receiving oil from Iraq, Kuwait and the United Arab Emirates on concessional terms; strained relations with GCC countries which have been the major outlets for the country's exports, especially food items; and, the need to direct resources to meet the requirements of the returnees.

2. Imports

The region's total imports, excluding those of Iraq, increased by 14.7 per cent in 1991, compared to an 8.2 per cent decline in 1990, or from $65 billion to $74.6 billion. All countries shared in the increase except Egypt and Jordan, where imports declined by 15.7 per cent and 3.5 per cent, respectively (table 23 and annex table 1).

As a group, the GCC countries' imports increased by 19.2 per cent, rising from $46.5 billion to $55.4 billion. The increase came notably from Kuwait, where demand for imports almost doubled to meet the large-scale reconstruction requirements and to replenish stocks, followed by Oman, the United Arab Emirates and Saudi Arabia. Although growth was lower than in 1990 in Saudi Arabia, Qatar and Bahrain, the momentum of import growth to the GCC countries was maintained in 1991 by economic recovery. In addition to oil- and government-related activities in infrastructure, which spearheaded economic activity after the end of the Gulf War, private-sector activity also picked up in 1991 and added to the demand for imports.

In other ESCWA countries, the aggregate dollar value of imports increased by only 3.6 per cent in 1991, compared to 17.2 per cent in 1990 (table 23). At the country level, Egypt's imports declined by 15.7 per cent in 1991 compared to a rate of increase of 24 per cent in 1990. The factors which produced the decline included: higher domestic output of agricultural products; importing goods at discounted prices (up to 15 per cent) by paying in cash instead of deferred payments; depletion of the private sector's large stock of imported goods to avoid new taxes planned to be imposed at the outset of 1993; and economic slow-down.

In Jordan, imports declined by 3.5 per cent, having increased by 22 per cent in 1990. The decline was due to the drop in the value of oil imports as

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55/ Al-Hayat daily newspaper (in Arabic), 3 December 1992.

Jordan was allowed by the United Nations to resume imports of oil from Iraq at concessional terms, having had to pay much higher prices for oil imports from the Syrian Arab Republic and other sources in 1990.

In Lebanon, the Syrian Arab Republic and Yemen, the dollar value of imports increased by 45.4 per cent, 24.7 per cent and 25.6 per cent, respectively. In Lebanon, the improved security situation and prospects brought about the increase, while in the Syrian Arab Republic the surge in investment activities was the main factor. In Yemen, however, an increase in the volume of imports of manufactured goods and higher oil prices, following the cessation of oil supplies at concessional terms from Iraq and some neighbouring Gulf countries, boosted the level of imports.

Because of the larger decline in the region's exports relative to the world, its share in world exports recorded a further retreat from 3 per cent in 1990 to 2.6 per cent in 1991. However, its share in world imports increased slightly from 2 per cent to 2.1 per cent.

3. Export/import ratios

The region's ability to finance imports from export proceeds, as reflected in the export/import ratio, improved in 1990 compared to 1988 and 1989. The ratios, however, declined in 1991 from 1.46 to 1.24 in terms of current imports, and from 1.50 to 1.31 in terms of 1985 imports because of lower exports and higher imports. All groups of countries in the region contributed to the decline, but the overall results mainly reflect the situation in the GCC countries where the ratio declined from 1.81 in 1990 to 1.52 per cent in 1991 in current imports, and from 1.91 to 1.82 in 1985 imports. The overall ratio of the remaining ESCWA countries was virtually unchanged. Despite the decline in 1991, the export/import ratios were still higher than in 1988 and 1985, reflecting improvement in the balance of trade at the regional level, as well as at the group level (table 24).

B. Direction of trade[56]

1. Aggregate trade

No significant changes were recorded in 1992 in the overall geographical distribution of exports from the ESCWA region. The developed market economies remained the major export outlet, though their share went down from around 54 per cent to 51.7 per cent (table 25). The share of other developing regions continued to rise in 1992 and reached 24 per cent. Intraregional exports improved slightly, rising from 9 per cent to 9.5 per cent, but remained significantly below their share in 1988, 1989 and 1990 of 11.7 per cent, 11.4 per cent and 10.4 per cent, respectively, as the embargo on Iraq continued and

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56/ The data used in this section are derived from statistics reported by the International Monetary Fund (IMF), in its Direction of Trade Statistics Yearbook, 1992, and Direction of Trade Statistics Monthly Bulletin, December 1992. The data may differ in some significant respects from data used in other sections and derived from national and international sources. Moreover, data for 1992 are partial and preliminary.

Table 24. Export/import ratios, 1985 and 1988-1991
(In terms of current and 1985 imports)

	1985	1988	1989	1990	1991
ESCWA region					
Current imports	1.17	1.02	1.31	1.46	1.24
1985 imports	1.17	0.99	1.30	1.50	1.31
GCC countries					
Current imports	1.45	1.21	1.50	1.81	1.52
1985 imports	1.45	1.16	1.50	1.91	1.82
Iraq					
Current imports	1.41	1.55	1.90	1.87	..
1985 imports	1.41	1.45	1.90	1.25	..
Other ESCWA countries					
Current imports	0.31	0.31	0.50	0.48	0.46
1985 imports	0.31	0.34	0.48	0.54	0.54

Source: See annex table 1.

trade relations between the Gulf States and some other member countries were not normalized. The share of exports to the former centrally planned economies improved slightly from 2.2 per cent in 1991 to 2.5 per cent in 1992, but remained lower than it was in 1989 and 1990 because of the collapse of many East European economies and the lapse of the payments arrangement between the Syrian Arab Republic and the former Soviet Union.

At a more disaggregated level, Japan continued to be the region's main export outlet because of its heavy reliance on oil from the Gulf, followed by the European Community (EC) and the United States. The share of the EC, however, has been on the decline; it has fallen from 26.5 per cent in 1985 to 17.8 per cent in 1992. The United States' share increased from 4.3 per cent in 1985 to 15 per cent in 1990, then declined to 12.4 per cent in 1991 and 11.6 per cent in 1992.

Among developing countries, Asia (excluding ESCWA) took the lead; its share continued to increase during the period 1985-1992 without interruption, going from 15.7 per cent to 20.3 per cent, while the share of other developing regions such as North Africa and Latin America declined (table 25).

As for import trade, the developed market economies continued to gain ground as the region's main supplier; their share having increased from an average of 57.5 per cent during 1988-1990 to 60.7 per cent in 1991 and 61.7 per cent in 1992. The EC continued to be the region's leading supplier, providing about one third of total merchandise imports; its share was 34 per cent in 1991 but then fell to 31.9 per cent in 1992. The decline was taken up by the United States, the share of which rose from an average of 12.4 per cent during 1988-1990 to 15.9 per cent in 1991 and then to 17.6 per cent in 1992.

The depreciation of the dollar against other major currencies since 1985 has been an important factor enabling the United States to strengthen its position as one of the region's main suppliers. However, the jumps recorded in 1991 and 1992 were more the direct result of the Gulf crisis and war as the GCC countries, especially Kuwait and Saudi Arabia, shifted large portions of their imports and business contracts to the United States.

The share of imports from other developing countries declined slightly from 15.3 per cent in 1991 to 14.9 per cent in 1992; however, Asia (excluding ESCWA) continued to strengthen its position as the region's main supplier among developing regions, while the shares of other developing regions declined. Intraregional imports, still suffering from the consequences of the Gulf crisis, dropped sharply again in 1992 to 4.7 per cent, compared to 7.7 per cent in 1991, and 10.4 per cent in 1990. Imports from former centrally planned economies declined steadily from 5.7 per cent in 1988 to 3 per cent in 1991 and then to only 2.1 per cent in 1992, i.e., by almost two thirds within four years. Within this group, the decline in the share of the East European countries and the former Soviet Union alone was 80 per cent. The share of the rest of world has been on the rise since 1985; in 1992 it reached 16.7 per cent compared to 13.4 per cent in 1991 (table 25).

2. Intraregional trade

The share of intraregional exports, which dropped from an average of 11.5 per cent in 1988-1989 to 10.4 per cent in 1990 and 9 per cent in 1991, recovered slightly to 9.5 per cent in 1992 (table 26). The improvement, however, was entirely attributed to the increase in GCC intraregional exports, which rose from 8.1 per cent in 1991 to 9.2 per cent in 1992. All GCC countries, aside from Kuwait for lack of data and Oman where a slight decline occurred, participated in the improvement. The share of intraregional exports in total exports of the other ESCWA countries continued to decline, dropping from an average of 16.7 per cent during the period 1988-1990 to 14.8 per cent in 1991 and then to 11.7 per cent in 1992. The highest decline was reported by Jordan where the ratio of intraregional exports to total exports dropped from 40.2 per cent in 1990 to 24.8 per cent in 1991 and then to 14.6 per cent in 1992 due to the sanctions on Iraq, the country's biggest single market in the region, and strained relations with some GCC countries. Lebanon, however, recorded a large increase in the share of its exports going to other countries in the region (from 42.9 to 52.3 per cent).

Intraregional imports, relative to total imports, recorded a sharp decline between 1991 and 1992, dropping from 7.7 per cent to 4.7 per cent (the former year excludes Iraq and the latter excludes Bahrain, Iraq, Kuwait and Yemen for lack of data).[57/] The relative importance of intraregional imports in 1992 was the lowest since 1985 and much below the average

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57/ Excluding Bahrain, Iraq, Kuwait and Yemen in both 1991 and 1992, the share of intraregional imports drops from 5.5 per cent in 1991 to 4.7 per cent in 1992.

Table 25. ESCWA region direction of trade, selected years
(Percentage share)

	Exports (f.o.b.)						Imports (c.i.f.)					
	1985	1988	1989	1990	1991	1992	1985	1988	1989	1990	1991	1992
ESCWA region	7.7	11.7	11.4	10.4	9.0	9.5	8.6	9.2	10.4	10.4	7.7	4.7
Other developing countries	23.1	23.9	21.7	22.8	23.0	24.0	11.6	14.1	13.0	12.6	15.3	14.9
Asia (excl. ESCWA)	15.7	17.6	16.2	17.3	18.9	20.3	8.3	11.2	10.2	10.0	13.1	12.8
Africa(excl. North Africa)	1.6	1.5	1.4	1.7	1.6	1.5	0.6	0.6	0.5	0.7	0.7	0.4
North Africa(excl. Egypt)	0.6	0.9	0.7	0.8	0.7	0.6	0.5	0.3	0.3	0.4	0.3	0.4
Latin America	5.1	3.8	3.4	3.0	1.8	1.6	2.1	2.0	2.1	1.5	1.2	1.3
Developed market economies	53.8	49.9	50.8	52.0	54.0	51.7	64.7	55.9	57.5	57.8	60.7	61.7
European Community (EC)	26.5	19.8	18.6	16.8	18.3	17.8	35.0	33.1	33.4	31.6	34.0	31.9
United States of America	4.3	12.1	14.1	15.0	12.4	11.6	11.0	12.3	13.6	11.5	15.9	17.6
Japan	24.2	18.1	18.1	20.2	23.3	22.1	15.5	11.5	10.6	14.7	10.8	12.2
Former centrally planned economies	1.8	1.9	3.0	2.7	2.2	2.5	4.8	5.7	4.4	3.9	3.0	2.1
(Eastern Europe and former Soviet Union)	1.8	1.9	2.5	2.4	1.5	1.9	3.7	3.8	2.6	1.9	1.4	0.8
China	0.1	0.5	0.4	0.3	0.6	0.6	1.1	1.7	1.8	2.0	1.5	1.2
Rest of world	13.2	12.8	13.2	12.1	11.9	12.3	13.5	14.2	14.5	15.3	13.4	16.7
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: United Nations, Economic and Social Commission for Western Asia (ESCWA), based on International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1992, and Direction of Trade Statistics Monthly Bulletin, December 1992.

Notes: Figures may not add up to totals because of rounding. Figures for 1992 are for January–July only.

Table 26. Share of intraregional trade in total trade, 1985 and 1988-1992
(Percentage share)

	Exports (f.o.b.)						Imports (c.i.f.)					
	1985	1988	1989	1990	1991	1992a/	1985	1988	1989	1990	1991	1992a/
ESCWA region	7.7	11.7	11.4	10.4	9.0	9.5	8.6	9.2	10.4	10.4	7.7	4.7
Major oil exporters	7.2	11.1	10.9	9.9	8.4	9.2	8.5	9.5	10.8	10.7	7.1	4.9
Iraq	2.6	5.2	4.4	44.8	88.2	..	5.8	7.7	8.9	8.0	..	..
GCC countries	7.8	12.1	12.1	10.5	8.1	9.2	9.1	9.9	10.8	10.8	7.0	4.9
Bahrain	26.8	26.8	26.7	20.2	18.7	26.4	48.9	48.9	48.8	45.4	43.9	..
Kuwait	10.2	7.4	6.5	5.9	10.2	0.0	5.2	13.3	12.7	13.2	0.6	..
Oman	0.0	57.3	67.0	61.3	36.6	35.5	22.9	23.3	28.0	26.7	21.9	21.1
Qatar	3.1	9.8	9.0	6.5	6.1	7.4	5.5	9.4	11.2	11.9	10.3	11.9
Saudi Arabia	8.1	8.4	8.8	9.2	5.8	7.2	3.3	4.1	4.6	3.8	2.4	2.6
United Arab Emirates	6.1	6.2	5.3	4.1	3.5	4.0	8.5	6.6	7.7	8.0	5.4	8.0
Other ESCWA countries	15.5	18.2	16.1	15.7	14.8	11.7	9.1	8.4	9.1	9.5	9.6	4.2
Egypt	4.5	8.5	8.7	6.4	6.8	4.3	2.2	2.0	1.6	1.4	2.9	1.6
Jordan	48.2	33.6	34.9	40.2	24.8	14.6	25.4	25.1	27.5	25.1	20.0	8.6
Lebanon	63.5	55.9	51.1	48.3	42.9	52.3	7.8	7.2	12.1	16.6	14.7	11.0
Syrian Arab Republic	3.4	11.0	14.8	17.0	19.9	15.4	3.7	4.1	4.7	4.9	3.8	3.3
Of which:												
Republic of Yemen b/	10.9	6.9	4.2	2.8	6.0	..	17.3	17.9	17.0	20.4	20.1	..
- Democratic Yemen	2.6	9.6	6.3	3.3	6.6	..	29.2	11.0	20.2	25.1	35.3	..
- Yemen	43.0	6.0	3.7	2.8	5.9	..	10.6	21.3	15.0	18.2	15.3	..

Sources: United Nations, Economic and Social Commission for Western Asia (ESCWA), based on International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1992, and Direction of Trade Statistics Monthly Bulletin, December 1992.

a/ Figures are for January-July only.

b/ Democratic Yemen and Yemen united in May 1990 to form the Republic of Yemen.

Note: ".." indicates data not available.

share of 10 per cent during 1988-1990. However, the drop was much larger in the share of non-GCC countries than in that of the GCC countries: from 9.6 per cent to 4.2 per cent in the former, as against 7 per cent to 4.9 per cent in the latter. The apparent decline in the GCC countries group is attributed to the exclusion of Bahrain, which obtains a significant portion of its imports from the region, mainly oil from Saudi Arabia and Kuwait, because of lack of data. Jordan recorded the sharpest decline among non-GCC countries (from 20 per cent to 8.6 per cent) because it resumed importing oil from Iraq at concessional terms compared to the prices it paid from other sources in the region in 1991. However, the share of intraregional trade in individual country trade generally indicates that the consequences of the Gulf War are still casting a shadow on economic relations among countries of the region.

Participation in intraregional exports, though varying widely between country groupings and among individual countries, remained dominated by the major oil-exporting members (table 27). In 1992, excluding Iraq because of sanctions and Kuwait as data were not available, their share in total intraregional exports amounted to 87.1 per cent. In contrast, the share of other ESCWA countries (excluding Yemen, because of lack of data), dropped from 16.5 per cent in 1991 to 12.9 per cent in 1992.

At the country level, Saudi Arabia and Oman continued to dominate intraregional exports. Their shares in the total increased from an average of 28.5 per cent and 27.7 per cent during the period 1988-1990 to 33 per cent and 36.6 per cent, respectively, in 1991. In 1992, the share of Saudi Arabia leaped to 38.6 per cent, while that of Oman fell by about one percentage point. The remaining GCC countries recorded improvements in 1992. All other ESCWA countries, on the other hand, except Lebanon, contributed to the decline in the group's share in intraregional exports.

Though the variation among country groupings' shares in intraregional imports is less pronounced than in exports, the pattern is also highly dominated by major oil exporters. Their share (excluding Iraq and Kuwait) increased from 70.2 per cent in 1991 to 78.3 per cent in 1992. At the country level, the dependence of Bahrain on imports from within the region has traditionally exceeded that of other countries. Between 1985 and 1991, intraregional imports generally ranged from 20-27 per cent of the total. In the other ESCWA countries, it is worth noting the rise in the share of Lebanon's imports from the region and the gradual decline in that of Jordan.

This situation, however, is largely to be explained by two features of intraregional trade. The first is the heavy weight of oil in this trade as in the case of Saudi Arabia's exports and Bahrain's imports. The second relates to the importance of re-export trade, especially in the Gulf region. Hence, if only non-oil national exports are considered, the significance of other ESCWA countries in intraregional trade would become more apparent.

Another important characteristic of ESCWA's intraregional trade is the lack of widespread trade links among member countries. At least two thirds of intraregional trade in all member countries is concentrated with one, two or three partners, and in some cases the coverage is complete (table 28).

Table 27. ESCWA region: participation in intraregional trade, 1985 and 1988-1992
(Percentage share)

	Exports (f.o.b.)						Imports (c.i.f.)					
	1985	1988	1989	1990	1991	1992	1985	1988	1989	1990	1991	1992
Major oil exporter a/	87.6	86.8	86.3	86.2	83.5	87.1	75.7	76.5	80.2	76.2	70.2	78.3
Iraq	4.4	6.1	5.5	4.4	2.9	..	10.1	11.2	14.6	10.4	1.8	..
GCC countries	83.2	80.7	80.8	81.8	80.6	87.1	65.6	65.3	65.7	65.8	68.4	78.3
Bahrain	12.4	7.7	7.4	5.2	6.5	9.3	25.4	20.2	20.0	22.7	27.3	..
Kuwait	18.1	7.5	7.2	4.3	0.5	..	5.3	12.9	11.3	7.0	0.4	..
Oman	..	28.2	29.6	25.2	36.6	35.5	11.9	7.9	8.8	9.5	11.3	17.8
Qatar	1.9	2.5	2.3	1.9	2.2	2.3	1.0	1.8	2.1	2.6	3.0	5.2
Saudi Arabia	36.8	24.3	24.8	36.5	33.0	38.6	13.3	13.7	13.4	11.9	12.9	21.8
United Arab Emirates	14.0	10.5	9.4	8.7	9.4	10.4	9.1	8.7	10.3	12.0	13.5	33.4
Other ESCWA countries	12.4	13.2	13.7	13.8	16.5	12.9	24.3	23.5	19.8	23.8	29.8	21.7
Egypt	1.4	2.2	2.2	1.5	2.9	2.3	2.0	2.7	1.7	1.7	3.7	4.9
Jordan	5.4	4.2	3.9	3.3	2.4	1.5	11.4	10.9	8.2	8.5	7.8	5.0
Lebanon	4.2	4.3	2.5	2.1	2.3	2.7	2.6	2.7	3.8	5.6	8.6	9.4
Syrian Arab Republic	0.8	1.8	4.5	6.4	8.1	6.4	2.3	1.4	1.4	1.5	1.7	2.4
Republic of Yemen b/	0.6	0.7	0.5	0.4	0.8	..	5.8	5.8	4.8	6.5	8.0	..
Democratic Yemen	0.1	0.2	0.1	0.1	0.1	..	3.6	1.2	2.2	2.6	3.3	..
Yemen	0.5	0.5	0.4	0.3	0.7	..	2.2	4.6	2.6	3.9	4.7	..
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: United Nations, Economic and Social Commission for Western Asia (ESCWA), based on the International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1992, and Direction of Trade Statistics Monthly Bulletin, December 1992.

a/ GCC countries plus Iraq.

b/ Democratic Yemen and Yemen united in May 1990 to form the Republic of Yemen.

Notes: Figures may not add up to totals because of rounding; Figures for 1992 are for January-July only; ".." indicates that data are not available.

Table 28. **ESCWA region: cumulative share of leading trading partners in intraregional trade, 1991 compared to 1985**

(Percentage)

	Export trading partner						Import trading partner					
	1985			1991			1985			1991		
	First	Second	Third	First	Second	Third	First	Second	Third	First	Second	Third
Bahrain	71.2	81.9	86.7	65.5	80.3	86.2	96.6	98.7	99.3	94.5	96.3	97.4
Egypt	44.3	67.6	80.9	45.5	60.1	68.8	40.5	73.4	82.1	59.0	78.5	86.4
Iraq	64.8	85.4	91.8	95.8	100.0	0.0	45.7	75.9	86.8	79.3	100.0	-
Jordan	51.8	82.2	87.9	38.2	55.8	63.7	59.4	86.8	90.8	54.8	66.2	74.3
Kuwait	26.7	49.8	64.4	97.0	0.0	0.0	19.4	38.2	56.4	70.8	100.0	-
Lebanon	26.5	48.7	66.6	35.3	56.3	67.9	31.6	57.6	73.0	78.0	84.7	89.7
Oman	..	..	..	80.7	93.4	96.4	92.2	95.6	97.5	85.9	94.0	97.7
Qatar	35.9	59.5	89.8	59.8	83.9	88.8	48.3	63.0	76.3	36.8	63.7	73.3
Saudi Arabia	52.2	69.4	79.4	52.7	79.6	85.1	21.4	39.6	54.4	22.0	42.0	60.9
Syrian Arab Republic	35.3	58.2	75.1	52.9	80.5	88.4	56.0	80.1	96.0	38.3	64.1	82.4
United Arab Emirates	37.4	55.5	67.9	66.5	84.2	89.6	43.2	66.6	75.7	47.9	64.8	79.7
Republic of Yemen a/	86.7	98.2	99.1	41.4	79.8	90.2	42.7	73.1	84.7	50.8	72.8	82.0
Region b/ (weighted average)	46.4	64.4	75.7	63.6	83.3	88.4	60.6	77.0	84.4	65.6	77.5	84.7

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1992.

a/ Figures for the Republic of Yemen in 1985 cover both Democratic Yemen and Yemen.

b/ Calculated as the cumulative sum of each country's cumulative trade with its first, second and third trading partners respectively, divided by total intraregional trade of the 12 countries listed in the table.

Notes: Two dots (..) indicate that data are not available or not separately reported. A hyphen (-) indicates that the item is not applicable.

A comparison of the cumulative share of the three leading trading partners in intraregional exports shows that the weighted average share of the first, second and third partners increased significantly between 1985 and 1991, rising from 46.4 per cent to 63.6 per cent, 64.4 per cent to 83.3 per cent, and 75.7 per cent to 88.4 per cent, respectively. These developments reflect the re-orientation in intraregional economic relations following the Gulf crisis. At the country level, the ratios: were unchanged in one country (Bahrain); declined in three countries (Yemen, Egypt and Jordan) indicating that trade has spread to other countries; and increased in Iraq, Kuwait, Lebanon, Qatar, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates.

The degree of geographical concentration in intraregional imports, measured by the share of imports supplied by the three leading partners, was virtually the same in 1985 and 1991. Apart from the increase in the share of the first partner, from 60.6 per cent to 65.6 per cent, the cumulative share of the second and third partners maintained their levels of 77.5 per cent and 84.7 per cent, respectively. At the country level, six countries (Bahrain, Jordan, Oman, Qatar, the Syrian Arab Republic and Yemen) recorded declines, while six countries (Egypt, Iraq, Kuwait, Lebanon, Saudi Arabia and the United Arab Emirates) recorded increases.

C. Balance-of-payments developments

The improvement in the region's current account balance in 1989 and 1990 was followed by a sharp deterioration in 1991. The balance moved from a surplus of $3.9 billion and $7.9 billion, respectively, into a deficit of $37.8 billion in 1991. The deficit was the result of a sharp decline in the trade surplus from $32.9 billion in 1990 to $20.3 billion in 1991, a doubling of the services deficit from $15.5 billion to $31 billion and an increase in the deficit on unrequited transfers by almost threefold, from $9.5 billion to $27.1 billion (table 29).

Table 29. Summary of balance-of-payments flows, 1985 and 1988-1991
(Millions of United States dollars)

	1985	1988	1989	1990	1991
Trade balance (f.o.b.)	13 712	2 666	17 013	32 932	20 311
GCC countries	24 306	12 700	23 646	39 888	27 074
Non-oil diversified economies	-8 942	-8 658	-5 516	-5 777	-5 986
Region's least developed country	-1 652	-1 376	-1 117	-1 179	-777
Services (net)	-15 081	-1 867	-6 541	-15 519	-30 999
GCC countries	-13 309	-1 935	-5 890	-15 713	-32 135
Non-oil diversified economies	-1 596	484	-208	658	1 379
Region's least developed country	-176	-417	-443	-464	-242.8
Balance on goods and services	-1 369	800	10 472	17 413	-10 688
GCC countries	10 997	10 766	17 756	24 176	-5 061
Non-oil diversified economies	-10 538	-8 174	-5 724	-5 119	-4 607
Region's least developed country	-1 828	-1 792	-1 560	-1 643	-1 020

Table 29. (continued)

	1985	1988	1989	1990	1991
Net unrequited transfers	-2 795	-3 700	-6 565	-9 515	-27 064
GCC countries	-11 260	-11 077	-13 102	-17 790	-35 703
Non-oil diversified economies	7 155	6 684	5 971	7 016	7 718
Region's least developed country	1 310	693	566	1 259	921
Balance on current account	-4 163	-2 900	3 907	7 898	-37 752
GCC countries	-263	-312	4 654	6 358	-40 764
Non-oil diversified economies	-3 382	-1 490	247	1 897	3 111
Region's least developed country	-518	-1 098	-994	-384	-99
Net capital flows	11 668	142	-2 624	-13 401	28 901
GCC countries	8 924	-2 417	-3 525	-2 429	31 505
Non-oil diversified economies	2 418	1 767	-13	-11 337	-2 872
Region's least developed country	326	792	914	395	268
Errors and omissions	-7 132	-1 368	-1 285	-39	2 126
GCC countries	-7 728	-1 167	-1 826	-414	1 107
Non-oil diversified economies	538	-205	485	358	1 056
Region's least developed country	58	4	56	17	-37
Overall balance	570	-4 107	-2	-7 906	3 605
GCC countries	1 131	-3 876	-697	1 178	2 178
Non-oil diversified economies	-427	72	719	-9 082	1 295
Region's least developed country	-134	-303	-24	-2	132
Counterpart items, exceptional financing and others	363	65	156	12 781	4 485
GCC countries	-	-	-	-	-
Non-oil diversified economies	350	7	139	12 781	4 485
Region's least developed country	13	58	17	-	-
Changes in reserves	-933	4 042	-120	-8 464	2 240
GCC countries	-1 131	3 876	697	-4 768	8 152
Non-oil diversified economies	77	-79	-824	-3 698	-5 780
Region's least developed country	121	245	7	2	-132

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

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

The decline in the trade surplus was caused on the one hand by a fall in export proceeds, especially in Iraq and Kuwait, and an increase in payments for imports, on the other. The GCC countries' heavy financial obligations arising from the Gulf crisis and war caused the sharp increases in the deficit on both the services and the unrequited transfers accounts.

The deficit in the current account was mainly met by large net capital inflows which amounted to $28.9 billion, compared to a net outflow of $13.4 billion in 1990. The rest of the deficit was covered by "exceptional financing" of $4.5 billion and drawing on reserves in the amount of $2.2 billion.

Because of the heavy weight of the GCC countries in the region's external transactions, the deterioration in the overall current account in 1991 was the result of the drop in these countries' trade surplus, and the increase in their deficits on services and unrequited transfers. The trade surplus declined by $12.8 billion while the deficit on services and transfers widened by about $16.4 billion and $18 billion, respectively.

While the trade surplus declined in most GCC countries in 1991, the main cause of the overall decline was the trade deficit of Kuwait which amounted to $5.8 billion. This reflected the sharp increase in imports ($6.3 billion) to meet the needs of re-construction and of re-constituting stocks, while export proceeds did not exceed $0.5 billion. The large increase in the group's services deficit was entirely due to the deficit registered by Saudi Arabia, mainly due to the large presence of foreign troops during the Gulf War. The increase in the deficit on unrequited transfers by $18 billion, on the other hand, resulted from the rise in net private and official transfers by all countries of the group, of which Kuwait alone accounted for $10 billion. These exceptional transfers arose partly because of the Gulf War obligations toward the allies, and partly because of the transfer of savings by returnees.

Apart from the United Arab Emirates, all GCC countries recorded deficits in their current accounts. However, the deficit was very large in Saudi Arabia ($25.7 billion) and Kuwait ($15.8 billion). The former covered the deficit entirely by long-term capital inflows, while the latter relied partly on capital inflows (a commercial loan of $5.5 billion was obtained from international banks), but resorted mainly to drawing on reserves (annex table 4).

In contrast to the GCC countries, the current account of the non-oil diversified economies (excluding Lebanon because of lack of data) was in surplus for the third consecutive year. The increase in the surplus by $1.2 billion between 1990 and 1991 reflected a decline in the deficit on goods and services by $0.5 billion and an increase in net unrequited transfers by $0.7 billion. The improvement was mainly due to Egypt where the trade deficit fell by $1 billion and the surplus on services rose by an equivalent amount. The improvement in the services account reflected the recovery in tourism in the latter part of 1991 and higher returns from Suez Canal dues. The current account of Jordan moved from a deficit of $0.1 billion in 1990 to a surplus of $0.4 billion in 1991, mainly because of a relatively large surplus on private transfers of $1.1 billion ($0.5 billion higher than in 1990 because of the savings brought back by the returnees). In the Syrian Arab Republic, however, because of the decline in the trade surplus by 50 per cent (from $2.2 billion to $1.1 billion), and the increase in the services deficit by $0.2 billion, the current account surplus declined by $1 billion.

The group's current account surplus of $3.1 billion was largely absorbed by net capital outflows of $2.9 billion. The increase in the group's reserves by $5.8 billion[58/] came mostly from "exceptional financing" (grants received by Egypt from the GCC countries following the Gulf War). Jordan, for the first time, increased its reserves by $2 billion compared to only $0.4 billion in 1990, while Egypt recorded another positive change in reserves of $2.8 billion after an increase of $2.6 billion in 1990.

The region's least-developed country, Yemen, recorded in 1991 its lowest current account deficit since 1985. The deficit dropped to $0.1 billion from $0.4 billion in 1990 and $1 billion in each of 1988 and 1989. The decline was mainly caused by a drop in the goods and services deficit. Net capital inflows in 1991 amounted to $0.3 billion and were partly used to cover the current account deficit, and partly to increase reserves.

D. International reserves

The region's aggregate international reserves (excluding Iraq, the Syrian Arab Republic and Yemen for lack of data) recovered in 1991, following the sharp drop in 1990 (annex table 5). The decline in reserves from an average of $36.8 billion in 1988-1989 to $31.4 billion in 1990 was entirely due to Saudi Arabia and Kuwait. However, in 1991 reserves rose again to $36.4 billion as a result of an increase of $2.3 billion in the GCC countries' reserves and $2.6 billion in those of other ESCWA countries. The latter was chiefly due to the increase in Egypt's reserves and, to a much lesser extent, those of Lebanon. Figures for 1992 indicate a further substantial improvement in the reserves of Egypt and Kuwait, and a sharp decline in those of Saudi Arabia.

Comparing 1992 with 1985, 90 per cent of the region's reserves in 1985 were held by the GCC countries, compared with only 10 per cent for other ESCWA countries. In 1992, however, the share of GCC countries dropped to 57.2 per cent while that of other countries increased to 42.8 per cent. The reserves of Saudi Arabia, by far the largest held by any country in the region, dropped from $25.2 billion in 1985 to only $6.2 billion in 1992. Despite the fact that the Gulf crisis and war raised the obligations and disbursements of the GCC countries while increasing the gains and receipts of some other ESCWA countries, the trend was in evidence before the Gulf War.

The increase in international reserves in 1991 improved the region's ability to provide for imports and other necessary foreign exchange outlays. The improvement, however, was not evenly distributed (table 30).

For the region as a whole, the ratio of reserves/current imports increased from 5.4 to 6.1 months, and in terms of 1985 imports from 5.5 to 6.4 months. The GCC countries as a group recorded a small decline in the former and improvement in the latter. In contrast, other ESCWA countries improved substantially their reserves/imports coverage from 6.4 to 8.3 months in terms of 1985 imports, and from 5.7 to 7.2 months in terms of current imports. The improvement in other ESCWA countries in 1991 is more impressive when compared to 1985 as reserves were then enough to cover less than three months of imports. Moreover, if imports of both the Syrian Arab Republic and Yemen

58/ As reported in the balance of payments.

were excluded (as their reserves were excluded), the reserves/imports ratio for the ESCWA region and for other ESCWA countries would be much higher.

Table 30. ESCWA region: reserves/imports coverage,* 1985 and 1988-1991
(1985 imports and current imports)

	1985	1988	1989	1990	1991
ESCWA region					
1985 imports	7.29	6.67	6.26	5.51	6.39
Current imports	7.29	6.73	6.31	5.36	6.05
GCC countries					
1985 imports	10.19	8.24	7.58	6.13	6.78
Current imports	10.19	8.57	7.56	5.82	5.65
Other ESCWA countries					
1985 imports	2.92	5.54	5.62	6.37	8.28
Current imports	2.92	5.07	5.89	5.70	7.15

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

* The ratio represents number of months of imports covered by reserves.

V. FISCAL AND MONETARY DEVELOPMENTS

The Gulf crisis continued to affect fiscal and monetary developments in the ESCWA region in 1992, though to a lesser extent than in the previous two years. The considerable delay experienced in the last few years in publishing budgets in most GCC countries was shortened considerably in 1992, indicating increased confidence in projecting fiscal and monetary developments. However, financial commitments resulting from the Gulf crisis continued to represent a heavy burden, particularly for Kuwait and Saudi Arabia, that could lead to a restructuring of budgetary expenditures and/or a further draw on foreign reserves, especially as the level of oil revenues remains unpredictable. Indeed, the draw on foreign reserves by both countries in 1992 remained significant, with estimates ranging from $10 billion to $15 billion for Kuwait, and from $8 billion to $12 billion for Saudi Arabia. The GCC countries resorted also to domestic as well as external borrowing to finance budget deficits and investment programmes, with Saudi Arabia taking the lead in domestic borrowing by issuing development bonds and organizing weekly auctions in treasury bills of different maturities. It is estimated that the external debt of the GCC countries increased in 1992 to around $80 billion, almost double its level in 1991.

While the GCC countries were able to draw on their foreign reserves and could resort to domestic debt instruments to finance their budget deficits, other ESCWA countries, especially Jordan and Yemen, found it increasingly difficult to finance budget deficits, especially as financial assistance from the GCC countries ceased due to the position taken by the two countries during the Gulf crisis. While Jordan responded by reforming its taxation system to increase domestic revenues, Yemen, lacking in taxation base and instruments, resorted to borrowing from the Central Bank, thus leading to a further rise in the rate of inflation.

Most ESCWA non-GCC countries continued their privatization efforts. While delays have been experienced in implementing the privatization programme, Egypt has completed the monetary reform programme as agreed upon with the International Monetary Fund (IMF). The Syrian Arab Republic introduced an investment promotion law in 1991 to encourage investment by the private sector (domestic and foreign). Iraq issued licences for three private commercial banks and one investment bank and inaugurated a stock market to trade in shares of these banks and other institutions.

The external debt of the ESCWA region is estimated to have been around $180 billion at the end of 1992, up by around 14.6 per cent from 1991. The significant increase is attributed to the rise in borrowing by the GCC countries. While the external debt does not represent a major financial burden for the GCC countries, as they can draw on their still substantial foreign reserves to service it, the external debt of other ESCWA countries, in contrast, represents a heavy liability, given their limited capacity for repayment and servicing.

In 1992, banks in most ESCWA countries (particularly in the GCC countries) were highly liquid, owing on the one hand to the repatriation of funds withdrawn during the Gulf crisis and to increased government expenditures on the other hand. To comply with the capital-adequacy ratio of 8 per cent (capital/assets ratio) recommended by the Bank for International Settlements (Basel/Switzerland), most banks in the ESCWA region, particularly in the GCC countries, raised their paid-in capital, either by resorting to financial reserves or by issuing and placing shares in the domestic market.

A. Fiscal developments

1. GCC countries

The 1992 and 1993 budgets of the GCC countries reflect a return to normalcy in fiscal management, following two years of interruption resulting from the Gulf crisis, when budgets were dominated by defence and security considerations and direct commitments to finance the war. Although there has been a considerable increase in the oil revenues of most of these countries, with Kuwait's oil output at the end of 1992 approaching pre-crisis levels of 1.5 m/b/d, drawing on foreign reserves and resorting to domestic and external borrowing to finance budget deficits continued.

(a) Bahrain

The Government of Bahrain has been issuing budgets on a biennial basis, presumably to provide a stable environment for planning by the private sector. Bahrain expects to cut the budget deficit in fiscal 1993 to around half its size in 1992. The government budget projects deficits of 63 million Bahraini dinars (BD) ($167 million) in 1993, and BD 75 million ($199 million) in 1994, compared with an actual deficit of BD 131 million ($347 million) in 1992 (table 31). The actual budget deficit for fiscal year 1992 was more than six times that of the year before (BD 22 million), due mainly to the surge in current expenditures from BD 394 million in 1991 to BD 484 million in 1992. Revenues also dropped from BD 512 million in 1991 to BD 498 million in 1992, the drop being mainly in non-oil revenues, especially services, which were still suffering from the consequences of the Gulf crisis. Oil revenues, which were budgeted at BD 292 million, increased from BD 305 million to BD 314 million.

The budgets for 1993 and 1994 reflect an expected surge in oil revenues, from BD 314 million in 1992 to BD 370 million in 1993 and BD 380 million in 1994, as a result of the upward adjustment of Bahrain's share in revenues from the Abu Safa oil field, jointly owned with Saudi Arabia. The oil-field production, averaging around 140,000 b/d, has been split 50/50 between the two countries. The new agreement gives 100,000 b/d to Bahrain and the rest to Saudi Arabia, thus increasing Bahrain's oil revenues by an estimated $150 million and $175 million during the fiscal years 1993 and 1994, respectively.

The budgeted increase in expenditures in fiscal years 1993 and 1994 is expected to be financed by foreign aid, mainly from Saudi Arabia and Kuwait, the latter having resumed financial assistance to Bahrain interrupted in the wake of the Gulf crisis.

Financing budget deficits in Bahrain is made by weekly auctions of three-month treasury bills issued by the Bahrain Monetary Agency, and by the issuance of government development bonds with maturities of five and seven years.

Table 31. Bahrain: budget, 1990-1994
(Millions of Bahraini dinars)

	1990		1991		1992		1993	1994
	B	A	B	A	B	A	B	BP
Expenditures	540	536	590	534	623	629	643	675
Current	415	435	445	394	478	484	520	541
Capital	125	101	145	140	145	145	123	134
Revenues	440	498	472	512	498	498	580	600
Oil	250	305	292	305	314	314	370	380
Others	190	193	180	207	184	184	210	220
Deficit	-100	-38	-118	-22	-125	-131	-63	-75

Sources: Middle East Economic Survey, 11 January 1993 and Middle East Monitor, February 1993.

B = Budget.
A = Actual.
BP= Budget preliminary.

(b) Kuwait

The 1992/1993 government budget, which was published in early 1992, projects total expenditures at 4,000 million Kuwaiti dinars (KD) and total revenues at KD 2,218 million (table 32). Taking into account the 10 per cent of total revenues allocated to the Reserve Fund for Future Generations, the budget deficit will be KD 2,003.8 million. Oil revenues are expected to constitute around 90 per cent of total revenues. At the time of preparing the budget, the prospects of bringing up oil production to the pre-Gulf crisis level of 1.5 m/b/d by the end of 1992, and to 1.85 m/b/d by the end of June 1993, enabled the Government to budget oil revenues at KD 2,000 million, almost equal to budgeted revenues in the pre-crisis years.

Though total budgeted expenditures dropped from KD 6,219 million in fiscal year 1991/1992 to KD 4,000 million in fiscal year 1992/1993, they were still significantly higher than in the pre-crisis years. The drop in expenditures has affected most items except wages and salaries, which increased from KD 805 million to KD 1,025 million. Expenditures on non-recurring war costs, listed in the budget under "Other expenditures", fell to KD 2,215 million from KD 4,516 million in fiscal year 1991/1992. A large proportion of these expenditures is for the rehabilitation of the oil sector, paying interest on external and domestic debt, and for servicing bonds issued as part of the buy-out of non-performing loans of banks and other financial institutions.

Table 32. Kuwait: budget, 1989/1990-1992/1993
(Millions of Kuwaiti dinars)

	1989/1990	1990/1991	1991/1992	1992/1993
Revenues	2 367.8	272.9	870.0	2 218.0
Oil	2 035.0	246.1	700.0	2 000.3
Non-oil	332.7	26.8	170.0	217.7
Expenditures	2 998.6	7 613.0	6 219.0	4 000.0
Wages & salaries	845.8	..	805.0	1 025.0
Goods & services	221.6	..	370.0	278.0
Transportation & equipment	19.7	..	83.0	82.0
Development projects & land purchase	478.9	..	385.9	400.0
Other expenditures	1 432.6	..	4 516.0	2 215.0
Allocation for RFFG*	236.8	..	87.0	221.8
Total expenditures	3 235.4	27.3	6 306.0	4 221.8
Deficit	-867.6	-6 740.0	-5 436.0	-2 003.8

Source: National Bank of Kuwait, Economic and Finance Quarterly, I/1993.

* Reserve Fund for Future Generations.

Since these bonds are of long-term maturity, the allocations will be recurring in nature.

In the pre-Gulf crisis years, budget deficits were more than covered by returns from investments abroad, estimated to have exceeded oil revenues in both 1988 and 1989. This source of financing budget deficits has been reduced considerably owing to the sale of a significant portion of these investments in the wake of the Gulf crisis.

The options for funding the deficit would appear to be the same as in fiscal year 1991/1992, especially as the Kuwaiti Government has stated that it will not resort to international borrowing to finance the deficit. The options in fiscal year 1991/1992 included official credit commitments,59/ drawing of the unutilized portion of the internationally syndicated loan of $5.5 billion, a further drawdown of foreign assets and using the domestic treasury and bond market. The latter will be in addition to the KD 5.9 billion 20-year bonds issued to purchase Kuwaiti banks' non-performing loans, and would therefore be of limited scope.

59/ Comprising both officially-financed export credits and officially-guaranteed private export credits (including bank-financed credits).

(c) Oman

Oman's 1993 budget is considered to be expansionary, with spending budgeted to increase by 9.3 per cent over 1992, while revenues are set to grow by only 2.7 per cent (table 33). Oman is aiming to raise the share of non-oil revenues to 23 per cent of total revenues, up by 2 per cent over 1991. Total revenues have been budgeted at 1,671.5 million Omani rials (RO) with oil and gas revenues constituting around 82 per cent (RO 1,363 million). Total expenditures have been budgeted at RO 2,111.5 million. Continuing the pattern established in the last few years, capital expenditures appear to be the category benefiting most from the increase in expenditures. Allocations for capital expenditures in fiscal year 1993 have been set at RO 495.8 million, constituting around 23.5 per cent of total expenditures, and representing a 21.1 per cent rise over allocations in the previous fiscal year (RO 409.5 million). A significant development in the 1993 budget is the drop in

Table 33. Oman: budget, 1989-1993
(Millions of Omani Riyals)

	1989	1990	1991	1992	1993
	Actual			Budget	
Revenues	1 349.0	1 858.7	1 570.4	1 627.7	1 671.5
Oil & gas	1 129.5	1 588.3	1 289.5	1 354.3	1 363.0
Current	215.4	264.8	279.9	278.0	302.0
Capital	4.1	5.6	6.0	5.4	6.5
Expenditures	1 644.7	1 869.8	1 853.4	1 932.7	2 111.5
Current	1 361.1	1 570.1	1 463.0	1 529.0	1 617.5
Defence & Security	600.6	742.3	643.3	664.5	630.2
Civil(infrastructure)	600.0	600.0	674.1	682.0	793.2
Interest paid & loans	94.5	92.4	69.4	99.5	106.0
PDO a/	66.0	75.4	76.2	83.0	88.3
Capital	270.3	285.8	391.7	409.5	495.8
Net lending and equity participation	13.3	13.9	-1.3	-5.8	-1.8
Expected savings in current expenditures	..	..	..	57.0	65.0
Deficit	-295.7	-11.1	-283.0	-248.0	-375.0
Financing	295.7	109.0	94.2	248.0	375.0
Net grants received	6.2	-21.7	-1.3	16.0	0.0
Drawing on reserves	254.9	0.0	50.0	163.0	292.0
Net loans received	34.6	-147.3	4.9	-63.0	0.0
Government development bonds	..	..	40.6	132.0	83.0

Source: Central Bank of Oman, Al-Markazi Bi-monthly Bulletin (English and Arabic), January/February 1993.

a/ Petroleum Development Oman.

expenditures on defence and security by 5.2 per cent to RO 630.2 million from RO 664.5 million in fiscal year 1992. A substantial rise, however, has been budgeted for civil current expenditures of around 16 per cent to RO 793.2 million, compared to RO 682 million in 1992.

A deficit of RO 375 million is budgeted for fiscal year 1993, up by 51.2 per cent over that of 1992. Considering the non-realized expected savings in current expenditures, the actual budget deficit in 1992 would be RO 305 million rather than the previously anticipated deficit of RO 248 million. The increased deficit in fiscal year 1992 resulted from higher spending on infrastructure and lower-than-expected oil revenues.

Budget deficits in Oman have been financed by drawing on reserves, by external borrowing and, since 1991, by placing government development bond issues. The latter has gained significance since its introduction, with the value of bonds issued totalling around RO 179 million at the end of 1992, of which around 75 per cent were subscribed to by eligible GCC entities, including banks and other financial institutions, pension funds and non-financial institutions as well as individuals. The Central Bank of Oman is considering the institutionalization of a secondary market trading in bonds. In late 1992, it appointed a market maker and agent to deal with government bonds in the country's stock exchange market.

(d) Saudi Arabia

The Government of Saudi Arabia maintained high spending levels in 1992. Budgeted expenditures were set at 181 billion Saudi riyals (SR), or almost 27 per cent above the 1990 budget, which was rolled over into 1991. Actual expenditures in 1991 amounted to SR 210 billion, up by SR 67 billion over budgeted expenditures, owing to the country's financial commitments in the wake of the Gulf crisis (table 34). Unbudgeted additional spending of SR 3.75 billion, approved by the authorities in early 1992, raised the budget deficit from SR 30 billion to SR 33.75 billion.

The budget deficit in 1992 was financed partly by direct government domestic and external borrowing, and partly by borrowing by public-sector and mixed companies and by drawing on the country's foreign reserves. These reserves are estimated to have dropped to $11.7 billion at the end of 1991, down from around $18 billion at the end of 1989.[60/]

The instruments used in domestic borrowing have been, on the one hand, government development bonds which the Saudi Arabian Monetary Agency (SAMA) started issuing in 1988, and, on the other, short-term treasury bills, issued

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60/ According to an IMF report, quoted in Middle East Economic Survey (7 September 1992), Saudi Arabia's foreign reserves stood at around $56 billion at the end of 1990, one third of which was held as statutory cover for the riyal issue, and another third against letters of credit and liabilities of the Saudi Arabian Monetary Agency to commercial banks and other entities. The remaining third included claims on developing countries. In consequence, the readily available reserves of Saudi Arabia were slightly less than $19 billion at the end of 1990.

Table 34. Saudi Arabia: budget, 1988-1993*
(Millions of Saudi riyals)

	1988		1989		1990		1991	1992	1993
	B	A	B	A	B	A	B	B	B
Revenues	105	85	116	115	118	155	118	151	169
of which: non-oil	36			39		37			
Expenditures	141	135	141	150	143	210	143	181	197
of which:									
Defence & security			74		52		52	54	62
Education			24		26		26	31	34
Deficit	-36	-50	-25	-35	-25	-55	-25	-30	-28

Source: Middle East Economic Survey, 11 January 1993.

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

B = Budget.
A = Actual.

by SAMA for the first time in November 1991. Actually, the bond and bill issues have been used by the Saudi authorities to access private-sector financial resources to cover what previously used to be funded by government agencies. Another vehicle has been the government-syndicated commercial bank loans to finance operations of public-sector companies.

The budgeted deficit for fiscal year 1993 represents around 14 per cent of total expenditures, compared with 17 per cent in 1992 and 1991 (table 34). The actual deficit in 1990 stood at 26 per cent of total expenditures, owing to the sharp rise in expenditures associated with the Gulf crisis and war. Total expenditures in 1993 are set at SR 197 billion, up by around 9 per cent over the previous year. Revenues are projected at SR 169 billion, representing an increase of 12 per cent. The deficit remains almost in line with the previous years, except for the actual deficit of 1990. Allocations for defence and security are the largest itemized allocations at SR 62 billion, up by 14 per cent over the preceding year, but significantly below the allocations for 1989 (table 35). Education is the second largest entry in the budget with SR 34 billion, up by 10 per cent over 1992. Spending on infrastructure is not set to increase significantly in the 1993 budget, as most infrastructure projects have been completed, and spending is limited mostly to maintenance and servicing. Allocations for subsidies have been raised by SR 1.2 billion to SR 9.2 billion, accounting for 4.7 per cent of total expenditures.

Table 35. Saudi Arabia: budgetary allocations, 1989-1993*
(Millions of Saudi riyals)

	1989	1990	1991	1992	1993
Education	24.0	26.2	26.2	31.1	34.1
Health & social development	10.6	11.8	11.8	12.2	14.1
Municipal services & water	..	..	..	6.3	7.0
Transport & communications	8.3	9.2	9.2	8.3	9.1
Infrastructural development	2.6	..	..	2.1	2.1
Economic resources	5.0	..	..	8.0	9.0
Defense and security	73.9	52.0	52.0	54.3	61.6
Subsidies	5.3	7.2	7.2	8.0	9.2
Specialized development funds	6.0	..	..	4.6	8.0

Source: Middle East Economic Survey, 11 January 1993.

* No budget was published for fiscal year 1991.

Note: Some allocation headings changed from year to year, making comparisons difficult. For example, in 1992 and 1993, expenditures on water are included with municipal services, whereas in 1990 they were included with agriculture, which is not reported in the allocations for 1992 and 1993. The sum of individual allocations does not equal the total budgeted expenditures figure indicated in table 34. For 1993, the unallocated amount is around SR 43 billion.

2. Other ESCWA countries

Fiscal developments in this group of countries were less dramatic in 1992 than in the GCC countries. A number of these countries (Jordan and Yemen) were still confronted with finding alternative means to finance the persistant budget deficits, previously covered by external financial assistance, particularly from the GCC countries, and external and domestic borrowing.

Most of the non-GCC countries have been able to reduce the rate of increase in budget expenditures and so maintain a manageable budget deficit. It is worth mentioning that in light of the economic and financial reform programmes currently undertaken by Egypt and Jordan in agreement with the IMF, both countries have been able to raise domestic revenues to finance around 70 per cent and 80 per cent, respectively, of current expenditures. A number of fiscal reforms were implemented in both countries in 1992, with Egypt introducing a sales tax of 10 per cent (to replace the consumption tax) and improving tax collection methods, and Jordan raising the yield from income tax by 5 per cent and introducing a value-added tax. The introduction of a sales tax in Jordan, which was supposed to come into effect at the beginning of 1993, was delayed pending approval by the Parliament.

(a) Egypt

Egypt's five-year economic development plan (1992-1997) provides 154 billion Egyptian pounds (LE) for investment, of which LE 89.5 billion are allocated to the private sector. Around 25 per cent of the resources needed for investment will be external, in the form of loans and credit facilities. A major objective of the plan is to increase real growth to at least 4 per cent annually during the plan period, thus raising GDP from LE 131 billion in fiscal year 1992/1993 to LE 161 billion in fiscal year 1996/1997. Another objective of the plan is to reduce the high rate of unemployment. It is expected that around 3 million jobs will be created at a cost of around LE 60 billion.

The sources of funds for investment projects implemented during the last two years are estimated to have been around 60 per cent domestic, 21 per cent from the GCC countries and 19 per cent from other countries and international financial institutions. In line with the investment law of 1989, around $600 million worth of foreign investments were made in Egypt in the course of debt-equity swaps during the last three years. In accordance with that law, capital investments are estimated to have increased by around 21 per cent during the last two years and were expected to increase further by around 25 per cent in 1993.[61/]

In spite of forgiveness and rescheduling of significant amounts of Egypt's external debt during the last two years, debt-service payments remained a major burden on the budget. Appropriations for external debt payments account for over 13 per cent of budgeted expenditures in fiscal year 1992/1993. Interest and short-term debt payments are set at LE 5.271 billion of the total (table 36).

The ratio of the budget deficit to GDP in fiscal year 1992/1993 is estimated at 6.5 per cent, exceeding by 2.5 per cent the target set in agreement with the IMF. The Government, however, plans to reduce the ratio to 5 per cent by increasing revenues from taxation, and by further reducing spending on subsidies from LE 4.52 billion in fiscal year 1991/1992 to LE 3.88 billion in 1992/1993. In line with the agreement with the IMF, the deficit is set at 15 per cent of total expenditures, compared with 17 per cent in fiscal year 1991/1992 and 21 per cent in 1990/1991.

The structure of revenues in the 1992/1993 budget is similar to that of the previous two fiscal years. Revenues from taxation and customs constitute around 50 per cent of the total, while oil and Suez Canal revenues represent around 14 per cent.

Salaries and subsidies should account for over 22 per cent of total expenditures, and 30 per cent of current expenditures, down by 2 per cent and 3 per cent, respectively, from their level in the two preceding fiscal years. However, expenditures on salaries are budgeted to rise by around 20 per cent in fiscal year 1992/1993.

61/ Al-Ahram daily (Arabic), 4 December 1992; MEMO, 14 August 1992.

Table 36. Egypt: budget, 1990/1991-1992/1993
(Millions of Egyptian pounds)

	1990/1991 budget	1991/1992 budget	1992/1993 budget
Expenditures	41,248	54,431	62,533
Current expenditures	27,845	39,264	47,389
of which: Salaries	7,140	8,288	9,980
Subsidies	3,579	4,520	3,880
Public debt service (domestic)	6,140	9,017	12,852
Public debt service (external)	2,222	5,804	5,271
Investment expenditures	6,750	7,407	10,000
Capital transfers (out)	7,252	9,333	7,777
of which: public debt service (domestic)	1,138	1,478	1,758
public debt service (external)	3,120	3,474	2,910
Expected savings in current expenditures	600	1,573	2,632
Revenues	32,522	45,083	53,389
Current revenues	27,845	39,264	47,389
of which: Taxes	7,915	10,710	13,209
Customs dues	3,780	5,404	5,932
Petroleum revenues	1,680	3,389	4,330
Suez Canal revenues	1,245	2,368	3,116
Central bank revenues	3,182	4,017	4,443
Investment revenues	2,111	2,648	3,679
Capital transfer (in)	2,567	3,170	2,321
Deficit	-8,725	-9,348	-9,144
Deficit financing			
Domestic savings	3,094	3,132	4,544
Domestic and external borrowing	1,798	2,038	2,237
Other sources	57	91	64
Deficit	-3,775	-4,088	-2,299

Source: Middle East Economic Survey, 20 July 1992.

Repayment of domestic debt is budgeted to increase by 39 per cent in fiscal year 1992/1993, more than offsetting the drop in public external debt payments. Although the increase is largely attributed to the rise in domestic interest rates, the total stock of the Government's domestic borrowing has also been on the rise since the mid-1980s. Resort to domestic borrowing has been encouraged by the IMF: to develop a domestic funding base so as to reduce recourse to external borrowing; to maximize the use of domestic savings, whose contribution to deficit financing is planned to increase by around 50 per cent over the next two fiscal years; and to soak up excess liquidity. However, further extensive domestic borrowing to finance the budget deficit could make the repayment burden excessive and would limit the private sector's access to funds. The claims of the banking system on the Government are planned to amount to LE 14.61 billion at the end of fiscal year 1992/1993, compared to LE 10.495 billion at the end of 1991/1992 and LE 7.278 billion at the end of 1990/1991.

(b) Syrian Arab Republic

The budget of the Syrian Arab Republic for 1992 was intended to be deflationary, with expenditures increasing by around 20 per cent, as against a rate of inflation estimated to range between 20 and 35 per cent.62/ This reflects the Government's intention to reduce the deficit, owing to the declining availability of resources to fund it. Indeed, available financial resources for funding the 1992 budget deficit have been projected at only 5.834 billion Syrian pounds (LS), compared to the significant financial resources that were available in the preceding two fiscal years (table 37).

A remarkable development in the 1992 budget is the drop in the rate of increase in defence and security spending, which, however, still constitutes 29 per cent of total budgeted expenditures and 43 per cent of current expenditures. Spending on defence and security represented the highest allocation in total government expenditures during the last few years. It increased from 26 per cent in 1988 to 32 per cent in 1989 and 35 per cent in 1990. The increase to around 39 per cent in 1991 may be viewed as exceptional and associated with the Gulf crisis. The allocations in the 1992 budget are up by only 15 per cent over the 1990 allocations.

A basic consideration related to the deficit, which normally is not reported as such in the published budgets of the Syrian Arab Republic, can be deduced from the items concerning grants, concessional loans and exceptional financing through domestic and external borrowing. The financing gap, covered by these items in the 1992 budget, is projected at around 21 per cent of the budget. This is almost in line with the financing gap recorded in the 1988-1990 budgets. The gap, however, rose to around 28 per cent in 1991. The significant receipts from these items have been the main reason behind budget growth during the last few years. Consequently, a drop in these receipts would lead to a decline in spending. An indication of such a development is apparent in the 1992 budget, where borrowing from domestic sources (i.e., the banking system) has been set at nil, leading to a budget growth of less than 10 per cent, compared with 25 per cent and 18 per cent during the previous two years. If domestic borrowing remained in line with the previous fiscal years, the growth in the budget would be around 17 per cent. Furthermore, if concessional loans fall back to their levels of two years ago, there will be no growth at all in the budget.

62/ Middle East Economic Survey, 15 June 1992.

Table 37. Syrian Arab Republic: budget, 1988-1992
(Millions of Syrian pounds)

	1988	1989	1990	1991	1992
Expenditures	52 379	57 413	67 497	84 691	93 042
Government services, including:	32 933	40 399	48 216	64 121	63 330
Defence and security	13 482	18 212	23 561	32 677	27 121
National debt	3 900	4 246	3 788	7 381	8 237
Education	4 167	4 920	5 669	5 924	7 594
Agriculture, forests and fishery	4 647	6 268	7 067	7 913	10 193
Industry	4 461	2 659	4 022	3 719	6 638
Infrastructure	10 994	7 342	6 677	6 668	8 805
Other expenditure	1 889	1 605	1 515	1 418	1 533
Revenues	51 545	57 000	67 494	84 691	93 042
Taxes and duties	16 790	18 125	22 123	27 720	29 408
Services and property	1 435	2 157	2 666	3 454	4 858
Miscellaneous revenues, including:	16 623	18 846	18 464	26 762	36 816
Grants	1 644	1 185	560	0	0
Concessional loans	6 257	2 157	1 750	10 304	13 904
Surplus on public-sector establishments	12 071	11 081	13 065	13 078	16 127
Exceptional financing, including:	4 636	6 791	11 176	13 678	5 834
External borrowing	4 540	2 847	3 277	4 360	5 607
Domestic borrowing	-	103	7 709	9 156	-

Source: Middle East Economic Survey, 15 June 1992.

Note: A hyphen (-) indicates that the item is not applicable.

(c) Yemen

Since the unification of the two parts of the country (Democratic Yemen and Yemen) into Yemen in May 1990, economic planning and implementation procedures have been on an ad hoc basis,[63/] subject to immediate budgetary constraints, rather than long-term development considerations. In 1990, Yemen incurred a deficit which was around 20 per cent higher than originally budgeted. This was essentially a result of over-estimation of revenues and the disruption caused by the Gulf crisis.

In 1992, Yemen was still suffering from the consequences of the Gulf crisis, having to provide services for around one million returnees from Saudi Arabia and other GCC countries, and cope with soaring unemployment and the loss of remittances and financial assistance from the GCC countries.

The 1990 budget was an ad hoc combination of the budgets of the two former Yemeni regions. In 1991, the first full calendar year after unity, expenditures were budgeted at 50.98 billion Yemeni rials (YRls), up by around 40 per cent over the previous fiscal year (table 38). The increase in revenues was projected at almost the same rate. While preliminary estimates indicate that actual revenues were almost as budgeted, expenditures fell behind, namely to YRls 46.8 billion, thus bringing about a reduction in the deficit from YRls 15.67 billion to YRls 12 billion, i.e., only slightly higher than the actual deficit in 1990 (YRls 11.52 billion).

Against this background, the budgeted deficit of YRls 12.34 billion in 1992 appears to be realistic. The major sources of the projected increase in revenues are taxes and customs duties, which are planned to rise from YRls 13.68 billion in 1991 to YRls 21.22 billion in 1992, followed by revenues from State assets, which include profits from State companies and possible proceeds from privatization. Revenues from this category are projected to rise from YRls 8.83 billion in 1991 to YRls 18.67 billion in 1992. Oil revenues are projected to drop to only YRls 5.89 billion, or by over 50 per cent, from YRls 12.28 billion in the year before.

Financing the budget deficit in Yemen is made mostly by domestic borrowing, namely from the Central Bank. This, together with the repatriated assets of Yemeni returnees, has contributed to a significant increase in prices estimated at around 37 per cent in Aden and 34 per cent in Sana'a,[64/] and has added to the pressure on the Yemeni rial in the parallel market, where the exchange rate averaged around $1=YRl 30 in 1992, compared to the official rate of $1=YRl 12.01.

B. External debt

Total ESCWA external debt is estimated to have been $180 billion at the end of 1992, up by around 15 per cent ($23 billion) over 1991, and representing around 58 per cent of aggregate GDP. Debt-service payments increased from $15.4 billion in 1991 to around $20 billion in 1992. The ratio of debt-service payments to exports of goods and services (the debt-service ratio), however, increased from 18 per cent to around 25 per cent over the same interval. While total ESCWA external debt in 1992 constituted around 11 per cent of total developing countries' external debt, its debt-service ratio of 25 per cent was higher than that of any other developing region, except Latin America. The reason behind this development is the significant rise in the GCC countries' debt, from slightly less than $42 billion in 1991 to around $80 billion in 1992. This debt is mostly commercial and short-term (around 75 per cent of the total), and bears relatively high interest rates, which explains the significant increase in the region's total debt-service pyaments and the worsening of its debt-service ratio profile.65/

63/ Committees or similar bodies were formed to make decisions on issues of common concern on a case-by-case basis.

64/ Arab Banking Corporation, Economic and Financial Quarterly, June 1992, No. 20.

65/ See annex II for individual country information on the size of total external debt, long-term and short-term debt, and the debt-service ratio.

Table 38. Yemen: budget, 1990-1992
(Millions of YRls*)

	19901 actual	1991 budget, preliminary	1991 actual	1992 budget
Revenues	24,449	35,306	34,797	45,778
Non-oil tax revenues	10,039	12,061	13,682	21,215
Oil revenues	10,222	6,994	12,282	5,894
Other revenues (State assets, loans, etc.)	4,188	16,251	8,833	18,669
Expenditures	35,967	50,980	46,798	58,114
Current expenditures	28,834	40,344	39,937	44,237
Capital expenditures	7,133	10,636	6,861	13,877
Deficit	-11,518	-15,674	-12,001	-12,336

Source: Arab Banking Corporation, Economic and Financial Quarterly, June 1992, No. 20.

* Yemeni rials.

Though the ESCWA countries do not present a homogeneous debt profile, the following general observations can be made:

1. A number of ESCWA non-GCC countries have reached agreements with creditors to reduce their debt-service payments.

Egypt is the outstanding example. It has almost completed the debt-reduction process. The Paris Club agreed to a three-stage write-off of 50 per cent of the $20.2 billion owed to it by Egypt. In addition, the GCC countries wrote off around $7 billion of Egypt's debt and the United States forgave it $6.7 billion in military sales. Furthermore, accords were reached with the IMF and the World Bank, thus giving Egypt the opportunity for discussions with the London Club concerning the rescheduling of its commercial debt. Egypt's external debt is estimated to have been around $25 billion at end 1992, compared with over $50 billion at the end of 1989, while foreign reserves have attained more than $14 billion.

Jordan has also rescheduled most of its official (bilateral and multilateral) debt. In early 1993, Jordan reached agreement with the London Club to buy back its debt at 37 per cent of the face value of the principal and at 48 per cent of the face value of the interest. Jordan's foreign reserves[66/] have risen steadily during the last two years to exceed $4 billion at the end of 1992.

66/ Including reserves of the banking sector ($3 billion), reserves of the Central Bank ($0.8 billion) and reserves of the banking sector with the Central Bank ($0.2 billion).

Yemen has also been able to reschedule a significant portion of its commercial debt.67/

2. Grants and development finance assistance from the GCC countries to a number of other ESCWA countries has been significant during the last few years

Bilateral concessional aid from GCC countries to other ESCWA countries amounted to $3,708.8 billion in 1990, with aid to Egypt alone constituting around 60 per cent of the total. Saudi Arabia and Kuwait accounted for around 85 per cent of total aid. However, the temporary nature of this aid does not provide long-term relief from debt repayment. Indeed, GCC countries' aid to other ESCWA countries has dropped in 1991 to almost one fifth of its level in 1990. The maintenance of significant aid disbursements from the GCC countries in the medium term is uncertain in light of the financial constraints facing these countries in the wake of the Gulf crisis.

3. Increased exports and reduced budget deficits are significant factors for a sustained easing of debt service

A number of ESCWA non-GCC countries have benefited considerably from rescheduling agreements reached with creditors. Their foreign exchange earnings have increased, but the debt-service ratio for the region as a whole has worsened, namely from around 18 per cent in 1991 to an estimated 25 per cent in 1992. However, some ESCWA countries, such as Egypt, the Syrian Arab Republic, Jordan and Yemen, have been making serious efforts to contain budget deficits to preserve the benefits of any improvement in export earnings. The privatization measures envisaged by a number of countries are expected to eliminate the subsidies paid to inefficient public-sector enterprises, thus reducing budget deficits.

4. ESCWA countries have not benefited from the growth in portfolio investment in developing countries during the last three years.

Portfolio investment flows (defined as purchases of bonds, commercial papers, equities and certificates of deposits) to developing countries are estimated to have increased from around $9.3 billion in 1990 to over $28 billion in 1992.68/ The flows to ESCWA countries are estimated to have been less than $80 million during this period. The increase in portfolio investment flows has been one of the most striking developments in the international debt market during the last few years. Most of the flows have been directed to Latin America and South-East Asia. Efforts made by a number of ESCWA countries to attract part of these flows have not been successful. The delay in the privatization programme has been a significant obstacle for Egypt to start tapping private investment markets. Oman's development bonds and treasury bills have remained domestic and their purchase limited to

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67/ Mostly short-term export credits (short-term supplier and financial trade credits, and arrears of interest and principal on all types of export credits, treated as short-term claims).

68/ Middle East Economic Survey, 21 December 1992.

investors from GCC countries. The failure of countries in the region to attract significant amounts of international portfolio investment flows has been the result of a number of factors, most important among which are political instability, non-adherence to international accountancy reporting standards, low rates of return and the absence of financial markets capable of structuring and managing attractive investment instruments.

C. Banking

The banking sector in the ESCWA region presented a mixed picture in 1992. In the GCC countries, Saudi banks recorded higher profits and increased their capital base to comply with the capital-adequacy ratio of 8 per cent (capital/assets ratio) as recommended by the Bank for International Settlements (BIS), and Bahrain-based regional banks almost recovered from the impact of the Gulf crisis. In contrast, Kuwaiti banks, except for the National Bank of Kuwait, were still burdened with huge non-performing loans and dependent on Central Bank support. In other ESCWA countries, Governments continued to be preoccupied with reforming the banking sector, which tends to be underregulated and inadequately capitalized. Egypt, Jordan and Lebanon have undertaken measures to raise the capital base of their banks. For example, Egypt's banking law of 1992 moved to impose the BIS recommendations on all banks regardless of their international involvement. In 1992, only 20 of Egypt's 101 banks could meet these recommendations. The Government gave banks four years to raise their capital base to LE 100 million ($30 million).

In view of the new capital requirements, many of the banks with a low capital base may not succeed in raising additional equity and therefore will have to be liquidated. This may be a welcome development in overbanked countries such as Egypt, where 60 per cent of the assets of the banking system are controlled by four State-owned banks. In Jordan, the Central Bank is focusing on merging investment banks, in line with a trend begun in 1990. Similarly, a large number of mergers are expected among the 84 banks in Lebanon.

The Central Bank of Jordan has been considering the imposition of a minimum capital standard of JD 10 million ($15 million) in order to strengthen the banks' capital base. Jordan began tackling structural weaknesses in its banking system in 1988 after the collapse of a major domestic bank highlighted severe shortcomings in central bank supervision and monitoring of banking activity. Supervisory capacity at the Central Bank has since been strengthened, reserve requirements raised and interest rates liberalized.

Egypt has also been making progress in this regard. The new banking law (see below) has strengthened the power of the Central Bank of Egypt to intervene and provide for a depositors' protection fund, if necessary, in addition to introducing measures to strengthen the capital base of banks. The law provides for more competition in setting fees. The Government's privatization programme provides banks with opportunities to diversify sources of income through underwriting and advising in financial services by arranging sales of State-owned companies.

While GCC banks appear to have generally recovered from the impact of the Gulf crisis, and many of them recorded a return on equity of over 10 per cent in 1992, a number of banks, which prior to the Gulf crisis were present in the international financial markets, turned their attention increasingly to the home market.

However, the retreat to the home market has offered GCC banks an opportunity to play a greater role in funding budget deficits and investment needs, and to develop domestic debt programmes--issues long overdue.

The switch of the GCC countries from being a net lender to a net borrower has created new business opportunities for their banks, which have an advantage in their access to low-cost customer deposits. Furthermore, the increased liquidity of the GCC banks resulting, on the one hand, from repatriation of funds in the aftermath of the Gulf crisis, and on the other, from the deregulation of interest rates has encouraged banks to extend their activities to other GCC countries.

During the last few years, the banking system in GCC countries has become a significant factor in promoting private-sector activity as well as non-inflationary economic development. In most of these countries, bank shares are among the most highly developed domestic investment opportunities. In Saudi Arabia, where banks account for a large proportion of the stock market's total capitalization, bank shares have gained prominence.

(a) Kuwait

In May 1991, the Government of Kuwait approved a $20 billion debt settlement programme for the commercial banks. The first stage of the programme involved exchanging non-performing loan portfolios held by banks for 20-year government bonds. The second stage calls for bank debtors and debt guarantors to submit details of their financial positions by the end of January 1993, while the third and fourth stages deal with a rescheduling timetable for repayment drawn up by the banks.

As a consequence of the reduction in population and depressed economic conditions resulting from the Gulf crisis, the Kuwaiti banking market has shrunk considerably. The bank bail-out, though necessary and unavoidable in light of the generally weakened financial position of the commercial banks, contains the seeds of the banks' current profit problems. With the debt bonds carrying an interest rate of 5 per cent, which is 4 per cent below the deposit rate, and with all banks, except the National Bank of Kuwait, having a ratio of over 50 per cent of the debt bonds to total assets, the scope for increasing their profitability has been severely limited. Furthermore, the banks remain dependent on support from the Central Bank which places KD deposits with them at zero interest. Pressure on the banks, especially on the weaker ones, has increased by the Central Bank with the abolishing of the interbank market in Kuwaiti dinars in late 1992, both in Kuwait and offshore as a reaction to the banks bidding up KD interest rates in search of new funds. Although the Central Bank relaxed interbank restrictions in early 1993 to allow KD lending in the domestic market, the restrictions concerning the offshore market in Kuwaiti dinars remained in effect, and likewise, those concerning the interbank market in foreign currency; banks can neither receive from or place Kuwaiti dinars with banks abroad, and may receive foreign currencies only from the Central Bank.

The current financial difficulties of the Kuwaiti financial sector have led some of the country's financial institutions to consider merging. The three main Kuwaiti investment companies[69] are planning to merge into one single institution which will be majority-owned by the Government's Kuwait Investment Authority. Kuwait's weakened position in the international financial markets seems no longer to justify having three State-owned investment companies.

Table 39 indicates that the Kuwaiti banking sector has not fully recovered from the consequences of the Gulf crisis. Total equity (i.e., capital and reserves) at end-1992 was down by KD 301.4 million ($995 million) from its level at the end of the year preceding the Gulf crisis (KD 1,087.5 million). Total bank assets, which were on the increase prior to the Gulf crisis, and amounted to KD 10,972 million in 1989, dropped to KD 8,413.1 million in 1991 and further to KD 8,360.8 million in 1992. While bank deposits had virtually recovered by the end of 1992, bank claims on the private sector remained less than a quarter of their level in 1990, owing mainly to depressed economic conditions. Although bank loans in 1992 (KD 761.3 million) were up by around 32 per cent over their level in 1991 (KD 577.8 million), they constituted only 16 per cent of bank loans in 1989.

Table 39. Kuwait: bank results[a], 1987-1989 and 1991-1992
(Millions of Kuwaiti dinars)

End of year	Equity	Assets	Deposits[b]	Claims on private sector[c]	Equity/assets ratio
1987	1 001.9	9 942.5	4 622.9	5 473.2	10.1
1988	1 049.5	10 401.9	4 848.5	5 659.2	10.1
1989	1 087.5	10 972.0	5 070.5	5 471.7	9.9
1991	786.1	8 413.1	5 006.2	1 127.1	9.3
1992	786.1	8 360.8	4 991.8	1 324.7	9.4

Source: Central Bank of Kuwait, Monthly Monetary Review, December 1992.

a/ Excluding specialized banks.
b/ Including government and private-sector deposits.
c/ Including claims on specialized banks and financial institutions.

Notes: No data were published for 1990 owing to the Gulf crisis. Data include the outcome of purchased Kuwaiti debtors' debt against issuing government bonds, from December 1991.

69/ These are the Kuwait International Investment Company, the Kuwait Foreign Trading, Contracting and Investment Company and the Kuwait Investment Company.

(b) Saudi Arabia

According to the Bank for International Settlements,[70] the Saudi banking system withdrew around $16.8 billion from its accounts with banks in developed countries during the 12 months ending September 1992. Most of the withdrawals were made by commercial banks repatriating funds to meet the increasing domestic private-sector loan demand and borrowing by State-owned companies. In order to reduce pressure on government financial resources, leading public and mixed companies have been allowed to borrow directly from the domestic as well as international banks. It is estimated that during the period 1989-1992 such borrowing amounted to over $15 billion, with domestic banks providing around $8 billion of the total.

The 1992 results indicate that performance, as measured by pre-tax profit, of most Saudi banks improved significantly (table 40). Low interest rates in the United States, where a significant portion of the foreign funds of Saudi banks is held, depressed profit margins in 1992 (measured by the profit/capital ratio) for many of these banks.

Several Saudi banks raised their capital base during 1992 by share issues which were largely oversubscribed. The oversubscription has been largely funded by banks lending almost the full value of loan applications, thus prompting the authorities to limit bank lending to 50 per cent of the share value in order to prevent excess borrowing that may affect the financial position of the banks. High stock prices and strong demand by the public for share issues, especially of banks, enabled the banks to profit from the issues and increase their reserves and capital. Actually, the buoyant stock market has become a source of new capital and off-balance sheet earnings for the banks.

The positive results in the balance sheets of most Saudi banks in 1992 indicate that non-performing loans, which undermined the performance of banks during most of the 1980s, are no longer a major problem. The growth of deposits and the expansion of lending during the last two years have outstripped the capacity of the banks to generate capital internally, thus resulting in a capital-adequacy ratio for many of them lower than the 8 per cent ratio recommended by the BIS. To remedy this failing, the banks have floated share issues.

A by-product of these issues, especially for banks with foreign shareholding, has been a dilution of the stake held by foreigners and thus a shift in the ownership structure of the Saudi banking system. As part of the Saudiization of domestic banks implemented in the early 1980s, the branches of foreign banks operating in Saudi Arabia had to incorporate locally and accept majority Saudi shareholding. This produced a system in which the maximum stake of foreigners was set at between 35 per cent and 40 per cent.

The Saudi stock exchange, established informally in 1991, has become a source of double business opportunity for the banks, in that it provides them

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70/ Bank for International Settlements, International Banking and Financial Market Developments, February 1993.

with additional funds to expand their activities and generates parts of their earnings, as only banks are permitted to trade shares to prevent speculation and potential excesses associated with the stock exchange. A plan to establish a share trading floor for the stock exchange at the head office of the Saudi Arabian Monetary Agency has been abandoned and replaced by an electronic securities information system to match demand and supply of shares. With banks having a monopoly over the use of the system, many of them have set up investment trust funds in domestic shares.

The two most important developments in the Saudi banking system during the last two years have been the emergence of the Saudi Government as a major borrower to finance budget deficits, and the development of treasury instruments, introduced to replace the unpopular Banker's Security Deposit Account. It is estimated that in 1991 and 1992, banks repatriated around $35 billion of their interbank placements abroad to meet government demand for funds. It is expected that changing interbank placements abroad, especially those denominated in the United States dollar, where the interest rate has been very low during the last two years, into medium-term government debt, would not affect earnings of the Saudi banks in the short term. This may not be the case, however, if the Government continues to borrow at the present rate, as a maturity mismatch of deposits and lending could emerge, owing to the fact that interbank placements tend to be short-term where earnings fluctuate in line with international interest rates, while government borrowing is medium- and long-term, with mostly fixed interest rates.

(c) United Arab Emirates

As a consequence of the affair of the Bank of Credit and Commerce International (BCCI), the Central Bank of the United Arab Emirates established in 1992 a permanent banking supervision committee with a wide-ranging mandate to regulate the operations of banking activities.

The BCCI affair has significantly affected the banking sector of the United Arab Emirates. In the aftermath of the Gulf crisis, consideration was given to capitalizing on the country's financial strength to accelerate the pace of financial market development. The closure of the BCCI offices world-wide, and the resulting financial losses to the Government, the major shareholder in the Bank, have turned the attention of the Government towards reforming the banking sector.

The banking sector in the United Arab Emirates has been affected by limited lending opportunities, restraints on banks' ability to buy and sell shares,[71] fragmentation of the domestic market, the impact of non-performing domestic loans and intense competition among the 18 registered deposit-taking institutions. In addition, the banking sector has been affected by the fall in United States dollar interest rates, upon which many

71/ Section 4, article 90 of the United Arab Emirates banking law forbids banks to purchase shares of or bonds issued by commercial companies in an amount which would raise a bank's holdings thereof above 25 per cent of its own funds, unless acquired in the settlement of a debt, in which case the excess must be sold within two years.

Table 40. Saudi Arabia: bank results,* 1990-1992

		Capital (millions of dollars)	Assets (millions of (dollars)	Capital/assets ratio (percentage)	Pre-tax profit (percentage)	Profit on capital (percentage)	Return on assets (percentage)
Riyad Bank	1992	1 717	13 594	12.68	199.2	11.60	1.47
	1991	1 159	12 878	8.94	106.0	9.20	0.82
	1990	1 131	11 842	9.55	72.9	6.44	0.62
Al-Rajhi Banking and Investment Corp.	1992	943	7 083	13.31	172.1	18.25	2.42
	1991	891	6 199	14.37	187.0	22.00	3.02
	1900	808	4 935	16.37	286.7	35.48	5.81
Saudi American Bank	1992	701	8 886	7.89	243.1	34.68	2.70
	1991	640	9 721	6.58	201.0	32.90	2.06
	1990			7.26		25.70	..
Saudi French Bank	1992	622	6 131	10.15	53.4	8.58	0.87
	1991	314	5 508	5.70	42.0	13.38	0.76
	1990			6.11		11.60	..
Arab National Bank	1992	600	7 650	7.84	102.7	17.12	1.34
	1991	564	5 645	9.99	81.0	14.80	1.44
	1990			13.98		17.10	
Saudi-Cairo Bank	1992	401	3 590	11.17	49.2	12.27	1.37
	1991	139	3 577	3.88	..	..	..
	1990			4.54	..	..	..
Saudi-British Bank	1992	340	5 528	6.15	71.6	21.06	1.30
	1991	268	4 338	6.18	67.0	27.20	1.54
	1990			6.09		24.70	..
Saudi-Hollandi Bank	1992	266	3 579	7.43	35.7	13.42	1.00
	1991	232	2 994	7.75	34.0	15.90	1.14
	1990			7.82		11.80	..
United Saudi Commercial Bank	1992	219	2 437	8.99	55.9	25.53	2.29
	1991	164	2 183	7.49	45.0	31.60	2.05
	1990					32.80	..
Saudi Investment Bank	1992	80	1 404	5.70	1.3	1.63	0.09
	1991	70	1 297	5.37	7.0	10.60	0.54
	1990			5.09		5.90	..
Bank Al-Jazira	1992	..	..	..	..	..	..
	1991	54	1 232	4.38	..	..	..
	1990	54	1 045	5.16	..	..	..

Source: The Banker, November 1992 and April 1993; and Middle East Economic Survey, 28 September 1992.

*** The National Commercial Bank, the largest Saudi bank in terms of assets, is not included in the table, as it has not published a balance sheet since 1989.**

banks depend for a high proportion of earnings. Actually, many banks in the United Arab Emirates are buoyed by free deposits from the Central Bank or government accounts. However, earnings from investing these deposits cannot be maintained if interest rates of the currencies in which the investments are denominated remained depressed or start to fall.

The limited lending opportunities facing banks in the United Arab Emirates are compounded by restrictions on the use of other financial instruments, i.e., the switching to more profitable business areas, such as shares and bonds when, for example, interbank yields decline. The problem has worsened further, as banks which normally accepted interbank deposits started curtailing asset growth in order to conform to the 8 per cent capital adequacy ratio recommended by the BIS (table 41). Currently, the Central Bank capital adequacy ratio is 1 to 15, i.e., for every 1 million dirhams (Dh) of capital, banks can lend Dh 15 million. The small banks, with government deposits constituting a major portion of their portfolios, will be particularly affected by the more stringent capital adequacy requirements, especially as their lending opportunities are more limited than those of larger banks. However, corporate banking gained significance in the United Arab Emirates in 1992, as treasury products and services have been much in demand. Some devices such as interest rate swaps and forward rate agreements have been rewarding businesses.

(d) Egypt

In the past two years, the Central Bank of Egypt has intervened in the foreign exchange market with over $10 billion to prevent the Egyptian pound from appreciating against the United States dollar. The exchange rate of the pound has been stable at around $1=LE 3.3 since July 1991. The interest rate increased to 20 per cent on average, in 1992, up by more than 7 per cent over 1991 when it was freed. The yield on government treasury bills has jumped to 18 per cent, up by 7-9 per cent over 1991.

The stable exchange rate and high interest rates have helped in raising the overall deposits of the banking system in local currency from LE 42.8 billion at the end of June 1991 to LE 57.3 billion at the end of June 1992, while foreign currency deposits decreased from the equivalent of LE 57.3 billion to LE 42.7 billion.72/ Furthermore, capital inflow through the banking system increased from around $16 billion in 1991 to over $22 billion in 1992 as repatriation of private Egyptian funds rose, reflecting increased confidence in the economy.

The reform of the Egyptian monetary and banking system is considered the most successful element in the structural adjustment programme agreed upon with the IMF in 1991.

Progress achieved in this respect73/ is outlined below.

72/ Middle East Monitor, February 1993.

73/ Middle East Economic Survey, 12 October 1992 and various international sources.

Table 41. United Arab Emirates: bank results, 1989-1991
(Millions of dollars)

	Year	Capital	Assets	Loans	Deposits	Pre-tax profits	Capital assets ratio (percentage)	Profit on capital (percentage)	Return on assets (percentage)
National Bank of Dubai	1991	958	6 710	504	5 405	113	14.27	11.80	1.68
	1990	939	6 579	407	5 211	127	14.28	13.50	1.93
	1989	906	6 291	489	5 083	119	14.40	13.13	1.89
National Bank of Abu Dhabi	1991	482	6 934	2 602	5 467	25	6.95	5.19	0.36
	1990	480	6 417	2 118	4 680	25	7.47	5.20	0.38
	1989	475	5 716	1 858	3 539	29	8.30	6.10	0.51
Bank of Oman	1991	244	2 663	1 381	1 754	38	9.15	16.96	1.43
	1990	230	2 836	1 659	2 017	29	8.11	12.61	1.02
	1989	215	3 183	1 451	2 087	28	6.75	13.02	0.88
Emirates Bank International	1991	279	3 027	1 636	2 283	55	9.21	19.70	1.82
	1990	204	2 071	927	1 668	41	9.82	20.10	1.98
	1989	177	1 773	928	1 346	31	9.99	17.51	1.75
Abu Dhabi Commercial Bank	1991	426	2 790	1 493	1 747	23	15.26	5.40	0.82
	1990	403	2 571	1 268	1 563	21	15.67	5.21	0.81
	1989	382	2 646	1 214	1 411	28	14.43	7.33	1.06
Arab Bank for Investment & Foreign Trade	1991	125	1 232	335	267	7	10.13	5.51	0.57
	1990	118	1 081	386	242	2	10.90	1.69	0.19
	1989	116	1 022	437	245	1	11.35	0.86	0.09
Commercial Bank of Dubai	1991	85	584	260	451	12	14.56	14.12	2.05
	1990	81	382	220	249	11	21.26	13.58	2.88
	1989	78	347	212	226	10	22.48	12.82	2.88

Source: ESCWA calculation based on Middle East Economic Survey, 27 July and 28 September 1992.

Interest rates: Restrictions on interest rates were abolished in early 1991; the only restriction remaining is a floor of 12 per cent on three-month deposits.

Exchange rate: Restrictions on the exchange rate were completely lifted, and the Egyptian pound became freely convertible. In February 1991, the multi-tier exchange rate system was abolished and replaced by a two-tier system, with the official Central Bank rate and the unofficial market rate maintained within a 5 per cent margin. In October 1991, the two rates were unified and the Central Bank started intervening in the foreign exchange market to prevent the appreciation of the Egyptian pound.

Treasury bills: The Central Bank started issuing treasury bills in early 1991. At the end of September 1992, it had bills worth over LE 17 billion in its portfolio. The bill issues are auctioned weekly and are 91-, 182- and 364-day instruments. At the end of September 1992, the average rate of return on these bills was 17.09 per cent, 17.52 per cent and 17.96 per cent, respectively. While the Government uses the treasury bills to reduce reliance on external borrowing to finance the budget deficit, the Central Bank considers them an instrument to drain excess liquidity from the domestic market. In 1992, the bills issued exceeded the funds needed by the Government. The excess was held by the Central Bank on behalf of the Government, with an interest rate calculated at the basis of the 91-day bill minus 2 per cent.

Credit ceiling: Prior to the agreement with the IMF in May 1991, banks were allowed to increase customer credits by an amount not exceeding 60 per cent of the increase in customer deposits. After the agreement, a new credit ceiling system was established to serve as a guide for banks and other credit-extending institutions, with each economic sector being assigned a different ceiling.

Reserve requirements: The portion of commercial banks' local-currency interest-free deposits with the Central Bank has been reduced from 25 per cent to 15 per cent.

Capital adequacy ratio: In conformity with the requirements set up by the BIS concerning the capital adequacy ratio, and in line with the agreement with the IMF to reform the Egyptian banking system, considered to be among the most undercapitalized systems in the ESCWA region, Law No. 37 was issued in 1992, under which Egyptian banks must have an authorized capital of at least LE 100 million, half of which must be paid in. Branches of foreign banks must also increase their capital accordingly, though in foreign currency, with the increase to be implemented by the end of 1993.

(e) Jordan

The Central Bank of Jordan has been contemplating the imposition of a minimum capital standard of 10 million Jordanian dinars (JD) ($15 million) for the country's licensed banks to strengthen their capital base so as to comply with the capital adequacy ratio of the BIS. While a number of banks have capital well above the required minimum, other banks have already raised their capital or are in the process of doing so.

The Central Bank is considering the reduction of the number of banks in line with the trend begun in 1990, when it undertook to tackle the structural weaknesses in the banking sector. A stringent new banking law is expected to be issued in 1993. Assets of licensed banks[74/] amounted in 1991 to around JD 5,599 million ($8,400 million), up by 37 per cent over the previous year (table 43). This significant increase in assets is attributed to the repatriation of funds by the returnees from Kuwait and other GCC countries. Private-sector deposits rose by around 31 per cent in 1991 to JD 2,556.9 million, and foreign liabilities (mostly private-sector deposits in foreign currencies) jumped by over 174 per cent, from the equivalent of JD 459.8 million in 1990 to JD 1,260.4 million in 1991. The increased availability of funds in the banking sector reduced its borrowing from the Central Bank from JD 352.9 in 1990, to JD 304.6 million in 1991.

Recently, the Central Bank started issuing certificates of deposit denominated in United States dollars to be offered to banks and other financial institutions looking for a higher return on foreign-currency portfolios. The objective behind the issuance of these certificates, which have a face value of $100,000 each and a maturity of one, two and three years, is, on the one hand, to attract an inflow of foreign currency into the country, and on the other, to create additional investment outlets for foreign currency held in Jordan.

Table 42. Egypt: consolidated balance sheet of commercial banks, 1987-1991
(Millions of Egyptian pounds)

	1987	1988	1989	1990	1991
Assets					
Cash	715	721	840	600	1 192
Securities and Investments	4 333	6 794	7 627	8 136	16 386
Balances with banks in Egypt	11 959	12 678	14 960	17 699	26 919
Balances with banks abroad	6 081	10 159	12 755	16 108	24 303
Loans and discount balances	20 151	23 673	27 001	33 952	43 436
of which: loans to foreign sector	260	406	514	553	1 050
Other assets	2 670	5 638	7 934	9 948	7 894
Assets = liabilities	54 909	59 663	70 617	86 443	120 130
Liabilities					
Equity	1 263	1 410	1 784	2 291	5 493
Provisions	2 007	2 513	3 295	3 972	4 735
Bonds and long-term loans	203	258	191	205	212
Obligations to banks in Egypt	3 157	3 636	3 965	5 876	6 869
Obligations to banks abroad	3 624	4 306	4 895	6 108	8 296
Total deposits	30 813	41 087	48 871	59 629	81 648
of which: deposits of foreign sector	295	407	430	643	1 089
Other liabilities	4 842	6 453	7 616	8 371	10 877

Source: Central Bank of Egypt, Economic Review, vol. XXXI, No. 4, 1990/1991.

74/ Including investment banks and the Housing Bank.

Table 43. Jordan: consolidated balance sheet of commercial banks, 1987-1991
(Millions of Jordanian dinars)

	1987	1988	1989	1990	1991
Assets					
Cash & due from the Central Bank	181.0	149.5	256.5	216.7	629.3
Foreign assets	452.0	671.9	832.3	1006.2	1986.6
Due from other domestic banks	184.4	228.3	258.6	227.2	166.3
Customer loans	1 513.0	1 634.0	1 730.5	1 863.8	1 968.0
Investment portfolio	340.7	351.8	390.1	432.6	474.2
Other assets	227.4	215.0	311.3	343.5	374.7
Assets = liabilities	2 898.5	3 250.5	3 780.3	4 090.0	5 599.1
Liabilities					
Equities	229.1	251.0	280.9	312.3	348.5
Foreign liabilities	381.6	552.3	504.9	459.8	1260.4
Government deposits	177.6	176.3	245.7	299.3	319.3
Private-sector deposits	1 664.0	1 747.3	1 979.3	1 956.4	2 556.9
Due to banks	133.2	167.4	172.5	274.7	260.0
Liabilities to the Central Bank	112.6	115.3	221.2	352.9	304.6
Other liabilities	200.4	240.9	375.8	434.6	549.4

Source: Central Bank of Jordan, Annual Report, 1991.

VI. AGRICULTURE

A. Overall performance

The agricultural population in the ESCWA region was estimated at 42.3 million in 1992, representing about one third of the total population (table 44). The sector's contribution to the region's GDP averaged 12.1 per cent in 1991, ranging from 1.6 per cent in the GCC countries, excluding Saudi Arabia (6.8 per cent), to more than 25 per cent in both Iraq and the Syrian Arab Republic.75/

Arable land in the region is estimated at 18.5 million hectares and the cultivated area at 16.9 million hectares, or about 3.6 per cent of the total land area of the region. About 7.3 million hectares, i.e., 39.4 per cent of arable land, is irrigated, the rest depending on rainfall.76/

The agricultural sector performed generally well in 1992, owing mainly to favourable weather conditions and the adoption of economic reform policies in some countries, including removal of price distortions. The rise in the agricultural production index varied from a low 1.7 per cent in Egypt to a high 48 per cent in Jordan; the index rose by 9.4 per cent in the Syrian Arab Republic, and by about 4 per cent in each of Iraq, Lebanon and Yemen.

Despite an increase of 5.2 per cent in the cultivated area in 1992, the region's production of cereals fell by 3.5 per cent from 1991. Aggregate wheat production decreased from 12.3 million tons to 11.7 million tons. The sharpest decline was recorded in Iraq where production of wheat dropped by 22.9 per cent. In Saudi Arabia, wheat production remained at around 4 million tons, while in the Syrian Arab Republic a significant increase was registered. In Egypt, a reduction in the cultivated area notwithstanding, production rose by 3 per cent to 4.6 million tons, owing mainly to improved pricing policies.

Vegetable production grew by 3.8 per cent, owing to the expansion in the use of greenhouses in most ESCWA countries, fruits by 1.8 per cent, and production of sugar crops by 5.6 per cent. However, output of oil crops decreased sharply (22.9 per cent). In contrast, the production of pulses rose by close to one fifth.

Significant growth in the livestock production index number was reported for Iraq (10.9 per cent) and Jordan (16.3 per cent), with modest improvements in Egypt (2.2 per cent), Lebanon (3.8 per cent), Saudi Arabia and the Syrian Arab Republic (2.3 per cent each). Output of red meat rose by 4.6 per cent, egg production by 3.1 per cent and dairy products by 1 per cent. Iraq recorded the highest growth in the production of both eggs (28.6 per cent) and milk (18.5 per cent).

75/ League of Arab States, The Unified Arab Economic Report, 1992.

76/ Food and Agriculture Organization (FAO): Production Yearbook, vol. 45, 1991.

Table 44. Arable and irrigated area, population and share of agricultural production in GDP in Western Asia

Country	Arable area (1990)		Irrigated area (1990)		Agricultural population (1992)a/		Production (1991)	
	Thousands of hectares	Percentage	Thousands of hectares	Percentage	Millions	Percentage	Millions of dollars	Percentage of GDP
Bahrain	2	2.90	1	50.00	0.009	1.6	53	1.4
Egypt	2 607	2.60	2 607	100.00	21.7	39.5	905	17.7
Iraq	5 450	12.5	2 550	46.8	3.62	19.1	16 961	26.7
Jordan	400	4.5	63	15.7	0.192	5.4	291	8.1
Kuwait	4	0.2	2	50.00	0.007	0.004	53	0.4
Lebanon	301	29.4	86	28.6	0.219	8.8	327	8.8
Oman	61	3	58	95.1	0.615	38.0	372	3.6
Qatar	5	0.40	--	--	0.006	1.5	66	0.9
Saudi Arabia	2 365	1.1	900	38.0	5.691	37.3	2 388	6.8
Syrian Arab Republic	5 626	30.6	693	12.3	3.100	23.0	3 323	28.6
United Arab Emirates	39	5	5	12.80	0.040	2.4	595	1.8
Republic of Yemen	1609	3.0	310	19.3	6.888	54.8	420	20.20
ESCWA regionb/	18 469	3.9	7 275	39.4	42.289	33.0	35 754	12.1

Sources: United Nations Economic and Social Commission for Western Asia (ESCWA), based mainly on FAO, Production Yearbook, 1990, vol. 44 (Rome, 1991); and Arab League, Unified Arab Economic Report, 1990.

a/ Includes all economically active persons engaged principally in agriculture, forestry, hunting or fishing.
b/ Including the Gaza Strip.

The share of agricultural commodities in total imports was estimated at around 17.1 per cent in 1991, compared to a mere 2.6 per cent for exports. The deficit in agricultural trade decreased from $12.5 billion in 1990 to about $11 billion in 1991--a decrease that could be a short-term phenomenon associated with the situation in Iraq and Kuwait.

Trade in food products represented about four fifths of total agricultural trade, accounting for about three quarters of total agricultural exports and for over four fifths of imports. Net food imports into the region totaled $11 billion in both 1989 and 1990, but dropped to $9.2 billion in 1991.

B. The agriculture situation in selected ESCWA countries

The total cultivated area in Egypt is around 2.6 million hectares, representing about 3 per cent of the country's total area.[77/] The agricultural sector contributes about 17.7 per cent of the country's GDP and absorbs two fifths of the total labour force (table 44). During the period 1981-1992, the overall agricultural production index number grew at an average annual rate of about 3.4 per cent, food production by 4.1 per cent. In 1992, total agricultural and food production increased by 1.7 and 1.9 per cent, respectively. Output of cereals declined by 1.4 per cent to 13.6 million tons, down from 13.8 million tons in 1991, owing mainly to lower rice production. Wheat production increased by 2.2 per cent to 4.6 million tons in 1992, and output of barley and maize increased by 0.16 million tons and 5.23 million tons, respectively. Production of pulses and vegetables increased by 50 per cent and 4.2 per cent, respectively, in 1992, while fruits, oil seeds and sugar declined by 0.34, 3.8 and 4.4 per cent, respectively.

Livestock production increased by 2.2 per cent, meat by 4.9 per cent and eggs by 0.1 per cent, while milk production declined by 2.4 per cent in 1992.

Between 1982 and 1992, cotton production in Egypt declined at an annual average rate of 4.5 per cent. To reverse the situation, the Government has taken several measures including the expansion of area under cotton from 357,000 hectares to 378,000 hectares, improving price policies (by increasing prices paid to farmers to reflect international prices) and introducing better varieties.

In 1992, the agricultural population in Iraq is estimated at about 19 per cent of the total population; the agricultural labour force reached 1.05 million.[78/] Arable land is estimated at 5.4 million hectares, representing about 12.5 per cent of total area, of which about 48.6 per cent is irrigated; the rest depends on rainfall. The agricultural sector accounted for more than 25 per cent of GDP in 1991, reflecting the decline in the share of oil after the Gulf crisis.

77/ Egypt, Ministry of Agriculture, Agricultural Development Strategy in 1992.

78/ Food and Agriculture Organization (FAO), printout of AGROSTAT 1992.

Cereal production dropped by about 20 per cent in 1992, despite the increase in the area under cultivation to 3.76 million hectares, from 3.34 million hectares in 1991. This came mainly as a result of shortages in agricultural inputs such as fertilizers, machinery and spare parts.

Livestock production increased by 10.9 per cent in 1992; similar increases were reported for dairy products, vegetables and fruits.

The agricultural population of Jordan is estimated at 5 per cent of total population. Arable land in 1991 is estimated at 400,000 hectares, most of it located in arid and semi-arid areas with an annual rainfall of less than 350 mm. The cultivated area is estimated at 415,000 hectares, of which about 50 per cent is in the Jordan Valley. Over three fourths of the cultivated area depends on rainfall. The agricultural sector represented about 8.1 per cent of the country's GDP in 1991. The sector achieved high growth rates during the last two years, owing to good weather conditions (snowfall and heavy rain). Wheat production increased by 111 per cent in 1992, barley by 285 per cent, food crops and vegetables by 11.8 and 80 per cent, respectively.

Jordan depends mainly on groundwater and rainfall. Available water resources were estimated in 1990 at 800 million cubic metres, 70 per cent of which is consumed by agriculture, and another 20 per cent by households. Water consumption is estimated to increase by 96 per cent by the year 2005, reaching 1,638 million cubic metres, of which 26 per cent will be for human consumption to accommodate the rise in population.

The agricultural population in Lebanon was estimated in 1992 at 8.8 per cent of total population. The cultivated area is around 301,000 hectares, of which 41.3 per cent is irrigated, the rest depending on rainfall. The index numbers of agricultural and food production increased by 3.7 and 3.8 per cent, respectively, in 1992 but remained below their level in 1991. The index of fruit production grew by 1.2 per cent in 1992, down from 12.5 per cent in 1991, and livestock production grew by 3.8 per cent, compared to 17.8 per cent in 1991.

The arable land of Oman is estimated at 61,000 hectares in 1992, of which about 57,700 hectares are irrigated. Most of the cultivated area (64 per cent) is reserved for fruit crops, mainly dates, the production of which was about 133,000 tons in 1992.

The cultivated area in the occupied Palestinian territories is estimated at 194,000 hectares (175,300 hectares in the West Bank and 19,400 hectares in the Gaza Strip), representing about 33 per cent of the total area. The irrigated area is about 4.6 per cent of the total in the West Bank and 58.7 per cent in the Gaza Strip. Most water resources in the occupied territories are used by Israel. Fruits and vegetables represent the most important products. Fruits are exported, mainly to European Community (EC) countries, while vegetables are exported to Jordan. However, owing to various restrictive measures introduced by the occupation authorities, exports of fruits and vegetables, which are important sources of foreign exchange, dropped sharply in 1992. Citrus exports to the EC dropped to only 1,000 tons in 1992 from 10,000 tons in 1991, while vegetable exports through Jordan dropped to less than 1,000 tons in 1991.

Arable land in Saudi Arabia is estimated at 2.3 million hectares, of which about 1.83 million hectares are cultivated. The share of the agricultural sector in total GDP is estimated at 6.8 per cent in 1991. The index number of total agricultural production recorded an annual average growth rate of 20.9 per cent during 1981-1992. This high growth rate reflects mainly the impact of government support including subsidies, price support and land reclamation. However, in 1992 the agricultural production index declined by 16.1 per cent, wheat by 11.8 per cent and vegetables by 20 per cent, while fruit production increased by 1.2 per cent and livestock products by 2.3 per cent.

The agricultural population of the Syrian Arab Republic was estimated in 1992 at 3.1 million, representing about 23 per cent of the total population. In turn, the agricultural labour force represents about 23 per cent of the county's total workforce. The cultivated area reached about 5.47 million hectares in 1990, i.e., 97.2 per cent of arable land, of which about 193,000 hectares is irrigated. Agricultural production accounted for about 28.6 per cent of the country's total GDP in 1991. The agricultural production index increased by 9.4 per cent, cereal production by 9.1 per cent, and wheat production by 7 per cent in 1992.

The agricultural population in Yemen represents about 55 per cent of the country's total population, with agricultural labour accounting for 24 per cent of the total labour force. Arable land was estimated in 1992 at 1.6 million hectares, of which 1.47 million hectares is cultivated. Most of the agricultural activity in the country depends on rainfall, and only about one fifth of the cultivated area is irrigated. The agricultural production index number increased by 3.6 per cent in 1992, wheat production by 60,000 tons and barley and maize by 58,000 tons each. The Yemeni agricultural sector is facing acute water problems. In recent years, groundwater resources started to decline steadily, particularly in the north of the country, at an annual rate of between 0.5 to 7.0 metres. The annual feeding of aquifers is estimated at 1,400 million cubic metres, while water extraction reached 2,600 million cubic metres.

VII. MANUFACTURING

A. Performance and growth[79]

Industrial development in the ESCWA region continued to suffer from the adverse effects of the Gulf crisis and war, particularly from its devastating effects on the manufacturing sector in Iraq and Kuwait. Although impressive progress towards recovery has been achieved in most member countries, the long-term effects of the Gulf crisis and war on the growth and structure of the manufacturing sector in the region will take time to redress.

Preliminary estimates indicate that the ESCWA region experienced a sharp decline in manufacturing activity in 1991, with manufacturing value added (MVA) at current prices declining by 9.8 per cent, compared to an average growth of 5.5 per cent in 1990 and 9.3 per cent in 1989 (table 45). The overall deterioration reflects the sharp decline (27 per cent) in the group of more diversified economies, especially Iraq (60 per cent) and Lebanon (28 per cent), and deceleration in Egypt (from 28.6 per cent in 1990 to 6.1 per cent in 1991). In the GCC countries, manufacturing activity, which declined by close to 7 per cent in 1990, recovered in 1991 and the MVA of the group as a whole increased by 10 per cent, reflecting mainly the strong recovery in the manufacturing sector of Kuwait (40 per cent).

The exclusion of Iraq and Kuwait would result in an overall growth rate of 5.3 per cent in 1991, compared to 9.5 per cent in 1990. In both the GCC and the more diversified economies, the growth in MVA was lower in 1991: 6.3 per cent and 4.4 per cent as against 8.2 per cent and 15.2 per cent in 1990, respectively.

Apart from Iraq and Kuwait, where manufacturing activity was mainly concentrated on reconstruction and restoration works, the pace of industrialization in the ESCWA region continued to advance during the last few years, albeit at a slow pace. However, the structure of regional manufacturing activity showed a significant shift in 1991 in favour of the GCC subregion (table 46), mainly reflecting the shrinking of the share of Iraq in the aftermath of the Gulf War from 26.8 per cent in 1990 to 11.9 per cent in 1991. The share of the GCC rose to more than 52 per cent in 1991, compared to 43 per cent in 1990.

Preliminary assessment indicates that, compared to the rest of the region, and apart from Kuwait, manufacturing industry in the GCC countries was not badly affected by the Gulf crisis. Higher oil revenues helped these countries to reactivate manufacturing projects that were shelved because of the crisis and recession. Reportedly, major projects, such as Saudi Arabia's petrochemical expansion projects, Qatar's North Field Gas Project and the aluminium projects in Bahrain and Dubai are being implemented as previously planned.

79/ All growth rates are at current prices unless otherwise indicated.

Table 45. Average annual variation in manufacturing value added in ESCWA countries
(Percentage)

	1988/1989	1989/1990	1990/1991
GCC countries	7.6	(6.6)	10.1
Bahrain	6.0	8.7	4.0
Kuwait	22.4	(55.5)	40.6
Oman	11.8	11.0	10.6
Qatar	6.2	9.8	(9.6)
Saudi Arabia	3.1	8.2	8.9
United Arab Emirates	5.6	6.9	4.5
More diversified economies	14.3	26.7	(27.0)
Iraq	36.2	41.6	(60.1)
Jordan	(9.3)	2.5	4.3
Lebanon	(26.4)	(20.0)	27.9
Syrian Arab Republic a/	44.0	4.4	(1.3)
Egypt	16.4	28.6	6.1
Least developed country			
Republic of Yemen	22.5	(6.3)	3.8
Total ESCWA	9.3	5.5	(9.8)
GCC countries (excl. Kuwait)	3.8	8.2	6.3
More diversified economies (excl. Iraq)	19.4	15.2	4.4
Least developed country	22.2	(6.6)	3.8
Total ESCWA (excl. Iraq and Kuwait)	7.7	9.5	5.3

Source: ESCWA, based on data compiled from the League of Arab States, The Unified Arab Economic Report, 1992.

a/ Includes mining.

In Oman and Saudi Arabia, the manufacturing sector grew roughly at the same rates in 1991 as in 1990 (11 per cent and 8 per cent, respectively). Qatar's MVA, which grew by 9.8 per cent in 1990, dropped by 9.6 per cent in 1991.

B. Performance of selected manufacturing branches

Manufacturing industry in the ESCWA region continues to be dominated by petrochemicals and fertilizers, oil refining and basic metal industries including aluminium, iron and steel. These industries account for more than

Table 46. Structure of manufacturing activity in the ESCWA region, 1990 and 1991
(Percentage)

	1990	1991
GCC countries	43.0	52.6
Bahrain	2.2	2.6
Kuwait	4.9	7.4
Oman	1.3	1.7
Qatar	3.4	3.1
Saudi Arabia	23.6	28.5
United Arab Emirates	8.2	9.4
Diversified economies	55.1	44.6
Egypt	16.1	18.9
Iraq	26.8	11.9
Jordan	1.6	1.8
Lebanon	1.2	1.7
Syrian Arab Republic	9.4	10.2
Least developed country		
Republic of Yemen	1.9	2.8

Source: ESCWA, based on data compiled from the League of Arab States, The Unified Arab Economic Report, 1992.

70 per cent of the total (excluding Lebanon). Their share approaches 80 per cent in Bahrain, which has the most important aluminium smelter plant in the region, and is more than 80 per cent in Qatar, where the iron and steel industry accounted for around 17 per cent of total manufacturing output in 1990. The share exceeds 75 per cent in each of Saudi Arabia, Kuwait and the United Arab Emirates. In the more diversified economies, although the relative importance of these industries is lower, they still dominate manufacturing activity. In this respect, their share exceeds 40 per cent in Egypt, Jordan and the Syrian Arab Republic, where production of fertilizers and petroleum refining are significant in manufacturing activities.

1. Petrochemicals

The performance of this branch continued to slacken since 1991 as a result of the drop in global demand and the marketing difficulties confronting petrochemical producers in the ESCWA region. These developments notwithstanding, the GCC countries continued to stress the role of petrochemicals in diversifying their economies and exploiting their feedstock cost advantage.

Petrochemical production in the ESCWA region is dominated by the GCC countries, especially Saudi Arabia. The Saudi Basic Industries Corporation

(SABIC), which controls several major petrochemical and fertilizer complexes at Yanbu' and Jubail areas, has continued to expand production capacities in methanol, biothane, methyl tertiary butyl ether (MTBE) and polystyrene, with the aim of increasing their production by around 7 million tons a year.

Planned investments for the branch (including fertilizers) during the period 1991-1995 are estimated at $8 billion, of which $6 billion will be invested by SABIC in new plants (mostly joint ventures with foreign partners); the rest is expected to be invested by the Saudi private sector. The aim is to increase the total capacity of the branch by around 50 per cent from 13 million metric tons per annum in 1991 to 19.5 million tons in 1995. Saudi Arabia's investment strategy is to maintain the country's present share of 6 per cent of the world market for petrochemicals and to "build the most modern and advanced plants available, attain economies of scale and be able to cope with market trends and encourage new uses and applications for products".80/ Investments are in new and existing product lines like benzene. Currently, the Saudi European Petrochemical Company (Zahr) and the Eastern Petrochemical Company (Sharq) are considering the construction of a new polyethylene unit and an MTBE plant.

Saudi private-sector activity in the petrochemical industry is expected to expand during the 1990s. SABIC has proposed 30 ventures in downstream activities in 1992 for private-sector participation whereby the Corporation will be in a position to assist such ventures with the benefits of its experience and through the diffusion of technical knowledge.81/

Saudi Arabia exports around 95 per cent of its output of petrochemicals and fertilizers, 25 per cent of which are marketed in the EC. However, the Kingdom has continued to face difficulties in marketing its products, particularly in the EC and Japan, where they are subject to quantitative restrictions. Furthermore, in 1990, the EC eliminated the preferential treatment that was given to Saudi Arabian petrochemical products under the generalized system of preferences (GSP) and is imposing anti-dumping duties on urea imports.

Qatar is planning to expand the capacity of its plant at Umm Said to raise capacity to 600,000 tons per year of ethylene and 320,000 tons of polypropylene. The first phase of the North Field Gas Project was completed in 1991 and is expected to open opportunities for small- and medium-scale industries in the private sector.

Kuwait continued to revitalize a number of petrochemical projects. Within the repair programme of the Shuaiba oil refinery, the Petrochemical Industries Company included the construction of a KD 750 million plant built around a 750,000-ton-per-year ethane cracker, and a separate plant to produce low-density polypropylene.

In Iraq, two gas-collecting and -gathering centres in the south have been repaired, and refining capacity has been restored to 550,000 b/d. It was also

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80/ The NAB Economist, vol. 2, No. 4, April 1992, Jeddah.
81/ Ibid.

officially reported that the Arab Company for Detergents had started production of linear alkyl benzene and toluene at the rate of 50,000 tons and 8,000 tons per year, respectively.82/

2. Fertilizers

Increasing demand for food world-wide has raised fertilizer requirements. The combined consumption of nitrogen, phosphate and potash nutrients is forecast to increase, on the average, by 2.2 per cent per annum through the year 2000. The largest demand for these nutrients is expected to be in Asia, particularly in China and India.

Contrary to expectations, the region's capacity for producing fertilizers has been maintained at its 1989 level, the Gulf crisis notwithstanding. The industry has good prospects for the 1990s, both at the regional and international levels. The industry has achieved high levels of self-sufficiency, currently averaging around 80 per cent in compound fertilizers and 170 per cent in urea.83/

Production of nitrogenous fertilizers such as ammonia and urea is concentrated in the GCC subregion and Egypt, while phosphate fertilizers are concentrated in the Syrian Arab Republic and Jordan, the latter being the main producer of potash in the region. Prices of phosphate fertilizers have generally remained stable while those of nitrogenous fertilizers rose by 25 per cent in 1990 and 1991 due to shortages in production and transportation problems during the Gulf crisis.84/

The Syrian Arab Republic signed an agreement with the Tunisian Phosphates Fertilizers Company for the revitalization of the Homs plant to increase its capacity to around 400,000 tons per year. A fertilizer production unit is to be constructed close to the phosphate mines near Palmyra (Tadmur). The project is planned to be completed in 1994 and to produce 500,000 tons per year of triple super phosphate (TSP), at an estimated cost of $500 million. Financing the project will partly be borne by the client (around $350 million), the General Fertilizer Company, and partly by the Arab Fund for Economic and Social Development (AFESD).85/

In an attempt to overcome marketing problems facing the phosphate mining industry, the Jordan Phosphate Mines Company (JPMC) is constructing two fertilizer plants jointly with Japanese and Indian partners and is planning to construct another one in Pakistan. These projects are expected to increase

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82/ The Economist Intelligence Unit, Country Report: Iraq, Nos. 2 and 3, 1992.

83/ The League of Arab States and others, The Unified Arab Economic Report, 1991.

84/ The League of Arab States and others, The Unified Arab Economic Report, 1992.

85/ "Syria", MEED, vol. 36, No. 17, 1 May 1992.

Jordan's annual phosphate sales by 20 per cent. JPMC signed an agreement in July 1992 with four Japanese companies to set up a $24 million fertilizer joint venture at Aqaba to be commissioned by 1995. The four Japanese firms together have a 60 per cent share in the venture and domestic firms 40 per cent. The production capacity of the project is designed at 300,000 tons per annum of compound fertilizers and ammonium phosphates and is planned to meet 10 per cent of Japan's total fertilizer requirements.[86/] The project will need 80,000 tons of phosphoric acid and quantities of sulphuric acid from JPMC's existing fertilizer plant at Aqaba. The joint project with India for a phosphoric acid plant at Shidiya will need 700,000 tons of rock phosphate a year.[87/] Both projects are expected to generate the equivalent of $125 million in foreign currency by 1995.[88/]

Crude phosphate reserves in Jordan are estimated at 1.5 billion tons, and the country is the fifth producer of the commodity in the world, after Morocco, the United States, Russia and China. In terms of exports, Jordan represents 15 per cent of the world market and ranks third, after Morocco and the United States.

In Bahrain, the Gulf Petrochemical Industries Company (GPIC) is planning to add a $100 million urea plant with a capacity of 1,700 tons per day. Currently, the company is working on the financial plan of the project.

In Kuwait, the Kuwait Fertilizers Company has succeeded in reactivating its urea plants, which are supposed to be fully operational by the end of 1992.

The Qatar Fertilizers Company (QAFCO) is expanding its fertilizer plant at Umm Said to raise its annual capacity by 1,500 tons of ammonia and 2,000 tons of urea. The scheme will cost around $500 million to be sought through commercial loans and export credits.

3. Petroleum refining

Since 1988, the world oil-refining industry has been experiencing higher rates of capacity utilization. The steady rise in world demand for refined products has not been matched by a corresponding expansion in refining capacity, particularly in the United States and Western Europe, which together account for 42 per cent of existing world refining capacity, and where environmental constraints and increasingly stringent specifications imposed on refining operations with respect to air, water and noise emissions have augmented running and capital costs. The loss of output in Kuwait added pressure to the tightening market. Kuwait's exports of refined products represented more than 7 per cent of world exports before the Gulf War.[89/]

86/ "Jordan", Journal of World Fertilizers Industries, No. 313, September 1992.

87/ "Jordan", MEED, vol. 36, No. 11, 20 March 1992.

88/ Alhayat, 23 October 1992.

89/ The NAB Economist, vol. 2, No. 5, May/June 1992, Jeddah.

The combined refining capacity of the Arab countries is more than 7 per cent of the world total, half of which is located in the GCC area. Current GCC refining capacity is around 2.45 million b/d, and it is forecast to reach around 3.5 million b/d by 1995.90/ This does not take into account the extensive damage to refining capacity in Kuwait and Iraq caused by the Gulf War.

World refining capacity stands at present at 74.6 million b/d, and is anticipated to increase by around 5.5 billion b/d by 1995. However, not enough refining capacity is being built, especially in Western Europe, the United States and Japan, to meet the increase in demand. Even the ESCWA oil-producing countries, particularly in the GCC subregion, seem to be hesitant to build new refineries in their countries.

The introduction of legislation for a cleaner environment, particularly in the United States, eventually requires the sale of reformulated gasoline (in the United States by 1995) and an increase in MTBE capacity; the latter reduces carbon monoxide emissions from vehicles. These environmental constraints could result in shortages of new specification gasolines and surpluses in conventional ones.

The refining industry in the ESCWA region continued to undergo important developments, mainly relating to the reconstruction and restoration of facilities in Kuwait and Iraq after the Gulf War. Existing capacity is being expanded and improvements are being introduced.

There is a growing tendency in the GCC subregion towards increased integration of crude-oil production with overseas downstream operations. This was initiated in 1988 by Saudi Arabia investing with Texaco in the United States, thus providing the Kingdom with a guaranteed export market for 615,000 b/d of crude oil. This trend is justified by the dramatic shrinking in the crude-oil long-term contract market at fixed prices, the fact that transportation of refined products is more expensive than that of crude oil and the lack of direct access to distribution networks, a situation which creates insecure markets. Furthermore, the acquisition of refineries in overseas markets seems to have convinced some GCC producers that it is more beneficial than hiring the services of such refineries. The positive response of oil consumers is helping to strengthen this trend.

Iraq's refining capacity before the Gulf War represented close to 10 per cent of Arab refining capacity, while that of Kuwait was slightly more than 11 per cent. In the case of Kuwait, production at the Mina Abdulla refinery had faced difficulties before the war, dropping from 235,000 b/d to 100,000 b/d. Both countries succeeded in putting back into stream a number of their refineries. Iraq's Dora refinery was put back onstream, and two of Kuwait's four refineries, representing 50 per cent of the country's refining capacity, became operational; full capacity refining was expected to have been reached in Kuwait by end-1992.

90/ Ibid.

Saudi Arabia has the largest refinery capacity in the ESCWA region. It currently operates eight refineries, three of which are large and export-oriented and are operated by the Saudi Marketing and Refining Corporation (SAMAREC) as joint ventures with each of Mobil, Shell and Petrola (a Greek oil company). In 1989 SAMAREC started to rationalize its refining operations. This involved cutting production in the less efficient refineries. It is forecast that refining capacity will reach more than 1.9 million b/d by 1995.

The Kingdom has recently launched a ten-year programme to upgrade and expand its refineries. The cost of the programme is $5 billion and is to be executed in three phases between 1991 and the year 2000. Saudi Arabia's refining output is basically weighted in favour of heavy products, and the aim of this programme is "a cleaner, lighter product featuring higher octane, lead-free gasoline that meets the stringent requirements of the export market".[91/]

In Bahrain, a modernization plan for the Sitra refinery was approved in 1991 involving increasing the capacity of the 45-year-old plant by 180,000 b/d to 430,000 b/d by 1996. Bahrain Petroleum Company aims to expand output of lighter petroleum products and improve operations and product yields, in particular fuel-oil yields in response to increased demand.[92/]

In Abu Dhabi, the 10-year-old Ruwais refinery is to be expanded at a cost of $1.2 billion to increase production capacity from the current 50,000 b/d to 250,000 b/d.[93/] Dubai's first refinery in Jebel Ali, with a capacity of 150,000 b/d, was expected to go onstream in 1992 to meet local demand and that of other smaller Emirates. The Emirate's current refining capacity is 195,000 b/d, intended mainly to meet the local market's needs; it is forecast to increase to 370,000 b/d in 1995, essentially to satisfy the increase in domestic consumption.

Yemen has two refineries: the 10,000 b/d Marib refinery, which started production in 1986, and the Aden refinery, which is the oldest in the region and the major industrial plant in the country with a designed capacity of 170,000 b/d and a current capacity of 130,000 b/d. Aden refinery is currently operating at one third of its capacity, and finance for a major modernization programme is being sought to improve profitability.[94/] The Government is trying to negotiate with foreign companies and investors to invest in the refinery or to finance its modernization. Planned expansion of the Aden refinery will raise its capacity, in the first phase to 200,000 b/d at a cost of around $150 million, and in the second phase to 250,000 b/d at a cost of around $200 million. Yemen is planning to construct another refinery in the Mukalla with a designed capacity of 100,000 b/d and an estimated cost of $300 million.

91/ The NAB Economist, vol. 2, No. 5, May/June 1992.

92/ "Bahrain", MEMO, July 1992.

93/ "UAE", MEMO, vol. 16, No. 2, January 1992.

94/ "Yemen prepares for an era of sustained economic growth", ABC Group Economic & Financial Quarterly, No. 20, June 1992.

The Syrian Arab Republic is upgrading the Homs refinery. The refinery, which converts naphtha to ammonia and urea, is operating below capacity. The upgrading is to increase production and improve efficiency, and involves the installation of hydrocrackers to increase output of light products. The Government is also allowing private investment in downstream operations.

4. Aluminium

Bahrain and the United Arab Emirates are the two major producers of aluminium in the ESCWA region. Outside the GCC, Egypt is the only producer of primary aluminium; the country's State-owned Naja Hammadi Smelter (Egyptalum) was established in 1976 to benefit from available cheap hydroelectric power from the Aswan Dam.

The capacity of the aluminium industry in the region has been expanding in response to anticipated increase in world demand in the 1990s, particularly in the second half of the decade, as well as the development of downstream aluminium industries in several member countries.

The expansion of aluminium Bahrain (ALBA) has proceeded ahead of schedule. The new 235,000-ton-per-year addition became fully operational in early 1993, doubling the capacity of the smelter to 460,000 tons per year of primary aluminium products. The aim of the expansion was to meet increasing domestic demand and to secure a substantial volume for export.

Dubai aluminium Company is the second largest aluminium smelter in the region. The upgrading and expanding scheme initiated in 1991 increased the company's production by 37 per cent in 1991 to 238,000 tons per year. The volume of sales increased by 37 per cent in 1991, with the Far East (mainly Japan) taking more than two thirds of the company's exports.

The newly constructed smelter in the United Arab Emirates, Umm Al-Quwain aluminium Company (UMALCO), is planning to double its production capacity to 240,000 tons per year by 1995; the company already has long-term contracts for the purchase of most of the output.

Plans in other GCC countries for the establishment of aluminium smelters were mooted at a time when world aluminium prices were rising. The reversal of the trend since the beginning of this decade could greatly influence decisions regarding establishing additional smelting capacity in the subregion. In Qatar, plans for the construction of an aluminium smelter with a capacity of 240,000 tons per annum at a cost of $1.2 billion are still under study. In Saudi Arabia, private companies, the National industrialization Company (NIC) and Saudi Cable Company have formed a joint venture for the establishment of a $640 million aluminium smelter at Yanbu with a planned annual capacity of 220,000 tons. The plant's erection partly depends on the possibility of securing energy supplies at a fixed cost.

Existing downstream operations in the aluminium industry in the GCC subregion are being expanded and modernized to take advantage of the increased capacity and output. In this respect, the Gulf aluminium Rolling Mill Company (GARMICO) is finalizing a plan to double the production capacity of its plant to 100,000 tons per year by 1995. The Company is also exploring options for diversifying its product range with the aim of producing high value added products. MIDAL Cables, Limited has also expanded its operations, increasing capacity from 35,000 tons per year of high-tension cable to 55,000 tons per year by 1992. Al-Zayani Investment Company in Bahrain has set up a joint venture with a German company for the manufacture of aluminium wheels. Production capacity was initially designed at 500,000 wheels per annum in 1992 and will increase to 1.5 million wheels in 1995 to produce heavy truck wheels. In June 1992, Bahrain aluminium Extrusion Company (BALEXICO) and an Italian firm, Finleader, signed an agreement to expand BALEXICO's production capacity by setting up a $40 million joint venture, the Gulf aluminium Industries Company (GAICO). This expansion includes a casting remelt plant, an aluminum dye manufacturing plant and an aluminum extrusion press.[95/]

In Egypt, work on the construction of the $270 million aluminium rolling mill for the aluminium Company of Egypt (EGYPTALUM) at Naga Hammadi complex in upper Egypt continued; it is scheduled to be completed by the end of 1994. The mill will produce 60,000 tons a year of flat and corrugated sheets in the initial phase, rising to 100,000 tons a year in the second phase. Eventually, 50 per cent of the mill's output is planned to be exported, generating around $150 million per annum in revenues as well as 700 new jobs. The project is being financed by the Jeddah-based Islamic Development Bank and a French Protocol.[96/] Other important developments in Egypt include the continued modernization of the smelter, EGYPTALUM, with the aim of increasing the efficiency and output of the plant. Production capacity is planned to increase by 25 per cent, to 225,000 tons annually in three years, of which 50 per cent will go to meet domestic demand.

5. Iron and steel

The sluggish performance of the iron and steel industry has continued since 1991. The main problems facing ESCWA countries in their drive to promote this industry relate basically to the scarcity of raw materials and the lack of a heavy-industry tradition. The sector faces many technical and marketing difficulties including world-wide over-capacity, protectionism and national subsidization, which lead to fierce competition among regional and international producers, flooding the market with cheap products. Diversification of production away from construction-oriented products is needed; potential new lines of production include flat products in Egypt for the automobile and military industries and pipe manufacturing in the GCC countries.

Several expansion plans are under way to meet the increasing domestic demand, particularly for bars and sheets. Egypt, which has the largest iron and steel industry in the region, pursues expansion plans to increase self-sufficiency. Additionally, the Arab Company for Special Steels, a joint venture between domestic public-sector interests, Saudi investors and an

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95/ "Bahrain", MEMO, July 1992.

96/ "aluminium expansion scheme moves ahead", MEED, vol. 36, No. 44, 6 November 1992.

Italian company are planning to construct a special steel plant in Sadat City, at a cost of around $1.7 billion.97/

The Saudi Iron and Steel Company (HADEED) commissioned by the end of 1992 a second 650,000-ton-per-year direct reduction steel plant at Jubail. This increases the Kingdom's production capacity in direct reduction steel to 1.8 million tons annually. HADEED, a fully integrated steel complex at Jubail, comprises two direct-reduction plants for making sponge iron, a steel-making plant and a rolling mill using iron ore, gas, scrap iron and steel feedstock. The company also operates the Jeddah Steel Rolling Mill Company. The scrap-metal industries, which currently represent around 10 per cent of furnace feeds, continue to be developed. Plans were recently announced for the construction of an $8 million plant to process scrap-metal into high standard metal ingot to produce 3,000 tons per year of aluminium and 2,500 tons per year of other metal ingots.98/

The Qatar Steel Company (QASCO) at Umm Said mainly produces reinforced steel bars, with a designed production capacity of 330,000 tons a year. The company has in recent years exceeded designed capacity by 50-70 per cent, prompting it to consider the expansion of the plant. The first phase of the project is to increase capacity by 140,000 tons per year, and the second phase involves the construction of a new plant with a capacity to produce 500,000 tons of steel bars. Twenty-four international companies were asked to conduct technical and marketing studies for the project; these are expected to be submitted by mid-1993.99/

In Bahrain, the Industrial Investment Company (GIIC) iron oxide pelletizing plant, which currently produces 2 million tons of pellets annually, representing half the designed capacity, is planning to double production by 1994. The company is presently negotiating with a Japanese firm regarding the construction of an additional steel plant to further expand capacity to 5 million tons per annum by 1995.100/

C. Outlook

The revival and growth of regional manufacturing activity will depend on an improved investment climate, and on the ability to mobilize private and foreign investment and secure sustained new export markets. In the more diversified economies, the efficient implementation of economic reform programmes will greatly influence the investment environment for manufacturing activity.

97/ MEED, vol. 36, No. 44, 6 November 1992.

98/ The Economist Intelligence Unit, Country Report: Saudi Arabia, No. 2, 1992.

99/ "QATAR", MEED, vol. 36, No. 48, 4 December 1992.

100/ The Economist Intelligence Unit, Country Report: Bahrain, No. 3, 1992.

Greater efforts are needed to promote trade in manufacturing goods though both multilateral and bilateral arrangements with countries in the region, other Arab countries and neighbouring countries. Efforts are also required to develop more sophisticated marketing techniques and to provide additional facilities to foreign manufacturing investors, with a view to promoting joint ventures, particularly in small- and medium-sized industries.

The Gulf crisis and war have unveiled a number of structural factors and risk elements that will affect the business climate in the Gulf area for some time to come, and that could slow the private sector from regaining its earlier activity levels and strength.

Failure to reach an agreement between the GCC and the EEC on petrochemicals and other trade matters will continue to represent a strong element of uncertainty in the subregion. In the longer term, Gulf States face heavy expenditures to boost gas (and oil) output, to raise refinery capacity and to implement a range of other major industrial projects. However, in the 1990s, unlike the 1970s, Governments do not have the financial resources to fund these expenditures on their own. Therefore, they need to increase their foreign borrowing and reform domestic economic and banking policies to encourage both domestic and foreign private-sector investment.

In Yemen, the least developed member country, with government capital spending primarily directed towards infrastructure projects, efforts need to be focused on the establishment of a framework to encourage private-sector investment in industrial projects. Priority needs to be given to resource-based industries through the processing of agricultural and fishery products and through oil-refining. Prospects for industrial development will be influenced by the country's ability to find new export markets, particularly in east and south Africa and in the Far East. However, constraints on industrial expansion will continue to relate, in the short term, mainly to financial constraints and, in the medium term, to the absence of the urban infrastructure necessary to support such expansion.

The main source of instability affecting business activity in the region will remain politics. In addition to the longstanding Arab-Israeli conflict, the Gulf crisis and war have strained political and economic relations among a number of countries in the region, with negative effects on trade, aid and labour flows.

VIII. TRANSPORT

A. General policy trends and issues

During 1992, the transport sector continued its traditional pattern of relatively strong growth. Among the various transport modes, road transport achieved the strongest performance. Intraregional land and air transport activity has been affected by reduced intra-Arab trade, as a consequence of the Gulf crisis.

Member countries have continued to introduce new transport projects into their development programmes. Efforts are also being made to reduce dependence on foreign resources for implementation of such projects. However, no major changes took place in the share of transport in total investment allocation or the sector's contribution to GDP. The share of investment going to transport has ranged between 13 and 17 per cent, and the sector's contribution to GDP between 5 and 12 per cent.

The modal split of investments in the transport infrastructure remains a subject of priority consideration based upon the priority given, in each country, to specific transport modes. The main objectives of transport planning are the optimization of supply of transport services, extension of transport networks and the harmonization of conditions for competition or complementarity among various transport modes.

The following elements emerge as the main transport policy issues:

(a) Increasing tendency towards the utilization of multi-modal solutions in various ESCWA member countries, particularly between Europe and the Mediterranean ESCWA countries and Jordan;

(b) Increasing awareness of the transport chain concept, and reorientation of relevant transport policies in this direction. Integrated and well coordinated transport operations including facilitation measures and involving more than one country are increasingly considered as the basis for such an approach;

(c) Designing and implementing market-oriented policies in ESCWA encompasses privatization and deregulation issues in the transport sector, particularly in areas of urban transport, road transport and air transport;

(d) Focusing, at the national level, on more effective coordination of transport policies including, in particular, links between public authorities involved in transport infrastructure building and in transport operations;

(e) Reorganizing of institutional and management aspects of the transport sector as a whole, including socio-economic, technological, administrative and environmental concerns, together with the specific transport problems related to urban development, traffic safety, trade and energy;

(f) Increasing emphasis on transport training at the national level. In response to acute manpower and management problems, most countries in the region are intensifying efforts aimed at developing new training schemes, especially for middle-level management.

B. Selected modal developments

1. Multimodal transport

In 1992, developments in multimodal transport concentrated mainly on international regulation and facilitation. Within this context, the United Nations Convention on International Multimodal Transport has been followed by the UNCTAD/ICC Rules on Multimodal Transport Documents. These rules are based on the "Hague Rules" and the "Hague-Visby Rules", as well as on existing documents such as the "ICC Uniform Rules".

The rules cover part of the Multimodal Transport Contract, and therefore a multimodal transport operator using these rules should add complementary clauses to satisfy particular needs.

New dimensions for containers were proposed by the International Standards Organization (ISO) as one of its standard containers series. A discussion forum, organized in 1992 by ECE and UNCTAD, declined to accept the proposal on grounds that the cost incurred in new equipment at ports and other terminals is not justified by the benefits obtained from larger containers. The reasons behind this position held by almost all European and developing countries were that large investments had been made in vessels, port equipment, vehicles, rail-wagon and inland container terminals, all of which conform to the ISO standard containers series.

The call for the adoption of high cube containers is justified by the increase in load space density as shown below:

Container load space density

Container type	Load space density (t/m)
20 ft x 8 ft x 8 ft 6 in.	0.66
40 ft x 8 ft x 8 ft 6 in.	0.41
40 ft x 8 ft x 9 ft 6 in.	0.35
48 ft x 8 ft x 9 ft 6 in.	0.27

Source: ESCWA, based on national and international sources.

In the ESCWA region, large non-ISO standard containers are arriving at ports. This warrants a closer look at the rate of increase in this type of container and whether additional investment is justified for their acceptance and consideration for land transport routes.

2. Maritime transport

During 1992, developments in maritime transport in the ESCWA region continued to be affected by the political situation prevailing since the Gulf crisis and war.

The world merchant fleet continued to expand in 1991 and its total dead-weight tonnage (dwt) reached 684.3 million tons. However, the total dwt of the developing countries' merchant fleet, including the ESCWA region, was only 144.3 million tons. The total dwt of the ESCWA merchant fleet in 1991 decreased to 10.4 million tons, compared to 11.7 million tons in 1990, and this trend continued in 1992.

In 1991, Kuwait accounted for 25.5 per cent of total ESCWA countries' fleet with 2.640 million dwt, followed by Egypt (1.604 million dwt), Iraq (1.586 million dwt) and Saudi Arabia (1.448 million dwt). These four countries accounted for 70 per cent of the total dwt of the ESCWA merchant fleet (table 47).

(a) Shipping

Even though the outlook for the shipping business in the region seemed bright at the end of the Gulf War, a year later it was clear that this was rather optimistic.

The United Arab Shipping Company (UASC) Gulf trade is currently running at about 130,000 twenty-foot equivalent units (TEU) per year, which represents about 20 per cent of the market. The company predicts that its profits in 1992 will be about $50 million from operations and $46 million from overseas investments. USAC has increased its sailing from 24 to 28 per year. These figures represent a significant recovery, being only slightly down from pre-Gulf crisis levels. UASC plans on the addition of 8 to 10 new container ships of 3,000-3,500 TEU to its fleet and an expansion of its stock of owned and leased containers. The company has also called for bids to supply 13,000 containers valued at about $43 million.

Kuwait Oil Tanker Company (KOTC) is currently engaged in a significant fleet expansion programme. Four VLCC's are being built and two 78,000 cubic metre LPG carriers were to be delivered at the beginning of 1993. To make the ports of Kuwait more attractive to shippers, the Public Ports Authority of Kuwait announced plans for a $380 million project to rebuild and upgrade the country's ports.

The National Shipping Company of Saudi Arabia (NSCSA) announced a record profit of $133 million--over six times the $21 million figure for 1990. This upsurge came about due to revenues from chartering the line's big roll-on roll-offs (ro-ro's) to the United States and countries in the region for the transport of military matériel to the Kingdom. In 1991, the company unveiled a five-year expansion plan, costing an estimated $800 million and involving the addition of five new 280,000 dwt tankers, two new gas tankers and two clean product tankers, and the replacement of part of its fleet of eight ro-ro vessels.

The region's newest national line, Oman National Shipping, is about to start its first services. Phase one in the company's development plan calls for the operation of nine vessels: four container ships of between 1,500 TEU and 2,000 TEU; two car carriers with capacities of between 1,000 and 1,500 units; two handy-sized bulk carriers; and one vegetable oil carrier of 7,000-10,000 dwt.

Table 47. Merchant fleet of the ESCWA region by flag of registration and type of ship, 1991
(In dead-weight tonnage)

Country	Total fleet	Oil tankers	Bulk carriers	General cargo	Container ships	Other types
Bahrain	274 259	1 295	..	135 544	55,967	81,453
Egypt	1 604 891	275 131	565 499	662 370	..	101,891
Iraq	1 586 017	1 359 995	..	111 585	..	114,437
Jordan	113 557	97 286	..	16 271	..	..
Kuwait	2 639 860	2 280 043	..	157 194	..	202,623
Lebanon	421 379	2 431	73 886	338 432	..	6,630
Oman	11 941	86	..	6 535	..	5,320
Qatar	733 347	297 920	..	256 950	162,766	15,711
Saudi Arabia	1 447 822	458 891	..	689 375	71,653	227,903
Syrian Arab Republic	179 292	..	25 650	153 642	..	..
United Arab Emirates	1 330 345	586 100	103 154	305 874	238,139	97,078
Yemen	13 653	3 185	..	4 784	..	5,684
Total	10 356 363	5 362 363	768 189	2 838 556	528,525	858,730

Source: UNCTAD, Review of Maritime Transport, 1991.

The shipping industry of Jordan has suffered tremendously from the consequences of the Gulf crisis and war. Jordan suffered a loss of at least $547 million in revenues from port and cargo handling, as well as transport charges, since the imposition of the United Nations sanctions against Iraq in August 1990. The tonnage passing through the port of Aqaba fell from 5.667 million tons in 1989 to 1.927 million tons in 1992.

(b) Port developments

Oman is reviewing a feasibility study for constructing a new port in the northern part of the country. Many of the biggest ports in the region, including Jebel Ali, Port Rashid and Khor Fakkan in the United Arab Emirates, are investing heavily in expansion programmes to boost capacities and repair yards.

A new deep-water berth at Khor Fakkan, Sharjah's Gulf of Oman port, is under way. The contract entails the construction of a 220-metre berth with a 12-metre draught.

Dubai's twin ports of Jebel Ali and Port Rashid are enjoying record traffic and are currently amongst the top 20 ports in the world in terms of cargo handled. In May 1991, following the end of the Gulf War, the two authorities running these two ports decided to merge and form a unified port authority, the Dubai Ports Authority. Following the merger, container traffic rose by 37 per cent in 1991.

Tenders for the main construction contract for the container terminal expansion of Doha port, released in August 1992, provide for the construction of two deep-water berths and a roll-on roll-off facility.

The port authority in Aden is studying plans to construct a new container terminal with up to an 18-metre draught. Although these developments are encouraging to shipping companies, the real hope for the future lies in the planned establishment of a free zone in Aden.

The largest single development in Bahrain in the 1990s will be the container port and industrial area, including free zone, at Hidd.

During the Gulf crisis, Kuwait's main ports of Shuwaikh and Shuaiba suffered severe damage. Both are now almost fully operational, but shipping companies continue to service Kuwait on a transshipment and transit basis.

In the eastern Mediterranean, a key event has been the reopening of the port of Beirut following the end of the civil war, during which the port became a battleground and was largely devastated. The port was reopened to cargo in March 1991, and by December the port's monthly cargo throughput had reached 3,121 thousand tons.[101/] There are also plans to build a new port and customs administration complex next to the 120,000-ton grain silos on pier two.

101/ Sea Trade Review, June 1992, p. 147.

(c) Shipbuilding and ship repair

The Bahrain-based Arab Shipbuilding and Repair Yard Company (ASRY), owned by the Organization of Arab Petroleum Exporting Countries (OAPEC), was expected to complete the installation of its two new floating dry docks by early autumn to increase throughput of product and liquefied gas (LPG) carriers, bulk and container vessels and other dry-cargo vessels. Space at its existing facilities will be freed to large tankers. During the first five months of the year, the company reported that revenues had risen to $30 million, and that it had received several very large repair contracts.

Dubai is also understood to be considering adding a small floating dock to its existing three 500,000-dwt dry docks.

IX. SOCIAL DEVELOPMENTS

The countries of the ESCWA region are still trying to adjust to the significant social changes that emerged in the wake of the Gulf crisis. The crisis further aggravated already existing problems, including unemployment, disparities in living standards, poverty, drug abuse, disability, refugees and returnees.

High population growth, the massive influx of returnees and reduced aid flows have worsened the poverty problem in several member countries. The situation has been further exacerbated by inadequate employment opportunities and the lack of health, education, and other social facilities, particularly in the rural areas. Deteriorating rural conditions continued to prompt massive displacement of people and worsening urban poverty. In Iraq, there has been a rapid increase in poverty levels resulting from the Gulf crisis and war and the economic sanctions imposed by the United Nations Security Council. In Jordan, where almost 30 per cent of the population is considered to live below the poverty line, the Gulf crisis has added further strain. In Yemen, the indications point to an increase in the poverty level, precipitated by the return of more than 850,000 persons from the Gulf region, in addition to between 40,000 to 60,000 from Somalia and other parts of eastern Africa.

The spread and deepening of education continues unabated in the region and is reflected in improved adult literacy rates and gross enrolment ratios in primary education, and the setting up of new and specialized higher education institutions responding to emerging specializations with increasing private-sector participation.

Health conditions in the region continue to improve, with an increasing number of systematic health plans and programmes being implemented by almost all ESCWA member countries--in the process prolonging average life expectancy, reducing infant mortality, and raising labour productivity. In contrast to the general improvement in health services, the health situation in Iraq continued to deteriorate, reflecting inadequate medical supplies and services. The infant mortality rate has quadrupled, and cholera and typhoid, which had previously been eradicated, have returned.

A. Poverty eradication

Mass poverty is characterized by inadequate nutrition, poor health and lack of access to social services. In Iraq, the mortality rate of children under five years of age is 380 per cent greater than before the onset of the Gulf crisis.[102/] Furthermore, it was estimated that the infant mortality rate is 350 per cent greater than before the crisis. Over 900,000 children, accounting for 29 per cent of all Iraqi children, were malnourished.[103/]

102/ "Health and welfare in Iraq after the Gulf crisis: an in-depth assessment" conducted in October 1991 by the International Study Team funded by UNICEF and other private foundations.

103/ Infant and child mortality and nutrition were assessed in surveys of 9,034 households, in every region of Iraq.

With sanctions still in effect, poverty will continue to affect a substantial segment of the population.

In some countries of the region, particularly labour-sending countries with relatively low GDP per capita, an inequitable distribution network of social services continued to be a problem. Access to basic services is often very limited for some segments of the population, particularly those living in rural areas. For instance, during the period 1988-1990, 70 per cent of the rural population in Yemen had no access to water services and 62 per cent had no access to medical services. The reported portion of the rural population living below the absolute poverty line for the period 1980-1989 was 34 per cent for Egypt and 30 per cent for Jordan. For the period 1987-1990, 46 per cent and 40 per cent of the total rural population of the Syrian Arab Republic had no access to water services and medical services, respectively.[104] In Egypt, for the same period, 66 per cent of the rural population had no access to sanitary services. Even in Oman, with its high per capita income, only 42 per cent of the rural population had access to water services and 34 per cent to sanitary services. More egalitarian policies, by which Governments could mobilize considerable resources for service delivery to all segments of the populations, may be effective in improving the position of the poor groups.[105]

In rural areas, the population has been living in socially, culturally and economically disadvantageous conditions. The lack of adequate employment opportunities, health services, and education, social and recreation facilities has resulted in continuing massive rural-urban migration and increased urban poverty. To contain rural-urban migration, appropriate measures mobilizing community participation and local resources need to be developed to improve living standards in rural communities, responding to vital needs in the fields of food, clothing, housing, education, health, recreation and, most important of all, employment. Special emphasis needs to be put also on urban slum areas and uncontrolled settlements.

Under prevailing economic conditions, there is need for adopting economic adjustment programmes that take the social dimension into consideration, to avoid increasing poverty and marginalization of the vulnerable groups in the ESCWA region.

B. Family

The family structure in the ESCWA region has been undergoing radical transformation. Rapid urbanization, industrialization, migration, new technologies, armed conflicts and political disturbances have led to a gradual erosion of traditional social values. Socio-economic factors including growing participation of women in the labour force are having an impact on the fabric of the family in the ESCWA region. Such factors contributed to the rise of the nuclear family and are changing attitudes and values that affect

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104/ UNICEF, The State of the World's Children 1992, Oxford University Press.

105/ UNDP, Human Development Report 1992, New York, Oxford Press, 1992.

relations among family members. However, despite the change in the functional structure of society, the individual still finds no alternative to the family as a source of cohesion and support, despite the emergence of new entities undertaking diverse family functions.

The extended family structure has been giving way to the nuclear family form. The population census of Bahrain shows that nuclear families constitute 90 per cent of all families. In Kuwait, the nuclear family accounted for 59 per cent of the total families surveyed, while extended families did not exceed 17 per cent. Several studies agree with these findings and that the nuclear family is the dominant pattern not only in cities but also in rural areas.[106/] The importance of the extended family has even declined in Egypt's rural areas on account of the migration of peasants, whether internally to the cities or externally to other countries in the region. However, family ties remain strong as blood relations between independent nuclear units and other ties are still maintained; the network of family ties is still strong.

The composition of a typical family in the region is still dominated by children and youth (over 61.7 per cent in 1990), with very high economic dependency ratios.

The birth rate in traditional families in the region is high as children are considered assets. An average family size appears as 6.5 for Bahrain, 4.9 for Egypt, 7.7 for Iraq, 6.9 for Jordan, 9.0 for Kuwait (nationals), 6.3 for Qatar, 5.1 for the Syrian Arab Republic, 4.2 for the United Arab Emirates, 6.4 for the West Bank and Gaza Strip and 9.1 for Saudi Arabia (nationals).[107/] The large family size in the Gulf may be explained in terms of a State policy that encourages high birth rates for a number of reasons. The standard of living is not threatened by growth in population, and these countries need to recruit indigenous labour to replace expatriates. Iraq encouraged population growth after the outbreak of the Iraq-Iran War and then the Gulf War; there had been a gradual reduction in family size since the 1950s parallel to the changing role of women through education and formal employment.

The change in the status of women is at the centre of family change in particular and of change in society in general. There is a steady growth in the number of women participating at all levels of education in the region. Egypt and Lebanon were the pioneers in establishing an educational system including females, and the turning point for the Gulf countries was the rapid economic development since the 1970s. Educated women are more conscious of their human rights and more courageous in demanding them. However, a large segment of outwardly educated and liberated women still have feelings of inferiority.

106/ United Nations, Economic and Social Commission for Western Asia (ESCWA), Impact of Social and Economic Changes on the Arab Family: An Exploratory Study (1992).

107/ Compiled from ESCWA, Demographic and Related Socio-Economic Data-Sheets for Countries of the Economic and Social Commission for Western Asia as assessed in 1986 (E/ESCWA/SDP/1987/8/Rev.1), No. 5, 1987.

Women's participation in formal employment has been a key factor behind the change in the family structure. It has not only raised their status in the family but has also given them a role in decision-making. In addition, working women help raise the economic standard of the family through their participation, leading to a relatively more egalitarian, less authoritarian relationship between men and women in the family. On the negative side, the duality of the working woman's role creates problems. The difficult situation of a working wife/mother is aggravated by the absence of facilities that can help her in her dual performance. In general, day-care centres are not available. A few of these are gradually being established; yet in most cases, the exorbitant fees required are far beyond the average family's means.

Labour migration also has an impact on the family structure, relations within the family and behavioural aspects. Some argue that labour migration weakens traditional family ties, by increasing intra-family problems and weakening normal ties between man, wife and children. Such problems have forced many migrant workers to return to their countries of origin.

C. Youth

The ESCWA region has a large youth population. Young people within the age range of 15-24 acount for 18.7 per cent of its total population. The ratio is expected to increase to 20 per cent by the year 2005. The highest proportion of youth in the population in the region is found in Lebanon and Jordan (22 per cent), followed by Yemen. The lowest percentage (13 per cent), is reported in the United Arab Emirates and Bahrain (15 per cent).[108/]

Since the early 1970s most countries of the ESCWA region have undergone radical economic and social changes which have affected all aspects of their lives. One of the most important effects has been the mass flow of migrant workers, predominantly those aged 25-35, to the major oil-exporting countries. As a result, the expatriate youth proportion of the total youth population in some of these countries is significantly high--67 per cent in Qatar, 56 per cent in United Arab Emirates, and 22 per cent in both Saudi Arabia and Oman.[109/] The dominance of expatriate youth has had a significant socio-cultural impact on the indigenous youth population and the host communities as a whole.

Wide disparities in standards of living have increased social tension and crime rates in some areas of the region. The lack of employment and the erosion of traditional social values are among the main causes of increasing crime rates in low-income neighbourhoods, including rates of illicit drug dealing. Increasing poverty combined with changes in the nature and structure of the family have helped to spread juvenile delinquency and a sense of rootlessness among the younger generation. Young people in rural areas, faced with unemployment and depravity, are lured by the promise of cities. The

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108/ United Nations, World Population Prospects, 1990 (ST/ESA/SER.A/120), New York, 1991, United Nations publication (Sales No. E. 91. XIII.4).

109/ United Nations, ESCWA, Population Situation in the ESCWA Region, 1990 (E/ESCWA/POP/1992/6).

absence of social support systems and inexperience in coping with problems in a big city combine to form an ominous threat. Either success or failure may result in deviant behaviour and/or juvenile delinquency. The Gulf crisis and subsequent political disturbances in the region have further shattered the social structure in several countries, not only in terms of aggravating unemployment, but also in terms of integrating the returnees into society.

However, economic necessity is not the only cause of the growing crime wave. Armed conflicts, including the Gulf crisis, have contributed in some countries. There is a general decline in standards of behaviour in the war-affected countries. Studies in Lebanon and other Middle Eastern countries[110/] indicate that children and young people have become obsessed with war. Indeed, defiance and violence appear to be a part of the psychological coping mechanism that enables them to compensate for the sense of being powerless, and their diminished self-esteem. Another major factor is the bleak future faced by a growing number of men in their 20s and early 30s in the countries with long-time war involvement, discharged from the military, where many have spent several years, with no qualifications, money or prospects of work.

The most pressing issues to be included in national development policies in the region are education, vocational training, skills upgrading, drug-abuse control, juvenile delinquency prevention and rehabilitation of young war-disabled persons. The role of youth in national development should be addressed within the framework of overall human resources development; the scope of policies and strategies should be flexible to allow for individual differences and for diversified youth-oriented programmes.

D. Disabled persons

The magnitude and scope of the disability problem in the ESCWA region has been increasing rapidly in recent years owing to armed conflicts such as the Gulf War and the suppression of the *intifadah* in the occupied Palestinian territories. In addition to 855 fatalities, 58,000 casualties were reported from the West Bank and Gaza Strip for the period 9 December 1987 to 1 October 1990. Of the casualties 30 per cent were children below the age of 15. It is also reported that 10 per cent of all injuries have resulted in a permanent disability. In the period May 1988-July 1990 alone, UNRWA physiotherapists treated 3,885 cases, 3,068 of which were *intifadah*-related cases. A high percentage of *intifadah*-related patients were young adults and children (33.7 per cent below the age of 16; 23.6 per cent aged 17-20 years; and 22.6 per cent 21-30 years). Some 5 per cent of these cases will have sustained disabilities.[111/]

Furthermore, physical disability caused by violence can have traumatic psychological effects on people. The Gulf crisis and war, and the continuing

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110/ UNICEF *Source Book on Children and Development in the 1990s: Children in Especially Difficult Circumstances*, 1992.

111/ UNRWA, *Report* Submitted to the Eighth Inter-Agency Meeting on the United Nations Decade of Disabled Persons (Vienna, December 1990).

sanctions against Iraq, have increased the prevalence of disability in that country. Disease leading to permanent impairments (poliomyelitis, measles, tetanus, etc.) have been on the rise, owing to the lack of vaccines and poor sanitary conditions. According to the findings of the aforementioned UNICEF-funded expert team, psychological trauma was the most widespread disability effect of the Gulf crisis on Iraqi children and youth. It is reported that many Kuwaitis were permanently injured during the Iraqi occupation. There is an urgent need to develop integrated approaches to rehabilitation (medical, social, psychological and vocational programmes) of disabled war-victims.

Available statistics on disability in the ESCWA region are not comprehensive,112/ but they reflect a grim reality. While the importance of traditional causes of disability in the region has been declining in relative terms, the number and nature of new causes of impairments have risen. Several developments including universal child immunization, improved education, especially that of women, better access to health care, improved water and sanitation facilities, lower fertility rates in some countries and better care for women have contributed to lessen the influence of traditional causes. The new threat has come from such factors as economic recession and its severe burden on national services, armed conflicts and regional tensions that cause demographic dislocation and economic waste, increasingly serious water shortages and pollution.

The absence of precise disability data and information hinders the provision of adequate services. The number of disabled persons in the region, estimated at around 8 million in 1982, is projected to reach 14.2 million by 1995.113/ Furthermore, there is a significant underenumeration of the disabled female population in most countries of the region. This may be associated with cultural and social pressures upon females to appear marriageable (and the social stigma of having a disabled female family member on the rest of family members). Also, impairment problems are generally more severe in rural areas. Regarding education, the overwhelming majority of disabled persons are still illiterate in many countries of the region. The highest rates of illiteracy among the impaired population are found for deaf, deaf and mute, and mentally retarded persons. Due partly to their illiteracy, higher percentages of disabled than of able-bodied people are reported to be without an occupation and not economically active in most censuses in the region.

112/ The present disability prevalence rate in the region can also be estimated based on WHO international disability estimates (7-10 per cent of the total population) with an estimated regional population of about 142 million people in 1995, the estimates of disability could range from 9.94 million to 14.2 million.

113/ Disabled persons in the ESCWA region: Features and Dimensions of the Problem and a Regional Plan of Action.

Inset 3. The ESCWA Cultural Event for Disabled Persons

To mark the end of the United Nations Decade of Disabled Persons, 1983-1992, a Cultural Event was held in Amman from 17 to 18 October 1992. The Event represented a follow-up to the 1989 Conference on the Capabilities and Needs of Disabled Persons in the ESCWA Region, with special emphasis on promoting public awareness of the capabilities and creativity of disabled persons. A series of cultural events by disabled artists and NGOs took place in order to mark the end of the Decade. The Event included: an exhibit of artistic and educational work by disabled persons; a charity bazaar; a silent-theatre performance by three groups of deaf actors; and sports competitions by disabled athletes. The Event provided a forum for disabled artists and participants to demonstrate their capabilities and creativity within the framework of the global End-of-Decade promotional campaign.

The Event was opened by Her Majesty Queen Noor Al-Hussein of Jordan and was attended by disabled artists, delegates from ESCWA Member States, regional and international experts participating in an individual capacity, representatives of regional NGOs, observers from other United Nations organizations and from embassies, mass-media representatives and a number of eminent personalities.

The substantive sessions of the Event were aimed at evaluating the implementation of the World Programme of Action at the end of the Decade in the ESCWA region and formulating a regional long-term strategy, comprising a new set of action-oriented objectives to enhance the progress already attained during the decade.

The participants agreed that the year 1992 is not the end of the Decade of Disabled Persons. To this end, ESCWA's activities and efforts should continue and expand within the context of a new ESCWA Decade for Disabled Persons which should be proclaimed with a view to giving fresh impetus to further the implementation of the World Programme of Action in the region beyond 1992 and to achieve the goals of the Programme, particularly those concerning full participation and equal opportunities for disabled persons. The recommendations and conclusions of the session will be brought to the attention of the Member States during the forthcoming seventeenth session of the Economic and Social Commission for Western Asia, to be held in 1994. The priorities identified include: prevention of disability; rehabilitation for all in need; promotion and protection of human rights; development of independent living; promotion of community-based rehabilitation (CBR); enhancement of economic independence; legislation for a fully accessible society; and promotion of public awareness and cooperative efforts and new partnerships.

D. Labour migration

Regional migration in its various forms has perhaps been the major demographic characteristic of the ESCWA region since the 1970s. Rapid economic development in the GCC countries has attracted millions of expatriate workers from within the region and elsewhere. The aftermath of the Gulf War provided a good illustration of the volatility that often characterized migration. In the nine months that followed the Iraqi invasion of Kuwait, some two million people were displaced. The picture two years later looks drastically different from what would have been projected in 1990 if the war did not take place, not only in Kuwait but also in other GCC countries and Iraq. Compared to their national population, the GCC countries have been receiving a disproportionate number of migrants. In 1990, they received around 10 per cent of the world's migrant workers, while their total population, including non-nationals, did not exceed 0.4 per cent of that of the world.114/

Table 48 gives estimates of the national and non-national labour force in the GCC area during the period 1975-1990. It clearly brings out the importance of the non-national labour force and the increase in its size over time. In the mid-1970s, the non-national labour force constituted 46.5 per cent of the entire labour force. It reached 70.2 per cent by mid-1985. The number of economically active expatriates rose from 1.125 million in 1975 to 4.529 million in 1980 and further to 6.297 million in 1985. The number of dependants was around 1.7 million in 1975.

Saudi Arabia attracted over 60 per cent of expatriates in the mid-1980s, followed far behind by the United Arab Emirates (14 per cent) and Kuwait (13 per cent). The rest were distributed among Oman (8 per cent), Qatar (4 per cent) and Bahrain (2 per cent).

Migration to the GCC countries decreased during the period 1983-1986 as a result of economic recession in most of these countries. With the improvement in economic conditions during the period 1987-1989, the number of migrants increased slightly.

Recent data, including preliminary results of the 1992 Saudi population census and the adjusted Kuwaiti population as of end-1988115/ (table 48), indicate that the total size of the expatriate labour force in the GCC countries reached 5.218 million in mid-1990, forming more than two thirds of the total labour force, and reflecting a growth rate of 3.3 per cent during the period 1985-90.

Recent data on return migration from the GCC countries and Iraq reveal that the total number of Egyptian returnees was 390,000, instead of 700,000 as estimated earlier, and the total number of Jordanian/Palestinian returnees at the end of 1991 was around 225,000 instead of 300,000.

With economic recovery in Saudi Arabia, the biggest labour receiver, and reconstruction activity in Kuwait, the size of the expatriate labour force in 1993 could be expected to be no lower than it was in 1990. What will change is mainly the composition by nationality, in favour of south-east Asia. However, this trend could be reversed with the revival of regional cooperation.

114/ Assuming a total population of 20.148 million for the GCC countries and 5.3 billion for the world, it is believed that the total number of migrant population was about 70 million in 1990, of which 7 million were in the GCC.

115/ As of this date, the Kuwaiti population was decreased by about 247,000 representing the "Bedoun" population (persons with uncertified formal Kuwaiti nationality), which was shifted to the non-Kuwaiti group.

Table 48. GCC: national and non-national labour force by country of residence, 1975-1990
(In thousands)

Country of residence	1975 National	1975 Non-national	1975 Total	1975 Percent of non-national to total	1980 National	1980 Non-national	1980 Total	1980 Percent of non-national to total
Bahrain	45.8	38.7	84.5	45.8	59.3	78.2	137.5	56.9
Kuwait	92.4	217.6	310.0	70.2	180.5	392.6	501.1	78.3
Oman	88.9	103.2	192.1	53.7	119.4	170.5	289.9	58.8
Qatar	11.7	57.0	68.7	83.0	14.7	106.3	121.0	87.9
Saudi Arabia	1 010.7	474.7	1 485.4	32.0	1 220.3	1 734.1	2 954.4	58.7
United Arab Emirates	44.7	234.0	278.8	84.0	53.9	470.8	524.7	89.7
Total GCC	1 294.2	1 125.3	2 419.5	46.5	1 648.1	2 952.5	4 528.6	65.2

Country of residence	1985 National	1985 Non-national	1985 Total	1985 Percent of non-national to total	1990 National	1990 Non-national	1990 Total	1990 Percent of non-national to total
Bahrain	72.8	100.5	173.3	58.0	127.0	132.0	259.0	51.0
Kuwait	127.2	551.7	678.9	81.3	118.0	731.0	849.0	86.1
Oman	149.8	335.7	485.5	69.1	189.0	442.0	631.0	70.0
Qatar	17.7	155.6	173.3	89.9	21.0	230.0	251.0	91.6
Saudi Arabia	1 440.1	2 661.8	4 101.9	64.9	1 934.0	2 878.0	4 812.0	59.8
United Arab Emirates	71.8	612.0	683.8	89.5	96.0	805.0	901.0	89.3
Total GCC	1 879.4	4 417.3	6 296.7	70.2	2 485.0	5 218.0	7 703.0	67.7

Source: ESCWA, based on data compiled from national sources.

Partial data show that the decreasing trend of Arab labour in the GCC countries observed during the first half of the 1980s continued during the rest of the decade. In Saudi Arabia, the Arab labour share in private-sector establishments employing 100 employees or more did not exceed 7 per cent during the period 1987-1989, while the Asian labour share reached 57 per cent during the same period. Similarly in Kuwait, data from the Ministry of Social Affairs and Labour show that the non-national labour force in the private sector grew from 139,839 in 1985 to 457,616 in 1989. At the same time, the Arab labour share decreased from 48 to 46 per cent, while the Asian share increased from 51 to 53 per cent.

Based on the above, a reasonable estimation put the Arab share in 1990 between 30 and 35 per cent of the total non-national labour force in the GCC countries.

The main reason for the decreasing Arab share is the difference in wages paid to Arab and Asian workers. Available data covering the period 1987-1989 show that an Arab worker in Saudi Arabia was paid, on average, twice as much as an Asian worker in 1987, and three times more in 1989. Another major factor behind the decreasing Arab share is that non-Arab labour generally leaves their families behind and thus poses no threat to long-term settlement in the country of service. The GCC countries have increasingly become sensitive to the growth of foreign communities that threaten the culture and identity of smaller States in addition to the increasing cost of providing the infrastructural and social services to meet their demand.

Furthermore, Asian labour migration is characterized by a high degree of organization in contrast to the informal Arab response. The migration of south-east Asians, for example, is in many cases a project-tied migration, whereby private and State-employed agencies identify and meet employer needs efficiently. In addition, the Governments of countries like Pakistan and the Philippines are involved in mass labour training in order to provide the GCC States with the required skills.

In order to reduce dependency on expatriate labour, the GCC States have been trying to encourage their nationals to participate more actively in the labour force. The substitution of expatriate for indigenous labour mainly affects Arabs, since they occupy posts mostly desired by nationals, such as administrative, managerial, teaching and other activities, in contrast to Asians who are usually employed as labourers in production and maintenance.

Migrant workers who had been forced to leave the GCC countries as a consequence of the Gulf crisis and war and who cannot return are mostly Arabs: Yemenis, Jordanians, Palestinians and Sudanese. Their number may be estimated at slightly over one million. The current state of inter-Arab political relations does not indicate that the trend is likely to be reversed soon.

A direct consequence of the Gulf War on the non-national labour force is a sharp decrease in the Arab share, which may not exceed 20 per cent of the expected non-national labour force in coming years.[116/]

116/ J. Addleton, The impact of the Gulf crisis and war on migration and remittances in Asia and the Middle East (international migration), vol. xxix, No. 4, December 1991, p. 518.

Annex I

TABLES ON EXTERNAL TRADE

Annex table 1. ESCWA region: overall trade flows, 1985 and 1988-1991
(Millions of United States dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1985	1988	1989	1990	1991	1985	1988	1989	1990	1991
Total ESCWA region	79 951	67 861	88 591	102 614	89 864	68 292	67 672	67 664	70 092	74 566
Major oil exporters a/	74 864	62 179	80 675	93 700	80 976	51 721	49 560	51 856	51 570	55 375
Iraq	10 731	11 052	14 600	9 521 b/	--	7 619	7 146	7 675	5 100 b/	--
GCC countries	64 133	51 127	66 075	84 179	80 976	44 102	42 414	44 181	46 470	55 375
Bahrain	2 897	2 411	2 831	3 758	3 404	3 107	2 593	3 134	3 711	4 061
Kuwait	10 479	7 765	11 476	5 839 b/	528	6 531	6 046	6 303	3 260 b/	6 332
Oman	4 972	3 268	3 933	5 215	4 874	3 153	2 202	2 255	2 681	3 194
Qatar	3 541	1 696	2 115	2 960	3 150	1 139	1 267	1 326	1 550	1 720
Saudi Arabia	27 480	23 737	28 369	44 417	48 794	23 623	21 784	21 153	24 069	27 391
United Arab Emirates	14 764	12 250	17 351	21 990	20 226	6 549	8 522	10 010	11 199	12 677
Other ESCWA countries	5 087	5 682	7 916	8 914	8 888	16 571	18 112	15 808	18 522	19 191
Egypt	1 838	2 120	2 565	2 582	3 617	5 495	8 657	7 434	9 202	7 754
Jordan	790	1 036	1 098	1 063	1 132	2 732	2 786	2 133	2 603	2 512
Lebanon	400	629	484	496	490	2 066	2 408	2 263	2 578	3 748
Syrian Arab Republic	1 637	1 345	3 009	4 062	3 143	3 967	2 231	2 097	2 526	3 151
Of which: the region's least developed country:										
Republic of Yemen	422	552	763	711	506	2 311	2 030	1 981	1 613	2 026
a. Yemen	108	472	650	543	..	1 632	1 384	1 401	1 193	..
b. Democratic Yemen	314	81	113	168	..	679	647	580	420	..

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

Notes: Two dots (..) indicate that data are not available or not separately reported. An em dash (--) indicates that the amount is nil or negligible.

a/ GCC countries plus Iraq.
b/ Covers 7 months only (January-July).

Annex table 2. ESCWA region: geographical distribution of exports (f.o.b.), 1985 and 1988-1992
(Percentage shares)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
ESCWA region													
1985	7.7	23.1	15.7	5.1	1.6	0.6	25.6	4.3	24.2	1.8	0.1	13.2	100
1988	11.7	23.9	17.6	3.8	1.5	0.9	19.0	12.1	18.1	1.9	0.5	12.8	100
1989	11.4	21.7	16.2	3.4	1.4	0.7	18.6	14.1	18.1	2.5	0.4	13.2	100
1990	10.4	22.8	17.3	3.0	1.7	0.8	16.8	15.0	20.2	2.4	0.3	12.1	100
1991	9.0	23.0	18.9	1.8	1.6	0.7	18.3	12.4	23.3	1.5	0.6	11.9	100
1992a/	9.5	24.0	20.3	1.6	1.5	0.6	17.8	11.8	22.1	1.9	0.6	12.3	100
Major oil exporters													
1985	7.2	24.1	16.5	5.4	1.6	0.6	24.8	4.5	25.7	0.4	0.1	13.2	100
1988	11.1	25.0	18.3	4.2	1.6	0.9	18.0	12.7	19.5	0.6	0.5	12.6	100
1989	10.9	23.2	17.3	3.8	1.4	0.7	17.1	15.0	19.7	0.6	0.4	13.1	100
1990	9.9	24.3	18.5	3.3	1.8	0.7	15.3	15.9	22.1	0.7	0.3	11.5	100
1991	8.4	24.5	20.5	2.0	1.6	0.4	16.5	13.3	25.6	0.4	0.7	10.6	100
1992a/	9.2	25.7	22.0	1.8	1.5	0.4	15.5	12.7	24.5	0.1	0.6	11.7	100
Bahrain													
1985	26.8	28.4	19.9	0.0	8.5	0.0	1.4	9.7	11.8	0.0	0.2	21.7	100
1988	26.7	32.6	24.1	0.0	8.5	0.0	1.4	9.7	11.8	0.0	0.2	17.6	100
1989	26.8	28.4	19.9	0.0	8.5	0.0	1.4	9.7	11.8	0.0	0.2	21.7	100
1990	20.2	33.4	23.3	0.0	10.0	0.1	2.8	6.8	13.1	0.0	0.1	23.6	100
1991	18.7	38.6	28.6	0.0	9.9	0.1	4.3	2.9	12.9	0.0	0.0	22.6	100
1992a/	26.4	38.8	30.2	0.0	8.5	0.2	4.7	1.7	7.6	0.0	0.0	20.8	100
Iraq													
1985	2.6	23.1	4.3	17.4	0.1	1.3	43.6	4.3	5.5	2.4	0.1	18.4	100
1988	5.2	20.2	4.3	13.5	0.1	2.3	28.8	15.0	7.8	2.2	0.1	20.7	100
1989	4.4	21.3	4.7	13.2	0.5	2.9	27.2	19.0	8.9	1.9	0.5	16.8	100
1990	4.8	19.3	6.6	10.2	0.6	1.9	24.2	28.3	7.8	2.2	0.6	12.8	100
1991	88.2	0.3	0.0	0.3	0.0	0.0	10.1	0.0	0.0	0.0	0.3	1.1	100

Annex table 2. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
						Kuwait							
1985	10.2	29.8	27.6	0.0	1.6	0.6	30.2	1.8	18.0	0.0	0.1	9.7	100
1988	7.4	32.7	27.8	1.0	1.9	1.9	25.5	5.5	17.3	2.1	0.8	8.7	100
1989	6.5	32.7	27.8	2.3	1.8	0.8	23.6	8.6	19.2	1.4	0.5	7.5	100
1990	5.9	35.7	30.8	1.9	2.3	0.7	23.9	7.0	19.1	0.5	0.5	7.4	100
1991	10.2	11.1	11.1	0.0	0.0	0.0	55.0	8.3	12.3	0.0	0.0	3.1	100
1992a/	0.0	6.1	6.1	0.0	0.0	0.0	23.6	3.9	64.3	0.0	0.0	2.1	100
						Oman							
1985	0.0	27.8	24.9	1.6	1.3	0.0	17.5	6.8	38.9	0.0	0.0	9.0	100
1988	57.3	19.7	18.2	0.0	1.4	0.1	11.5	4.6	0.9	0.0	0.0	6.0	100
1989	67.0	13.7	12.6	0.0	0.9	0.1	7.7	3.4	1.1	0.0	0.4	6.7	100
1990	61.3	16.1	11.8	0.0	4.1	0.2	10.3	3.7	2.1	0.0	0.0	6.5	100
1991	36.6	23.8	21.0	0.3	2.3	0.2	2.1	1.6	27.2	0.0	5.0	3.7	100
1992a/	35.5	29.5	26.1	0.8	2.6	0.0	2.2	2.3	21.8	0.0	4.7	4.0	100
						Qatar							
1985	3.1	15.6	8.5	6.6	0.5	0.0	43.2	0.2	33.3	0.0	0.2	4.4	100
1988	9.8	28.0	22.2	5.8	0.0	0.0	3.5	0.0	49.8	0.0	2.1	6.8	100
1989	9.0	21.7	15.7	5.9	0.1	0.0	4.7	2.1	56.1	0.0	1.6	4.8	100
1990	6.5	25.7	16.8	8.9	0.0	0.0	2.3	1.6	59.5	0.0	0.7	3.7	100
1991	6.1	22.6	17.0	5.6	0.0	0.0	2.3	0.9	61.4	0.0	2.3	4.3	100
1992a/	7.4	23.3	18.9	4.3	0.0	0.0	2.2	2.7	58.5	0.0	2.3	3.6	100
						Saudi Arabia							
1985	8.1	27.7	20.8	4.4	1.6	0.9	22.6	5.5	30.0	0.1	0.0	6.0	100
1988	8.4	25.2	19.4	4.0	1.2	0.6	22.6	22.2	17.3	0.1	0.5	3.7	100
1989	8.8	22.0	18.2	2.4	1.1	0.31	19.7	26.3	17.8	0.3	0.4	4.7	100
1990	9.2	24.7	18.9	3.3	1.6	0.9	17.7	24.0	19.0	0.7	0.2	4.5	100
1991	5.8	25.5	20.9	2.7	1.3	0.6	23.6	21.4	17.7	0.6	0.2	5.2	100
1992a/	7.2	26.4	22.4	2.2	1.2	0.6	21.8	20.2	17.7	0.2	0.2	6.3	100
						United Arab Emirates							
1985	6.1	13.6	6.9	4.8	1.9	0.0	13.6	4.0	34.8	0.0	0.0	27.9	100
1988	6.2	23.2	19.0	1.6	2.0	0.6	5.2	4.0	34.8	0.0	0.5	26.1	100
1989	5.3	22.4	19.1	1.7	1.6	0.1	8.3	3.8	31.1	0.0	0.3	28.8	100
1990	4.1	21.9	19.6	0.8	1.2	0.3	8.2	3.7	35.1	0.4	0.2	26.4	100
1991	3.5	21.9	19.4	1.0	1.3	0.3	8.5	2.9	39.4	0.0	0.3	23.5	100
1992a/	4.0	23.0	20.2	1.4	1.3	0.1	8.8	3.4	35.4	0.0	0.1	26.3	100

Annex table 2. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
Other ESCWA countries													
1985	15.5	6.8	4.5	0.6	0.8	0.9	37.7	0.7	2.5	23.0	0.2	13.6	100
1988	18.2	12.0	9.8	0.1	1.1	1.0	29.5	5.6	3.8	15.4	0.8	14.7	100
1989	16.1	7.7	5.6	0.1	0.9	1.1	33.0	5.9	3.0	20.2	0.3	13.6	100
1990	15.7	7.8	5.2	0.0	1.0	1.6	31.9	6.7	1.8	19.5	0.4	16.2	100
1991	14.8	9.3	4.9	0.1	0.9	3.4	34.0	4.5	2.2	11.9	0.5	22.8	100
1992a/	11.7	9.2	5.6	0.1	0.8	2.7	38.0	4.8	1.0	17.1	0.4	17.8	100
Egypt													
1985	4.5	4.4	3.1	1.0	0.0	0.3	43.9	0.9	3.1	19.3	0.0	23.9	100
1988	8.5	9.7	8.1	0.3	0.3	1.0	37.1	6.3	4.7	16.2	0.1	17.4	100
1989	8.7	8.6	6.8	0.3	0.3	1.2	42.5	5.2	3.6	16.1	0.2	15.1	100
1990	6.4	4.7	1.1	0.0	0.8	2.8	15.4	8.6	2.7	19.1	0.2	42.9	100
1991	6.8	7.0	1.8	0.0	0.8	4.4	28.3	7.6	1.4	9.8	0.0	39.1	100
1992a/	4.3	6.8	2.8	0.1	0.6	3.4	44.5	8.3	1.4	7.7	0.0	27.0	100
Jordan													
1985	48.2	22.5	20.3	1.2	0.8	0.1	4.4	0.0	2.2	5.7	0.8	16.2	100
1988	33.6	27.5	23.5	0.3	2.8	0.9	6.8	0.3	1.5	3.6	4.0	22.7	100
1989	34.9	20.3	17.3	0.0	3.0	0.0	4.0	0.7	2.9	5.0	1.8	30.4	100
1990	40.2	43.9	37.2	0.2	5.1	6.4	3.6	0.6	2.1	2.6	2.6	4.4	100
1991	24.7	38.8	32.5	0.4	2.7	3.2	3.1	0.4	1.8	3.6	5.4	22.2	100
1992a/	14.6	47.8	44.7	0.1	2.8	0.2	7.3	1.3	2.6	0.6	4.6	21.2	100
Lebanon													
1985	63.5	5.4	0.4	0.0	2.5	2.5	15.3	4.5	0.3	4.3	0.0	6.7	100
1988	55.9	3.9	0.8	0.1	2.3	0.7	19.9	6.1	0.5	0.5	0.0	13.2	100
1989	51.1	5.4	1.0	0.0	3.2	1.2	22.4	5.9	1.2	0.5	0.0	13.5	100
1990	48.3	4.9	1.9	0.1	2.1	0.8	23.2	4.5	0.8	1.4	0.0	16.9	100
1991	42.9	5.1	1.1	0.1	2.3	1.6	22.7	5.3	0.3	3.7	0.0	19.9	100
1992a/	52.3	6.9	1.3	0.1	4.0	1.5	20.5	5.0	0.5	0.8	0.0	13.9	100
Syrian Arab Republic													
1985	3.4	2.2	0.0	0.0	0.4	1.8	45.8	0.0	0.1	43.3	0.0	5.2	100
1988	11.0	2.3	0.1	0.0	0.2	2.0	33.8	1.7	0.0	39.6	0.1	11.5	100
1989	14.8	2.0	0.1	0.0	0.1	1.8	31.0	2.4	0.1	40.8	0.1	8.8	100
1990	17.0	1.8	0.1	0.0	0.0	1.7	41.4	1.0	0.1	33.0	0.0	5.8	100
1991	19.9	3.6	0.1	0.1	0.0	3.4	45.7	0.5	0.1	21.1	0.1	9.0	100
1992a/	15.4	2.9	0.2	0.1	0.0	2.7	39.6	1.2	0.2	35.3	0.0	5.4	100

Annex table 2. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
					The region's least developed country: Republic of Yemen								
1985	10.9	13.4	8.1	0.0	5.3	0.0	58.6	0.5	15.1	0.0	0.6	0.9	100
1988	6.9	21.5	19.8	0.0	1.7	0.0	38.0	16.4	12.8	0.0	0.0	4.4	100
1989	4.2	10.3	8.4	0.0	1.6	0.3	48.0	21.4	10.2	0.0	0.1	5.8	100
1990	2.8	9.7	8.1	0.0	1.4	0.2	52.8	22.9	5.1	0.0	0.1	6.6	100
1991	6.0	14.1	10.6	0.0	2.1	1.4	43.9	9.6	12.6	0.0	0.0	13.8	100
						a. Democratic Yemen							
1985	2.6	15.7	9.1	0.0	6.5	0.0	66.3	0.4	13.9	0.0	0.7	0.4	100
1988	9.6	12.2	5.6	0.0	6.6	0.0	54.4	9.5	8.6	0.0	0.0	5.7	100
1989	6.3	12.3	3.2	0.0	9.1	0.0	61.2	0.4	12.5	0.0	0.5	6.8	100
1990	3.3	23.6	11.1	0.0	12.3	0.2	47.0	11.1	5.9	0.0	0.0	9.1	100
1991	6.5	43.7	4.3	0.0	25.1	14.3	0.0	0.0	0.0	0.0	0.0	49.8	100
						b. Yemen							
1985	43.0	4.6	4.2	0.0	0.4	0.0	28.7	0.9	19.6	0.0	0.1	3.1	100
1988	6.0	24.4	24.2	0.0	0.2	0.0	33.0	18.5	14.2	0.0	0.0	3.9	100
1989	3.7	10.0	9.5	0.0	0.1	0.4	45.3	25.7	9.7	0.0	0.0	5.6	100
1990	2.8	8.1	7.8	0.0	0.1	0.2	53.5	24.4	5.1	0.0	0.0	6.1	100
1991	5.9	11.6	11.1	0.0	0.1	0.4	47.6	10.4	13.7	0.0	0.0	10.8	100

Source: United Nations, Economic and Social Commission for Western Asia (ESCWA), based on: International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1982 and Direction of Trade Statistics Monthly Bulletin, December 1992.

Notes: Definition of markets:

Eastern Europe: Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

EC: European Community comprises Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom.

ESCWA: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Republic of Yemen, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates.

Major oil exporters: Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Other ESCWA countries: Egypt, Jordan, Lebanon, the Syrian Arab Republic and the Republic of Yemen, which came into being in May 1990 as a result of the unification of Democratic Yemen and Yemen.

Other developing regions: Defined to include Asia (excluding ESCWA), Latin America, Africa (excluding Egypt) and North Africa.

0.0 = Nil or negligible.

a/ Figures are for January-July only.

Annex table 3. ESCWA region: geographical distribution of imports (c.i.f.), 1985 and 1988-1992
(Percentage shares)

Year	ESCWA	Other developing regions: Total	Other developing regions: Asia	Other developing regions: America	Other developing regions: Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
						ESCWA region							
1985	8.6	11.6	8.3	2.1	0.6	0.5	35.0	11.0	15.5	3.7	1.1	13.5	100
1988	9.2	14.1	11.2	2.0	0.6	0.3	33.2	12.3	11.5	3.8	1.7	14.2	100
1989	10.4	13.0	10.2	2.1	0.5	0.3	33.4	13.6	10.6	2.6	1.8	14.5	100
1990	10.4	12.6	10.0	1.5	0.7	0.4	31.6	11.5	14.7	1.9	2.0	15.3	100
1991	7.7	15.3	13.1	1.2	0.7	0.3	34.0	15.9	10.8	1.4	1.5	13.4	100
1992a/	6.7	14.5	12.4	1.3	0.4	0.4	31.9	17.6	12.2	0.8	1.2	15.1	100
						Major oil exporters							
1985	8.5	12.6	9.6	2.4	0.5	0.2	34.3	11.5	18.5	2.3	1.1	11.2	100
1988	9.5	15.5	12.6	2.0	0.5	0.3	31.4	13.2	13.5	2.1	1.9	12.9	100
1989	10.8	13.9	11.4	2.3	0.4	0.3	32.2	13.9	12.5	1.3	1.9	13.5	100
1990	10.8	14.3	11.8	1.6	0.6	0.4	32.6	13.5	12.9	0.8	2.1	13.0	100
1991	7.0	16.7	14.9	1.0	0.6	0.3	34.6	17.4	12.9	0.5	1.4	9.4	100
1992a/	7.5	16.0	13.9	1.2	0.4	0.4	33.1	17.7	14.5	0.4	1.2	9.6	100
						Bahrain							
1985	48.9	6.3	5.8	0.4	0.1	0.0	21.1	7.4	9.9	0.0	0.4	6.0	100
1988	48.9	6.3	5.8	0.4	0.1	0.0	21.1	7.4	9.9	0.0	0.4	6.0	100
1989	48.8	6.3	5.8	0.4	0.1	0.0	21.1	7.4	9.9	0.0	0.4	6.1	100
1990	45.4	5.6	5.1	0.4	0.1	0.0	16.8	18.5	6.7	0.0	0.3	6.7	100
1991	43.9	7.1	6.6	0.4	0.1	0.1	22.4	13.8	4.6	0.0	0.3	7.9	100
1992a/	38.7	7.1	6.6	0.3	0.0	0.2	6.3	15.7	4.9	0.0	0.2	27.1	100
						Iraq							
1985	5.8	9.7	2.4	6.6	0.2	0.4	34.5	4.5	13.7	9.9	1.3	20.6	100
1988	7.7	7.6	3.2	3.9	0.0	0.5	32.9	13.5	4.8	8.1	0.9	24.5	100
1989	8.9	8.0	2.9	4.1	0.0	1.0	36.0	12.7	5.3	3.5	0.7	24.9	100
1990	8.0	9.4	4.5	3.6	0.0	1.3	41.8	10.7	4.5	2.7	0.6	22.3	100
1991	0.0	0.0	0.0	0.0	0.0	0.0	40.0	0.0	0.0	0.0	0.0	60.0	100
						Kuwait							
1985	5.2	14.0	12.8	1.0	0.1	0.1	33.0	8.8	27.1	0.8	1.6	9.5	100
1988	13.3	17.8	15.8	1.7	0.2	0.1	26.9	12.1	13.3	1.5	3.0	12.1	100
1989	12.7	8.5	6.7	1.5	0.3	0.1	29.4	13.0	12.7	1.4	3.4	18.9	100
1990	13.2	16.5	14.7	1.6	0.2	0.0	33.4	10.9	11.4	1.3	1.8	11.5	100
1991	0.6	7.0	7.0	0.0	0.0	0.0	24.8	34.8	12.4	0.1	0.5	19.8	100
1992a/	..	2.4	2.4	0.0	0.0	0.0	36.8	34.9	19.0	0.0	0.6	6.3	100

Annex table 3. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
						Oman							
1985	22.9	8.8	8.1	0.7	0.0	0.01	36.7	5.7	20.2	0.0	0.4	5.3	100
1988	23.3	12.0	11.0	0.9	0.1	0.0	31.6	8.8	16.8	0.1	0.4	7.0	100
1989	28.0	10.0	9.2	0.7	0.1	0.0	28.5	8.5	15.7	0.1	0.5	8.7	100
1990	26.7	10.2	9.4	0.4	0.4	0.0	27.4	9.2	16.7	0.1	0.4	9.3	100
1991	21.9	12.9	12.2	0.3	0.3	0.0	31.4	6.8	20.4	0.0	0.3	6.3	100
1992a/	21.1	13.9	13.3	0.3	0.3	0.0	31.9	7.1	20.3	0.0	0.2	5.5	100
						Qatar							
1985	5.5	11.3	9.4	1.8	0.1	0.0	43.3	6.5	18.2	0.0	0.5	14.7	100
1988	9.4	14.9	11.5	3.3	0.1	0.0	35.1	9.3	17.6	0.0	0.9	12.8	100
1989	11.2	15.0	11.7	3.1	0.2	0.0	37.6	8.8	18.8	0.0	1.0	7.6	100
1990	11.9	13.2	10.8	2.1	0.2	0.0	41.9	9.5	14.6	0.0	1.0	7.9	100
1991	10.3	13.0	10.8	1.9	0.2	0.0	44.2	8.7	12.4	0.0	0.4	11.0	100
1992a/	11.9	11.9	10.0	2.0	0.2	0.0	40.2	10.8	15.2	0.0	0.6	9.4	100
						Saudi Arabia							
1985	3.3	14.5	11.7	1.7	0.9	0.1	35.2	17.0	19.0	0.6	0.9	9.5	100
1988	4.1	17.8	14.5	2.0	0.9	0.4	33.5	16.3	16.0	0.9	1.8	9.6	100
1989	4.6	15.4	12.9	1.6	0.6	0.3	32.8	18.2	14.2	0.9	1.9	12.0	100
1990	3.8	14.4	11.3	1.6	1.0	0.5	34.1	16.7	15.3	0.8	1.8	13.1	100
1991	2.4	15.3	12.8	1.3	0.8	0.5	38.5	20.9	12.4	0.8	1.2	8.5	100
1992a/	2.6	14.6	12.4	1.8	0.6	0.7	36.5	21.9	14.3	0.6	1.0	8.5	100
						United Arab Emirates							
1985	8.5	14.5	12.9	1.0	0.5	0.1	35.2	11.0	20.0	0.4	1.8	8.6	100
1988	6.6	20.1	18.4	1.1	0.5	0.1	30.3	9.5	16.4	0.7	3.3	13.1	100
1989	7.7	22.6	21.0	1.1	0.4	0.1	31.1	9.7	15.0	1.1	2.9	9.9	100
1990	8.0	19.8	18.3	1.0	0.5	0.0	29.0	9.1	14.2	0.5	5.0	14.3	100
1991	5.4	26.1	24.9	0.7	0.4	0.1	31.3	10.0	14.8	0.3	2.8	9.3	100
1992a/	7.9	25.2	24.1	0.7	0.4	0.0	31.2	8.8	15.2	0.3	2.3	9.1	100

Annex table 3. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
Other ESCWA countries													
1985	9.1	8.1	4.2	1.4	0.7	1.8	37.7	9.3	5.6	8.2	1.1	20.9	100
1988	8.4	9.9	7.0	1.8	0.8	0.3	38.4	9.5	5.7	8.8	1.3	18.0	100
1989	9.1	8.9	6.4	1.5	1.0	0.2	37.3	12.3	4.0	7.0	1.4	20.0	100
1990	9.5	8.1	5.1	1.5	1.1	0.4	28.7	5.9	19.7	4.9	1.4	21.8	100
1991	9.6	11.0	7.3	2.1	1.1	0.5	32.3	11.1	4.1	4.4	1.8	25.7	100
1992a/	4.2	10.2	7.8	1.7	0.4	0.3	28.0	17.0	5.3	2.2	1.1	32.0	100
Egypt													
1985	2.2	6.5	4.2	1.8	0.4	0.1	42.2	13.0	5.2	9.3	0.4	21.2	100
1988	2.0	9.7	6.5	2.5	0.5	0.1	40.8	11.9	5.0	9.2	0.7	20.7	100
1989	1.6	9.2	6.4	2.0	0.7	0.1	38.6	17.6	3.9	8.6	0.8	19.7	100
1990	1.4	4.6	2.0	1.8	0.6	0.3	22.7	2.0	37.2	5.0	1.0	26.1	100
1991	2.9	7.6	3.4	3.2	0.6	0.4	27.6	16.1	4.1	4.0	1.3	36.4	100
1992a/	1.6	8.6	6.1	1.9	0.3	0.3	16.5	24.2	4.7	2.2	0.7	41.5	100
Jordan													
1985	25.3	4.0	2.6	1.0	0.2	0.2	29.6	11.9	6.3	4.6	1.3	17.0	100
1988	25.1	8.7	6.4	1.3	0.6	0.4	29.7	12.1	4.7	5.4	1.7	12.6	100
1989	27.5	3.3	2.1	1.2	0.01	0.0	29.2	13.7	3.7	2.9	1.8	17.9	100
1990	25.1	10.6	7.5	1.3	1.5	0.3	28.6	17.3	3.1	3.3	1.4	10.6	100
1991	20.0	16.1	11.5	1.9	2.1	0.7	29.9	10.4	3.6	3.9	1.7	14.4	100
1992a/	8.6	21.2	17.4	1.6	2.1	0.1	37.3	9.1	6.3	2.4	1.9	13.2	100
Lebanon													
1985	7.8	6.2	2.9	2.9	0.3	0.1	51.1	7.5	5.2	8.9	0.9	12.4	100
1988	7.2	13.0	10.4	2.2	0.3	0.1	46.2	5.6	3.6	9.8	1.3	13.3	100
1989	12.1	10.6	9.1	1.1	0.4	0.0	45.1	4.5	3.4	8.6	1.3	14.1	100
1990	16.6	12.4	10.5	1.0	0.6	0.2	40.7	4.2	3.8	8.7	1.2	12.4	100
1991	14.7	12.2	10.7	0.8	0.5	0.2	46.8	4.9	3.2	5.6	1.4	11.2	100
1992a/	11.0	12.1	10.7	0.9	0.3	0.2	48.9	5.6	4.5	0.5	1.4	16.0	100
Syrian Arab Republic													
1985	3.7	9.9	1.7	0.7	0.1	7.4	33.9	6.1	2.8	12.5	0.8	30.3	100
1988	4.1	3.5	1.3	1.1	0.1	1.0	36.2	6.4	11.2	16.9	1.3	20.4	100
1989	4.7	3.0	0.7	1.2	0.1	1.0	42.0	7.9	4.2	9.1	1.3	27.8	100
1990	4.9	5.4	1.7	1.9	0.5	1.3	40.4	10.7	3.3	6.7	1.3	27.3	100
1991	3.8	6.0	2.8	2.2	0.1	0.9	38.8	8.4	4.4	7.0	2.7	28.9	100
1992a/	3.3	6.3	3.7	1.9	0.0	0.7	45.2	5.4	8.2	4.6	1.8	25.2	100

Annex table 3. (continued)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	North Africa	EC	USA	Japan	Eastern Europe and former U.S.S.R.	China	Rest of world	World
						The region's least developed country: Republic of Yemen							
1985	17.3	16.9	12.4	0.4	3.9	0.1	30.0	4.2	11.9	0.9	3.0	15.8	100
1988	17.9	15.6	11.4	0.1	4.1	0.1	34.1	4.0	6.0	1.6	3.4	17.4	100
1989	17.0	19.3	13.5	0.7	4.8	0.2	27.6	4.3	5.0	0.8	3.1	22.9	100
1990	20.4	16.9	12.0	0.6	4.1	0.3	27.5	5.1	4.2	0.7	3.4	21.8	100
1991	20.1	20.9	15.7	0.6	4.3	0.3	21.7	8.3	5.5	1.4	3.1	19.1	100
						a. Democratic Yemen							
1985	29.2	16.6	11.2	0.0	5.4	0.0	29.4	1.4	5.9	0.5	4.2	12.8	100
1988	11.0	14.2	6.9	0.0	7.2	0.2	26.2	1.1	5.6	0.0	5.8	36.1	100
1989	20.2	16.8	9.1	0.4	7.4	0.0	19.6	1.1	4.2	0.0	3.1	35.0	100
1990	25.1	16.3	8.9	0.4	6.5	0.5	21.1	0.6	1.2	0.0	0.6	35.1	100
1991	35.3	15.5	4.9	0.5	9.4	0.7	0.6	0	0	3.3	0	45.3	100
						b. Yemen							
1985	10.6	17.0	13.1	0.7	3.2	0.0	30.3	5.7	15.3	1.1	2.3	17.7	100
1988	21.3	16.3	13.7	0.1	2.5	0.1	38.1	5.5	6.3	2.4	2.1	8.0	100
1989	15.0	20.8	16.3	0.9	3.3	0.4	32.6	6.3	5.5	1.4	3.1	15.3	100
1990	18.2	17.2	13.4	0.7	2.9	0.2	30.6	7.2	5.6	1.0	4.7	15.4	100
1991	15.3	22.5	19.0	0.7	2.7	0.2	28.2	10.8	7.2	0.9	4.0	11.0	100

Source: United Nations, Economic and Social Commission for Western Asia, based on International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1992 and Direction of Trade Statistics Monthly Bulletin, December 1992.

Notes: Definition of markets:

Eastern Europe: Bulgaria, Czechoslovakia, Hungary, Romania and Poland.

EC: European Community comprises Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom.

ESCWA: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and the Republic of Yemen.

Major oil exporters: Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Other ESCWA countries: Egypt, Jordan, Lebanon, the Syrian Arab Republic and the Republic of Yemen, which came into being in May 1990 as a result of the unification of Democratic Yemen and Yemen.

Other developing regions: Defined to include developing countries in Asia (excluding ESCWA), Latin America, Africa and North Africa (excluding Egypt).

0.0 = Nil or negligible.

a/ Figures are for January-July only.

Annex table 4. ESCWA region: major balance-of-payments flows, 1985 and 1988-1991
(Millions of United States dollars)

	Trade balance	Services (net)	Balance on goods and services	Unrequited transfers (net)		Balance on current account	Capital flows (net)		Errors & ommissions	Overall balance	Counterpart items, exceptional financing and others			Total change in reserves
				Private	Official		Long term	Short term			Counterpart item	Exceptional financing	Others	
						GCC countries								
						Bahrain								
1985	101	52	153	-235	120	38	5	-452	766	357	0.0	0.0	0.0	-357
1988	101	-60	42	-193	368	216	205	-419	93	95	0.0	0.0	0.0	-95
1989	38	-45	-7	-199	102	-104	94	-359	180	-189	0.0	0.0	0.0	-189
1990	421	-363	58	-272	459	245	-97	553	-132	569	0.0	0.0	0.0	-569
1991	-193	-342	-535	-303	102	-736	-58	-283	974	-103	0.0	0.0	0.0	103
						Kuwait								
1985	5 047	1 676	6 723	-1 044	-529	5 150	-712	-1 623	-2 271	544	0.0	0.0	0.0	-544
1988	2 262	4 085	6 347	-1 179	-140	5 028	-620	-6 150	-254	-1 996	0.0	0.0	0.0	1 996
1989	5 871	5 212	11 083	-1 283	-211	9 589	-943	-6 753	-638	1 255	0.0	0.0	0.0	-1 255
1990	3 297	293	3 590	..		3 590	..	..	..	..	0.0	0.0	0.0	-3 590
1991	-5 804	..	-5 804	-10 026		15 830	5 500		..	..	0.0	0.0	0.0	10 330
						Oman								
1985	1 943	-1 025	918	-907	-26	-15	309	149	-323	120	0.0	0.0	0.0	-120
1988	1 235	-825	410	-762	42	-310	273	-52	-379	-468	0.0	0.0	0.0	468
1989	1 917	-819	1 098	-791	16	323	162	-139	-64	282	0.0	0.0	0.0	-282
1990	2 969	-971	1 998	-845	-57	1 096	-249	-261	-282	304	0.0	0.0	0.0	-304
1991	1 545	-1 662	-117	0.0	0.0	-117	558		133	574	0.0	0.0	0.0	-574
						Qatar								
1985	1 959	-1 410	549	0.0	0.0	549	-648	0.0	0.0	99	0.0	0.0	0.0	-99
1988	943	-1 204	-261	0.0	0.0	-261	-353	0.0	0.0	-614	0.0	0.0	0.0	614
1989	1 361	-1 373	-12	0.0	0.0	-12	-25	0.0	0.0	-37	0.0	0.0	0.0	37
1990	1 835	-1 602	233	0.0	0.0	233	-39	0.0	0.0	194	0.0	0.0	0.0	-194
1991	1 430	-1 332	98	-241		-143	0.0	0.0	0.0	-143	0.0	0.0	0.0	143
						Saudi Arabia								
1985	7 029	-11 513	-4 484	-5 199	-3 249	-12 932	8 904	3 319	0.0	-709	0.0	0.0	0.0	709
1988	4 510	-2 842	1 668	-6 510	-2 499	-7 341	2 729	3 092	0.0	-1 520	0.0	0.0	0.0	1 520
1989	9 068	-7 776	1 292	-8 264	-2 200	-9 172	-2 075	7 739	0.0	-3 508	0.0	0.0	0.0	3 508
1990	22 806	-11 070	11 736	-11 602	-4 401	-4 267	160	-1 270	0.0	-5 377	0.0	0.0	0.0	5 377
1991	22 096	-27 599	-5 503	-13 746	-6 489	-25 738	26 385	-597	0.0	50	0.0	0.0	0.0	-50

Annex table 4. (continued)

	Trade balance	Services (net)	Balance on goods and services	Unrequited transfers (net): Private	Unrequited transfers (net): Official	Balance on current account	Capital flows (net): Long term	Capital flows (net): Short term	Errors & ommissions	Overall balance	Counterpart items, exceptional financing and others: Counterpart item	Counterpart items, exceptional financing and others: Exceptional financing	Counterpart items, exceptional financing and others: Others	Total change in reserves
						United Arab Emirates								
1985	8 227	-1 089	7 138	0.0	-191	6 947	-327	0.0	-5 900	720	0.0	0.0	0.0	-720
1988	3 649	-1 089	2 560	0.0	-204	2 356	-1 122	0.0	-627	627	0.0	0.0	0.0	-627
1989	5 391	-1 089	4 302	0.0	-272	4 030	-1 226	0.0	1 304	1 500	0.0	0.0	0.0	-1 500
1990	8 560	-2 000	6 560	0.0	-1 072	5 488	..	..	..	5 488	0.0	0.0	0.0	-5 488
1991	8 000	-1 200	6 800	0.0	-5 000	1 800	..	..	..	1 800	0.0	0.0	0.0	-1 800
						The region's least developed country: Republic of Yemen								
1985	-1 652	-176	-1 828	1 189	121	-518	176	150	58	-134	0.0	13	0.0	121
1988	-1 376	-416	-1 792	567	126	-1 098	707	85	4	-303	0.0	58	0.0	245
1989	-1 117	-443	-1 560	414	152	-994	829	85	56	-24	0.0	17	0.0	7
1990	-1 179	-464	-1 643	1 378	-119	-384	331	34	17	-2	0.0	0.0	0.0	2
1991	-777	-243	-1 020	796	125	-99	268		-37	132	0.0	0.0	0.0	-132
						a. Democratic Yemen								
1985	-581	-108	-689	426	32	-231	78	27	36	-90	0.0	0.0	0.0	90
1988	-514	-180	-694	253	36	-404	258	58	63	-26	0.0	21	0.0	5
1989	-440	-203	-643	172	56	-417	335	68	-2	-16	0.0	17	0.0	-1
						b. Yemen Arab Republic								
1985	-1 071	-68	-1 139	763	89	-287	98	123	22	-44	0.0	13	0.0	31
1988	-862	-236	-1 098	314	90	-694	449	27	-59	-277	0.0	37	0.0	240
1989	-677	-240	-917	242	96	-579	494	17	58	-10	0.0	0.0	0.0	10
						Non-oil diversified economies								
						Egypt								
1985	-5 214	-958	-6 172	3 216	791	-2 165	1716	-335	585	-199	0.0	350	0.0	-151
1988	-6 608	1 125	-5 483	3 770	666	-1 047	1486	-178	-362	-101	0.0	7	0.0	94
1989	-5 934	452	-5 482	3 295	881	-1 306	1748	-1 387	414	-531	0.0	122	0.0	409
1990	-6 699	1480	-5 219	4 284	1 119	184	-9 372	-1 667	631	-10 224	0.0	12 781	0.0	2 556
1991	-5 975	2444	-3 531	4 054	1 380	1 903	-1 775	-2 567	730	-1 709	0.0	4 485	0.0	-2 776

Annex table 4. (continued)

	Trade balance	Services (net)	Balance on goods and services	Unrequited transfers (net)		Balance on current account	Capital flows (net)		Errors & ommissions	Overall balance	Counterpart items, exceptional financing and others			Total change in reserves
				Private	Official		Long term	Short term			Counterpart item	Exceptional financing	Others	
Jordan														
1985	-1 638	-209	-1 847	846	740	-260	303	-55	-30	-43	0.0	0.0	0.0	43
1988	-1 412	-233	-1 645	800	552	-293	37	337	123	204	0.0	0.0	0.0	-204
1989	-774	-21	-795	565	613	383	185	-105	0	463	0.0	0.0	0.0	-463
1990	-1 237	-36	-1 273	570	588	-115	422	38	75	420	0.0	0.0	0.0	-420
1991	-1 095	-96	-1 191	1 124	476	409	271	924	420	2024	0.0	0.0	0.0	-2 024
Syrian Arab Republic														
1985	-2 090	-429	-2 519	350	1 212	-957	-120	909	-17	-185	0.0	0.0	0.0	185
1988	-638	-408	-1 046	360	536	-150	297	-212	34	-31	0.0	0.0	0.0	31
1989	1 192	-639	553	395	222	1 170	-472	18	71	787	0.0	17	0.0	-770
1990	2 159	-786	1 373	375	80	1 828	-795	37	-348	722	0.0	0.0	0.0	-722
1991	1 084	-969	115	450	234	799	-35	310	-94	980	0.0	0.0	0.0	-980

Source: Compiled by ESCWA on the basis of data given in International Monetary Fund (IMF), Balance of Payments Statistics Yearbook, volume 43, part 2, 1992, and national sources.

Notes: Two dots (..) indicate that data are not available or not separately reported. 0.0 = Nil or negligible.

Annex table 5. ESCWA region: international reserves*
(Millions of United States dollars)

Country	1985	1988	1989	1990	1991	1992
ESCWA region	41 513.6	37 972.8	35 627.7	31 363.7	36 377.2	37 190.7
GCC countries	37 470.2	30 319.6	27 862.2	22 554.0	24 932.0	20 949.3
Bahrain	1 666.3	1 258.3	1 056.6	1 241.5	1 521.2	1 398.4
Kuwait	5 580.4	2 035.7	3 210.5	2 236.6a/	3 520.5	5 146.9
Oman	1 166.2	1 122.5	1 422.6	1 740.7	1 731.0	1 677.2b/
Qatar	487.4	516.0	574.9	672.6	709.2	694.2a/
Saudi Arabia	25 181.0	20 769.0	16 959.0	11 897.0	11 903.0	6 156.0
United Arab Emirates	3 388.9	4 618.1	4 638.6	4 765.0	5 547.1	5 876.6
Other ESCWA countries	4 043.4	7 653.2	7 765.5	8 809.7	11 445.2	16 241.4
Egypt	1 370.0	2 057.0	2 199.0	3 325.0	5 980.0	10 810.0
Jordan	612.6	247.9	573.2	949.4	929.6	868.6
Lebanon	1 463.2	4 759.0	4 635.0	4 213.9	4 535.6	4 562.0
Syrian Arab Republic	112.0	222.0	..	..	..	--
Republic of Yemen	485.5	367.3	358.3	321.4c/	..	--

Source: International Monetary Fund (IMF), International Financial Statistics, vol. XLVI, No. 3, March 1993.

Note: Two dots (..) indicate that data are not available or not separately reported.
An em dash (--) indicates that the amount is nil or negligible.

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

a/ End of July.
b/ End of 2nd quarter unless otherwise indicated.
c/ End of first quarter.

Annex II

TABLE ON EXTERNAL DEBT OF ESCWA COUNTRIES

Annex table 6. External debt of ESCWA countries, 1983-1991
(Millions of United States dollars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
				Bahrain					
Total external debt	1 121	934	1 262	1 475	1 456	1 446	1 589	1 674	2 270
Long-term debt	874	728	993	1 220	1 224	1 212	1 240	1 343	1 857
Short-term debt	247	207	269	255	233	234	349	331	412
Debt service ratio (%)	4.8	4.1	4.9	7.9	4.9	4.9	5.3	5.3	..
				Egypt					
Total external debt	30 447	38 788	43 310	46 109	50 590	51 709	50 003	44 446	42 447
Long-term debt	23 631	30 887	35 126	36 309	39 406	41 204	38 644	31 854	29 835
Short-term debt	5 780	6 079	7 117	8 526	9 347	8 525	9 702	11 164	12 612
Debt service ratio (%)	37.9	35.7	36.5	34.8	27.2	37.5	39.1	30.7	16.7
				Iraq					
Total external debt	7 219	9 050	12 839	16 997	20 407	20 109	22 777	22 713	21 192
Long-term debt	5 050	6 538	8 510	11 391	14 597	14 895	16 265	14 301	12 954
Short-term debt	2 169	2 512	4 329	5 605	5 810	5 214	6 512	8 412	8 238
Debt service ratio (%)	17.6	12.0	17.1	37.5	23.0	16.4	20.9	12.3	..
				Jordan					
Total external debt	4 090	4 346	4 942	5 711	6 909	7 475	7 441	8 371a/	9 054a/
Long-term debt	2 861	2 922	3 436	3 775	4 527	4 657	5 556	6 474	6 592
Short-term debt	645	740	705	1 047	1 468	1 932	1 267	1 316	2 462
Debt service ratio (%)	20.0	15.7	24.2	18.8	22.3	29.2	25.4	25.6	20.9
				Kuwait					
Total external debt	10 347	9 223	9 039	8 411	7 978	9 340	10 919	11 002	6 784
Long-term debt	872	850	717	727	522	508	591	352	739
Short-term debt	9 475	8 373	8 321	7 685	7 455	8 832	10 327	10 650	6 045
Debt service ratio (%)	13.8	14.8	15.0	15.9	12.3	13.1	10.5	13.3	..
				Lebanon					
Total external debt	980	932	992	925	1 061	1 093	1 141	1 275	1 810
Long-term debt	498	477	528	474	520	500	505	472	411
Short-term debt	482	455	464	452	541	593	636	803	1 399
Debt service ratio (%)	27.2	42.1	41.5	16.7	9.9	7.8	6.4	6.0	8.4

Annex table 6. (continued)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Oman									
Total external debt	1 522	1 887	2 632	4 096	3 970	4 430	4 451	3 884	3 685
Long-term debt	1 132	1 340	2 307	3 370	3 291	3 364	3 453	3 057	3 065
Short-term debt	345	511	296	690	654	1 002	921	772	620
Other identified debt	45	37	29	36	25	64	77	54	..
Debt service ratio (%)	4.3	6.2	6.6	10.3	10.3	17.1	16.7	20.8	9.6
Qatar									
Total external debt	715	508	600	639	730	908	928	1 050	1 851
Long-term debt	293	200	197	222	122	93	172	308	368
Short-term debt	422	308	403	417	608	815	756	742	1 483
Debt service ratio (%)	8.2	5.9	4.1	7.1	3.9	3.4	6.7	2.9	..
Saudi Arabia									
Total external debt	14 073	13 908	14 182	14 098	16 714	15 042	16 714	14 951	17 172
Long-term debt	2 558	3 289	4 106	3 203	3 746	1 919	2 185	2 040	2 893
Short-term debt	11 488	10 578	10 024	10 857	12 929	13 093	14 498	12 826	14 279
Other identified debt	27	41	51	37	38	30	30	84	..
Debt service ratio (%)	9.3	8.6	8.7	9.7	7.7	10.0	6.7	5.1	..
Syrian Arab Republic									
Total external debt	8 444	7 792	10 195	12 609	15 919	16 374	16 829	16 049	14 819
Long-term debt	7 494	6 776	8 888	11 249	14 440	15 249	15 792	15 105	13 997
Short-term debt	950	1 016	1 307	1 359	1 479	1 125	1 037	941	822
Debt service ratio (%)	15.2	15.3	14.9	22.1	21.8	20.7	11.1	25.7	18.0
United Arab Emirates									
Total external debt	10 769	10 416	9 643	9 140	8 799	10 860	11 060	11 803	9 999
Long-term debt	1 756	1 480	1 276	1 243	1 460	1 367	1 473	1 154	1 067
Short-term debt	8 686	8 598	7 658	7 425	6 705	8 696	8 731	9 896	8 932
Other identified debt	326	339	709	472	634	797	856	752	..
Debt service ratio (%)	7.8	9.6	9.1	9.1	7.4	7.3	6.8	5.4	..
Republic of Yemen									
Total external debt	3 820	4 059	4 871	5 621	6 565	7 459	7 789	6 230	5 853
Long-term debt	3 472	3 611	4 430	5 109	6 114	6 931	7 164	5 559	5 456
Short-term debt	258	362	274	410	334	389	499	540	397
Other identified debt	90	86	167	102	117	139	127	130	..
Debt service ratio (%)	12.2	19.7	30.0	43.4	49.0	54.0	24.9	5.0	7.3

Sources: OECD, Financing and External Debt of Developing Countries, 1991 Survey; and External Debt Statistics, 1992; and World Bank, World Debt Tables, 1992-1993.

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

a/ Contracted debt.