

**ECONOMIC AND SOCIAL COMMISSION
FOR WESTERN ASIA**

**SURVEY
OF ECONOMIC AND SOCIAL
DEVELOPMENTS
IN THE ESCWA REGION
1999-2000**



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Preface

The Survey of Economic and Social Developments in the ESCWA Region is an annual publication prepared by the secretariat of the Economic and Social Commission for Western Asia (ESCWA). The first issue in this series was published in 1980. The Survey reviews and analyses the latest economic and social conditions in the region.

The present Survey indicates notable improvement in economic and social conditions in 1999. The region's real gross domestic product increased by 3.1 per cent. This rate was higher than the 2.3 per cent growth registered in 1998, but lower than the 3.4 per cent increase achieved in 1997. Most countries of the region, in particular the Gulf Cooperation Council (GCC) members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), benefited greatly from the 42.3 per cent surge in oil prices in 1999. Oil revenues in the ESCWA region are estimated to have totalled US\$ 93.9 billion in 1999, an increase of US\$ 24.7 billion (or 35.7 per cent) over 1998 earnings. Higher oil revenues have had a positive and direct impact on government budgets and external trade balances in all GCC countries.

Labour market conditions remained generally unfavourable for job seekers in the non-GCC countries. Most countries in the region have fairly high population growth rates and significantly higher labour supply growth rates. Higher rates of economic growth are needed to absorb the new entrants to the labour markets and to reduce unemployment among both men and women. The rate of women's participation in the labour force, though rising, remains relatively low in comparison with the corresponding rate for men.

Inflation has been tamed in the region. Estimates indicate that most ESCWA member countries had inflation rates of 2.3 per cent or lower in 1999. Most countries applied prudent monetary and fiscal policies. Furthermore, they remained committed to economic liberalization and globalization. Jordan was admitted to the World Trade Organization (WTO) in December 1999, bringing to six the total number of ESCWA member countries that are members of the WTO.

In 1999, research and development expenditure as a percentage of gross national product stood at around 0.2 per cent in many member countries and fell below 0.05 per cent in some. The future of national systems of science and technology in the member countries greatly depends on the calibre of graduates from the institutions of higher learning and from technical and vocational training institutions. Recent reviews of the state of those institutions offer cause for concern as well as grounds for some hope.

This year's customary chapter on social issues deals with gender-sensitive participatory development in the region. The gender gap remains wide in several fields, but efforts are being made in the region to narrow it.

In 2000, developments in the energy (oil and gas) sector are again expected to have a dominant impact on the economies of the region. Other factors that are expected to affect economic performance in the region include developments pertaining to the economic sanctions imposed on Iraq since 1990; the speed and success of the implementation of economic reforms and structural adjustment measures undertaken by ESCWA member countries; the inflow of foreign direct investment; the scarcity of water and its impact on agricultural output; and progress in the Middle East peace process and the peace dividend, if any. A reallocation of resources from military and defence programmes to human development would greatly enhance the long-term prospects for the region.

It is hoped that the Survey will contribute to a better understanding of the most recent economic and social developments and provide insight into the most appropriate policies required for sustainable economic growth in the ESCWA region.

The Survey is published on the responsibility of the ESCWA secretariat, and the views expressed herein do not necessarily reflect those of the Governments of the ESCWA member countries.



CONTENTS

Page

Preface.....	iii
Abbreviations and explanatory notes.....	xi
<i>Chapter</i>	
I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY AND THEIR IMPLICATIONS FOR THE ESCWA REGION.....	1
A. Economic growth.....	1
B. Inflation.....	6
C. Developments in international financial markets	7
D. Developments in global commodity markets	9
E. Growth in employment and unemployment rates	11
F. Developments in the external sector	13
G. Outlook	20
II. AGGREGATE ECONOMIC PERFORMANCE.....	22
A. Economic growth and reform policies.....	22
B. Turnaround in the world oil market and its implications for the ESCWA region	29
C. Labour market developments.....	33
D. Tamed inflation.....	37
E. Outlook	41
III. MONETARY AND FISCAL DEVELOPMENTS.....	43
A. Monetary developments.....	43
B. Fiscal developments.....	51
C. Stock markets.....	65
D. Outlook	71
IV. DEVELOPMENTS IN THE EXTERNAL SECTOR.....	73
A. Recent trade performance	73
B. Foreign investment	77
C. Overall balance of payments.....	79
D. Globalization and regional integration.....	82
E. Competitiveness: where does the region stand?	85
F. Outlook	93
V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES.....	95
A. Science and technology policies	95
B. Research and development activity in the ESCWA member countries.....	101
C. Human resources in science and technology	103
D. Information and communications technologies	107
E. Technology transfer activity	110
F. Outlook	112

CONTENTS (*continued*)

	<i>Page</i>
VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT	114
A. Gender and population dynamics.....	114
B. Consequences of population dynamics.....	124
C. Sustainable human resources development.....	126
D. Participation and empowerment	138
E. Outlook	139
<i>Annex.</i> Country tables: socioeconomic indicators, 1974-1998.....	141

LIST OF TABLES

1. Growth in developed country and world output, 1991-2000	2
2. Growth in the output of developing countries and economies in transition, 1991-2000	4
3. Growth in consumer prices, 1991-2000.....	6
4. Interest rates in developed economies, 1991-2000	8
5. Exchange rates for major currencies, 1991-2000	9
6. Unemployment rates and growth in employment in developed economies, 1991-2000	11
7. World trade volumes, 1991-2000	13
8. External debt of developing countries, 1991-2000	17
9. Reserves of developing countries, 1991-2000	18
10. Emerging market economies: net capital flows, 1997-2000.....	18
11. Current account balances for various country groupings, 1991-2000	20
12. Real GDP totals and growth rates for the ESCWA region (at constant 1996 prices), 1997-2000.....	22
13. Average price of the OPEC crude oil basket, 1996-2000	30
14. Oil production in the ESCWA region, 1996-1999.....	31
15. Oil revenues in the ESCWA region, 1994-1999.....	32
16. Rates of inflation in the ESCWA region, 1996-1999	37
17. Egypt: money supply and interest rate development, 1994-1998.....	44
18. Jordan: money supply and interest rate development, 1994 - August 1999	46
19. Kuwait: money supply, 1994 - September 1999.....	47
20. Lebanon: money supply and interest rate development, 1995-1999	48
21. Oman: money supply, 1994 - August 1999	49
22. Saudi Arabia: money supply, 1994 - March 1999	50
23. Budget deficit to GDP ratios in the ESCWA region, 1997-1999	52
24. Egypt: budget, 1995/96 - 1999/2000	53

CONTENTS *(continued)*

	<i>Page</i>
25. Kuwait: budget, 1994/95 - 1999/2000	55
26. Lebanon: budget, 1995-2000	56
27. Oman: budget, 1994-2000	58
28. Saudi Arabia: budget, 1995-2000	59
29. West Bank and Gaza Strip: budget, 1997-1999.....	61
30. Yemen: budget, 1996-2000.....	61
31. Lebanon: public debt, 1995-1999	63
32. Qatar: public debt, 1994 - March 1999.....	64
33. Syrian Arab Republic: public debt profile, 1994-1998.....	65
34. Egypt: stock market indicators, 1994 - March 1999.....	67
35. Jordan: Amman Bourse indicators, 1994-1999	68
36. Oman: Muscat Securities Market indicators, 1995 - October 1999.....	69
37. Saudi Arabia: stock market indicators, 1995-1999.....	70
38. West Bank and Gaza Strip: stock market indicators, 1998 and 1999 (January-November).....	71
39. Total export flows of ESCWA members, 1995-1999.....	74
40. Intraregional export flows of ESCWA members, 1998-1999.....	75
41. Total import flows of ESCWA members, 1995-1999	76
42. Foreign direct investment inflow in the ESCWA region	77
43. Balance of payments for selected ESCWA member countries, 1997-1998	80
44. International reserves of ESCWA members, 1995-1999.....	81
45. Total external debt of ESCWA members, 1995-1999	82
46. The ESCWA region: composition of exports, 1995 and 1998	91
47. Geographic destinations of ESCWA members' exports, 1998.....	92
48. Research and development indicators in selected ESCWA member countries in comparison with corresponding values for other countries	102
49. Number of registered United States patents originating from selected ESCWA member countries in comparison with those originating from the Republic of Korea, Israel and Chile	103
50. Number of students in higher studies, by level, and percentage of students majoring in science and technology disciplines in the ESCWA region, 1996.....	104
51. Access to information and communications.....	108
52. Number and value of reported contracts concluded by ESCWA members, 1992-1999.....	110
53. Sectoral distribution of contracts concluded by ESCWA members, 1992-1999	111
54. ESCWA region: annual population increment, 1995-2015	115

CONTENTS (continued)

	<i>Page</i>
55. ESCWA region: projected life expectancy at birth, 2000-2015	115
56. ESCWA region: total fertility rate projections, 2000-2015	116
57. ESCWA region: estimates of age distribution by fertility transition stage	118
58. ESCWA region: trends in fertility and infant mortality rates, 1978 and 1998	118
59. ESCWA region: total fertility rates and secondary school enrolment	120
60. ESCWA region: total fertility and labour force participation rates, 1978 and 1998	121
61. ESCWA region: mean age at first marriage	122
62. ESCWA region: contraceptive prevalence, 1985 and 1997.....	123
63. ESCWA region: Government views and policies on fertility levels and contraceptive use, 1986 and 1997.....	124
64. GDP per capita ranking minus human development index and gender-related development index rankings for selected ESCWA members, 1997	128
65. Adult literacy rates for men and women in the ESCWA region, 1995.....	129
66. Gross enrolment rates for both sexes at the tertiary level (1996) and female tertiary enrolment as a percentage of male enrolment (1990) in selected ESCWA member countries	131
67. Labour force as a percentage of the total population and women's share of the total adult labour force in selected ESCWA member countries and countries of other regions.....	135
68. Total and youth unemployment rates for ESCWA member countries and countries of other regions.....	137
69. Share of first-time job seekers among unemployed women and men in selected ESCWA member countries.....	137

LIST OF BOXES

1. What happened in Seattle?.....	15
2. Competitiveness of ESCWA member countries in international markets.....	26
3. Information technology infrastructure in the ESCWA region	34
4. Points for consideration by ESCWA members.....	40
5. Oman's Fifth Five-Year Development Plan (1996-2000)	57
6. Saudi Arabia's Sixth National Development Plan (1996-2000).....	59
7. Implications of WTO Agreements for economies in the ESCWA region	83
8. A free trade agreement between the European Union and Lebanon: potential gains and losses.....	86
9. The changing technology composition of world exports and exports from developing countries	88

CONTENTS (continued)

	<i>Page</i>
10. Features of national science and technology policy arrangements in Egypt.....	97
11. Features of national science and technology policy arrangements in Jordan	98
12. Features of national science and technology policy arrangements in Kuwait	98
13. Features of national science and technology policy arrangements in Saudi Arabia	99
14. Science and technology cooperation between ESCWA member countries and regional/international institutions.....	100

LIST OF CHARTS

1. Share of various country groupings in total world GDP, exports of goods and services, and population, 1998.....	1
2. Growth in world and regional output, 1998-2000.....	3
3. Inflation rates for major country groupings, 1998-2000.....	7
4. Annual percentage change in non-oil commodity prices, 1997-2000.....	10
5. Annual percentage change in oil and non-oil commodity prices, 1997-2000.....	10
6. Unemployment rates and growth in employment in developed economies, 1998-2000	12
7. Hourly earnings, productivity, and unit labour costs in manufacturing in developed economies, 1997-2000.....	12
8. Exports of developed and developing economies, 1998-2000.....	14
9. Imports of developed and developing economies, 1998-2000.....	14
10. External debt and reserves of developing countries, 1998-2000	17
11. Total net capital flows to emerging market economies, 1997-2000	19
12. Current account balances, 1998-2000.....	20
13. Real GDP growth in the ESCWA region, 1997-2000.....	23
14. OPEC basket: monthly prices, January 1998 - March 2000	30
15. OPEC basket: annual prices, 1996-2000.....	30
16. Oil production in the ESCWA region, 1996-1999	32
17. Oil revenues in the ESCWA region, 1994-1999.....	33
18. Rates of inflation in the ESCWA region, 1996-1999	39
19. Foreign direct investment to GDP in the Middle East and North Africa: the lowest share among developing country groupings, 1995-1997	78
20. The competitiveness of ESCWA member countries in world markets.....	87
21. Export concentration	90
22. Female enrolment in higher education: comparisons between selected ESCWA member countries, the United States and the Republic of Korea, 1995	105
23. Number of male and female graduates of universities in Saudi Arabia, 1985-1997	105

CONTENTS (continued)

	<i>Page</i>
24. Total and per capita higher education expenditures in the ESCWA member countries, 1996.....	106
25. Selective country distribution of reported contracts concluded in the ESCWA member countries, 1999	111
26. Sectoral distribution of reported contracts concluded in the ESCWA region, 1999	112
27. ESCWA region: stages of fertility transition	117
28. ESCWA region: population distribution by age group, 1980-2015.....	125
29. ESCWA region: female labour force, supply and demand	126
30. Youth and total adult illiteracy rates in selected ESCWA member countries	129
31. GDP per capita and combined gross enrolment ratios.....	132
32. GDP per capita and combined female gross enrolment ratios for ESCWA countries, 1997.....	133
33. GDP per capita and combined male gross enrolment ratios for ESCWA members, 1997.....	133

ABBREVIATIONS AND EXPLANATORY NOTES

ASEAN	Association of South-East Asian Nations
BD	Bahraini dinar
b	barrel
b/d	barrels per day
Dh	UAE dirham
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
G-7	Group of Seven (major industrialized economies)
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDI	gender-related development index
GDP	gross domestic product
GEM	gender empowerment measure
GER	gross enrolment ratio
GNP	gross national product
ID	Iraqi dinar
ILO	International Labour Organization
IT	information technology
JD	Jordanian dinar
KD	Kuwaiti dinar
LE	Egyptian pound
LL	Lebanese pound
LS	Syrian pound
M ₁	money supply (currency in circulation + demand deposits)
M ₂	money supply (M ₁ + time and savings deposits)
MFA	Multi-Fibre Arrangement
NAFTA	North American Free Trade Agreement
NGO	non-governmental organization
NSST	national system of science and technology
OAPEC	Organization of Arab Petroleum Exporting Countries
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PADICO	Palestinian Development and Investment Company
PALTEL	Palestine Telecommunications Company
PPP	purchasing power parity
QIZ	qualifying industrial zone
QR	Qatar riyal
R and D	research and development
RO	rial Omani
SAMA	Saudi Arabian Monetary Agency
S and T	science and technology
SITC	Standard International Trade Classification
SMEs	Small and medium-sized enterprises
SRI	Saudi Arabian riyal
TFR	total fertility rate
TLDN	top-level domain name
TNC	transnational corporation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

ABBREVIATIONS AND EXPLANATORY NOTES (*continued*)

UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
YRI	Yemeni rial

The following symbols have been used in the tables throughout the publication:

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

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

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

Parentheses () indicate a deficit or decrease, except as otherwise stated.

A slash (/) indicates a school year or a financial year (e.g., 1981/82).

Use of a hyphen (-) between dates representing years, for example, 1981-1983, signifies the full period involved, including the beginning and end years.

Details and percentages do not necessarily add up to totals, because of rounding.

In both the text and tables of the study, references to "dollars" (\$) indicate United States dollars, unless otherwise stated.

East Asian "crisis" countries include Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand.

Bibliographical and other references have, wherever possible, been verified.

I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY AND THEIR IMPLICATIONS FOR THE ESCWA REGION

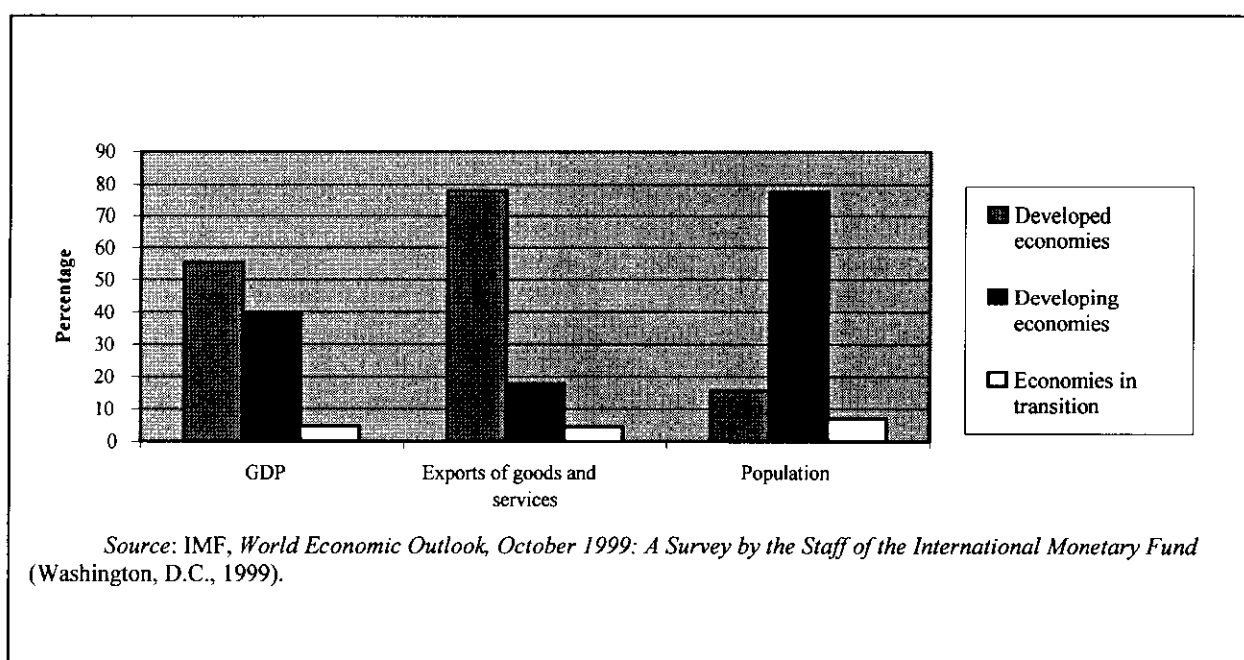
The world economy performed relatively well in 1999. East Asian countries recovered from the financial crises that had plagued them in 1997 and 1998. Brazil and the Russian Federation witnessed improvement in their respective economies. In addition, economic growth in the developed countries was positive and strong, particularly in Europe and the United States of America. Oil prices, which had dropped sharply in 1998, recovered in 1999, and this was reflected positively in the economic performance of oil-exporting countries. Globalization accelerated in the 1990s, and its impact is expected to be more clearly demonstrated during the first decade of the twenty-first century. The acceleration of globalization appears to be largely attributable to the striking advances in telecommunications and information technologies and to the freer movement of capital and tradable goods and services. This chapter deals with world economic growth, economic policy instruments, employment and unemployment, and world trade developments. The short-term outlook for the future is also presented.

A. ECONOMIC GROWTH

1. *World economic growth*

World economic growth, measured by gross domestic product (GDP), accelerated from 2.5 per cent in 1998 to 3.0 per cent in 1999, and is projected to average around 3.5 per cent in 2000. This growth may be attributed to the following: (a) strong initial recovery in the economies affected by the East Asian crisis; (b) positive growth rates in developed countries, particularly the United States and the countries of the European Union (EU), as well as the stabilization of the Japanese economy; (c) the successful application of economic policy instruments, reflected in the agile management of monetary and fiscal policies, especially in developed economies; (d) growth in world trade; (e) developments in global markets; and (f) the surge in most of the major stock markets.

Chart 1. Share of various country groupings in total world GDP, exports of goods and services, and population, 1998



SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

Twenty-eight developed countries, with only 15.6 per cent of the global population, accounted for 55.4 per cent of total world GDP and 77.9 per cent of total world exports. Meanwhile, 128 developing countries, with 77.5 per cent of the world population, accounted for 39.8 per cent of total world GDP and only 17.7 per cent of total world exports. The 28 countries with economies in transition accounted for only 4.8 per cent of world GDP, 4.4 per cent of world exports, and 6.9 per cent of the world population in 1998 (see chart 1).

2. Economic growth in developed countries

In developed countries, the rate of GDP growth increased from 2.2 to 2.8 per cent between 1998 and 1999. The recovery of the Japanese economy and the sustained growth of the American economy were the main factors behind this improvement. Growth in the major industrialized economies, often referred to as the Group of Seven (G-7), is estimated to have totalled 2.6 per cent.

The United States experienced the strongest economic growth among the G-7 members during the period 1997-1999 (see table 1); its growth rate in 1999 was estimated at 3.7 per cent. Several factors contributed to this, including the restraining influence on inflation of falling prices of commodities and manufactured imports; lower long-term interest rates, which reflected a return of private capital from emerging markets; and the 75 basis point reduction in policy interest rates in late 1998.¹

TABLE 1. GROWTH IN DEVELOPED COUNTRY AND WORLD OUTPUT,^{*} 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
World	1.8	2.5	2.7	4.0	3.8	4.3	4.2	2.5	3.0	3.5
Developed economies	1.2	2.0	1.3	3.2	2.6	3.2	3.2	2.2	2.8	2.7
Major industrialized countries	0.8	1.8	1.1	2.8	2.2	3.0	2.9	2.2	2.6	2.4
United States	(0.9)	2.7	2.3	3.5	2.3	3.4	3.9	3.9	3.7	2.6
Japan	3.8	1.0	0.3	0.6	1.5	5.0	1.4	(2.8)	1.0	1.5
Germany	5.0	2.2	(1.1)	2.3	1.7	0.8	1.8	2.3	1.4	2.5
France	0.8	1.2	(1.3)	2.8	2.1	1.6	2.3	3.2	2.5	3.0
Italy	1.4	0.8	(0.9)	2.2	2.9	0.9	1.5	1.3	1.2	2.4
United Kingdom	(1.5)	0.1	2.3	4.4	2.8	2.6	3.5	2.2	1.1	2.4
Canada	(1.9)	0.9	2.3	4.7	2.8	1.7	4.0	3.1	3.6	2.6
Other developed economies	2.9	2.5	2.0	4.5	4.3	3.9	4.2	2.1	3.5	3.6

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates negative growth.

* Real GDP.

a/ Estimates.

b/ Projections.

Japan finally emerged from its recession after five consecutive quarters of negative growth. During the recession, the uncertainties in the financial system, rising unemployment and falling wages put a damper on consumer spending. Business investment outlays continued to decline in the face of falling domestic demand and massive over-capacity.² Japan's negative GDP growth of 2.8 per cent in 1998 was transformed into positive growth, estimated at about 1 per cent, in 1999 and is projected to register 1.5 per cent in 2000. This turnaround was mainly due to an increase in public investment, emanating from the fiscal stimulus package put in place in 1998, growth in private sector demand, and the country's developed financial system.

¹ World Bank web site: Prospects for Development, "Global economic prospects and the developing countries, 2000", downloaded from: <http://www.worldbank.org/prospects/gep2000/full.htm>.

² Ibid.

Following the slowdown in much of Western Europe between 1997 and 1998, the rate of economic growth began to pick up again in 1999. The performance of the industrial sector was somewhat weak, however, particularly in Germany and Italy. The sharp decline in German and Italian exports to emerging markets dampened business sentiment, increased inventory overhang, depressed industrial production and ultimately constrained trade within the EU.³

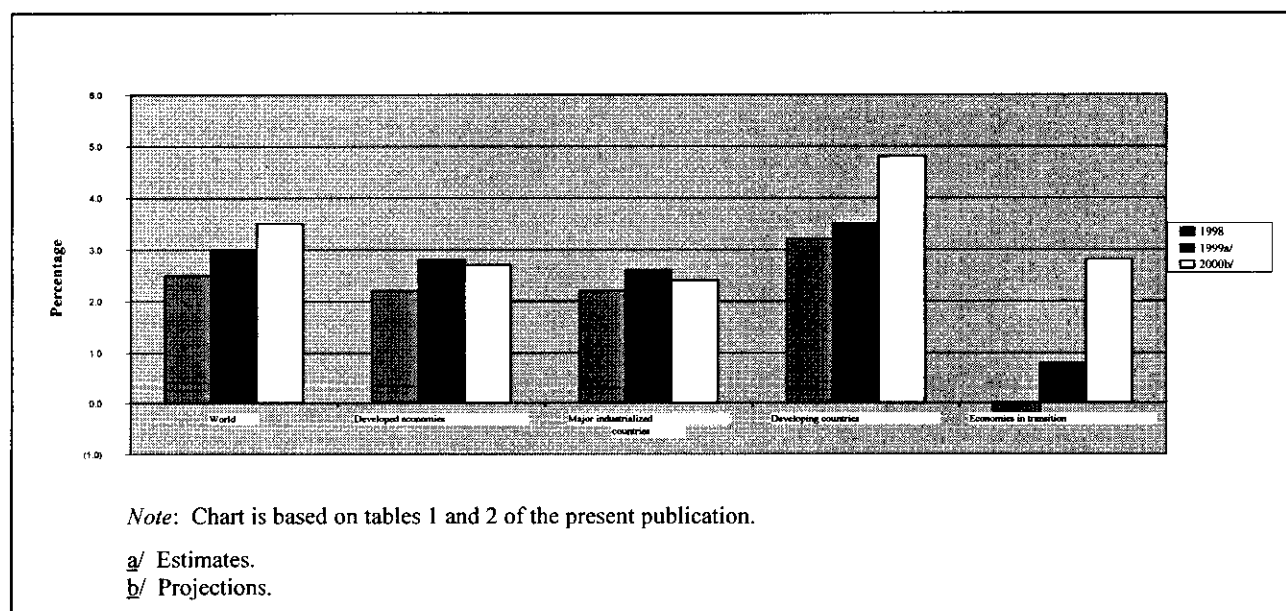
The single European currency (the euro) was introduced at the beginning of 1999. Its depreciation by 10 per cent against the United States dollar and by 6 per cent in nominal terms, with account taken of some recovery in late July, has greatly supported increased demand and activity in the euro area. The depreciation has been helpful and has not threatened the objective of keeping inflation below 2 per cent.⁴

In 1999, most EU countries recorded lower rates of economic growth than those registered in 1998. The growth rate fell from 3.2 to 2.5 in France and from 2.2 to 1.1 per cent in the United Kingdom of Great Britain and Northern Ireland; a similar decline was witnessed in Germany and Italy (see table 1).

In Canada, the growth rate increased from 3.1 to 3.6 per cent between 1998 and 1999. The slowdown in 1998 was associated with the East Asian crisis and weak commodity prices. For the other developed economies as a group, GDP grew by 3.5 per cent in 1999, against 2.1 per cent in 1998.

Chart 2 shows economic growth rates for various country groupings and the world as a whole for the period 1998-2000.

Chart 2. Growth in world and regional output, 1998-2000



³ Ibid.

⁴ IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

3. Economic growth in developing countries and economies in transition

GDP growth in developing economies exceeded that in developed economies. In the former, the growth rate increased from 3.2 to 3.5 per cent and is projected to reach 4.8 per cent in 2000 (see table 2). This improvement occurred mainly as a result of the rapid recovery of the crisis-hit economies in East Asia; the continued implementation of the structural adjustment and economic reform programmes in developing countries, with particular attention given to fiscal and monetary policies, privatization programmes, and trade liberalization policies; strong growth in the developed countries, which led to rising demand for imports from developing countries; and integration into global markets, which accelerated the flow of foreign direct investment (FDI) and technology into developing countries.

TABLE 2. GROWTH IN THE OUTPUT* OF DEVELOPING COUNTRIES AND ECONOMIES IN TRANSITION, 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
Developing countries	4.9	6.7	6.5	6.8	6.1	6.6	5.8	3.2	3.5	4.8
Africa	1.8	0.2	0.7	2.4	3.0	5.9	3.1	3.4	3.1	5.0
Asia	6.6	9.5	9.3	9.6	9.1	8.2	6.6	3.7	5.3	5.4
Excluding China and India	6.5	6.6	6.1	6.7	7.5	6.6	3.6	(5.4)	2.3	4.0
Middle East and Europe	2.7	7.1	3.9	0.7	3.7	4.7	4.5	3.2	1.8	3.1
Western hemisphere	3.9	3.3	3.9	4.9	1.5	3.6	5.3	2.2	0.1	3.9
Economies in transition	(7.6)	(13.8)	(7.1)	(7.1)	(0.5)	(0.3)	2.2	(0.2)	0.8	2.8
Central and Eastern Europe	(9.9)	(8.5)	(3.7)	(2.9)	1.6	1.6	3.0	2.2	1.0	3.3
Russian Federation	(5.4)	(19.4)	(10.4)	(11.6)	(2.4)	(3.4)	0.9	(4.6)	—	2.0
Transcaucasus and Central Asia	(7.0)	(14.4)	(9.6)	(10.4)	(4.4)	1.6	2.5	2.2	2.0	2.9

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates negative growth.

* Real GDP.

a/ Estimates.

b/ Projections.

At the regional level, Asian countries achieved the highest GDP growth rate among developing country groupings in 1999. Asian growth was measured at 5.3 per cent last year and is expected to reach 5.4 per cent this year. This strong growth may be generally attributed to the economic recovery in those countries closest to the epicentre of the crisis in East Asia, namely, Indonesia, Malaysia, the Republic of Korea and Thailand. The exports of these countries have generally increased, supported by competitive exchange rates and enhanced cooperation among regional trading partners. Sharp declines in some commodity prices, low inflation rates and an upturn in the electronics industry have also contributed to the turnaround.

Although the growth of the Chinese economy slowed somewhat, falling from 8.8 per cent in 1997 to 7.8 per cent in 1998 and 6.6 per cent in 1999, it remained comparatively high. The economy suffered from weak private sector demand, deflationary pressures, large capital outflows, and a rise in unemployment rates. The authorities worked to relax fiscal policies further in 1999, which is a positive sign, especially to the

CHAPTER I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

extent that this can be used to strengthen social security nets and expedite economic restructuring. The growth that was achieved in 1999 was helped by the decline in inflation.⁵

Among the developing regions, Africa ranked second (after Asia) in economic growth, with aggregate GDP growth estimated at 3.1 per cent in 1999; this figure is expected to jump to 5.0 per cent in 2000. Some African countries achieved particularly strong growth, including Côte d'Ivoire,⁶ Ghana, Sudan, Tunisia and Uganda. This positive growth was mainly due to the continued implementation of appropriate macroeconomic policies, structural reforms and privatization programmes, and to good agriculture harvests. There have also been some efforts to promote economic integration; most notably, a common external tariff is being applied by the West African Economic and Monetary Union, and there are plans to establish free trade areas in the Common Market for Eastern and Southern Africa and in the Southern African Development Community in 2000. These economic groupings are expected to enhance economic development through investment and trade.

In the Middle East and the developing countries of Europe, aggregate economic growth fell from 3.2 per cent in 1998 to an estimated 1.8 per cent in 1999. This decline in economic performance was caused mainly by the sharp drop in the oil revenues of many oil-exporting countries in the Middle East in 1998, which affected external balances, fiscal positions and short-term growth. The recovery of oil prices (as of March 1999) will positively affect these countries in 2000. Economic performance in the ESCWA region, which includes most of the countries of the Middle East, will be discussed in detail in chapter II. There are some encouraging indicators for the Middle East region, including the Arab free trade agreement, which was signed in 1998 and provides for the reduction of tariffs by 10 per cent annually over a period of 10 years; the trade agreements concluded by Jordan, Morocco and Tunisia with the EU; bilateral trade liberalization measures implemented by various countries in the region; and positive developments in the Middle East peace process.⁷ All of this activity is expected to reflect positively on the region's economic performance in the long run.

In the developing countries of the western hemisphere (Latin America and the Caribbean), economic growth in 1999 was very slow, estimated at only 0.1 per cent, owing to slowdowns in a number of countries in that region. The economic situation is expected to improve in 2000, however, with growth projected to reach 3.9 per cent as a result of Brazil's economic recovery and the improvement of economic policies in the region.

The growth achieved in the Russian economy in 1997 and early 1998 could not be sustained following the financial crisis that hit the Russian Federation in 1998 and also affected neighbouring countries within the group referred to as economies in transition. Exchange rates depreciated, inflation increased to a level higher than that of any other regional grouping, and fiscal positions deteriorated; continuing economic and political uncertainties led to further capital flight and a sharp decline in FDI compared with pre-crisis levels. Nevertheless, some recent developments suggest that the economic decline is being reversed. Industrial output has picked up as a result of increased import substitution following the considerable depreciation of the rouble.⁸ In addition, the oil price recovery in 1999 had a positive effect on the current account balance and is projected to lead to further positive developments in 2000. GDP growth for the economies in transition, which was negative in 1998, is believed to have shifted upward; growth was registered at 0.8 per cent in 1999 and is projected to rise to 2.8 per cent in 2000.

⁵ IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

B. INFLATION

Inflation rates continued to decrease significantly in developed economies, decline somewhat in developing countries, and remained very high in the economies in transition (see table 3 and chart 3). Inflation is an economic indicator that reflects the fiscal and monetary policies implemented, the status of production and consumption, and developments in global markets. In the major industrialized (G-7) economies, inflation rates declined from 2.0 per cent in 1997 to 1.3 per cent in 1998, then rose slightly to 1.4 per cent in 1999.

TABLE 3. GROWTH IN CONSUMER PRICES, 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
Developed economies	4.7	3.5	3.1	2.6	2.6	2.4	2.1	1.5	1.4	1.8
Major industrialized countries	4.3	3.2	2.8	2.2	2.4	2.2	2.0	1.3	1.4	1.7
United States	4.2	3.0	3.0	2.6	2.8	2.9	2.3	1.6	2.2	2.5
Japan	3.3	1.7	1.2	0.7	(0.1)	0.1	1.7	0.6	(0.4)	—
Germany	3.5	5.1	4.4	2.7	3.1	1.2	1.5	0.6	0.4	0.8
France	3.2	2.4	2.1	1.7	1.8	2.1	1.3	0.7	0.5	1.1
Italy	6.3	5.3	4.6	4.1	5.2	3.9	1.7	1.7	1.5	1.6
United Kingdom	6.8	4.7	3.0	2.4	2.8	3.0	2.8	2.7	2.3	2.2
Canada	5.6	1.5	1.8	0.2	2.2	1.6	1.4	1.0	1.5	1.7
Other developed economies	6.3	4.9	4.1	4.1	3.6	3.2	2.4	2.5	1.4	2.1
Developing countries	43.2	32.8	47.3	51.8	22.1	14.6	9.2	10.3	6.7	5.8
Africa	24.6	32.5	30.6	37.3	33.2	25.9	11.1	8.7	9.0	6.9
Asia	8.3	7.6	10.7	15.9	12.8	8.2	4.8	8.0	3.1	3.5
Middle East and Europe	28.0	25.1	25.3	31.4	35.6	24.2	23.1	23.6	18.3	13.1
Western hemisphere	173.9	110.8	209.0	208.9	35.9	22.4	13.2	10.6	9.8	7.6
Economies in transition	94.1	646.6	602.0	266.9	126.8	40.6	28.2	20.9	39.3	18.1
Central and Eastern Europe	94.9	277.2	356.5	152.6	74.6	32.0	36.7	17.8	21.3	15.9
Russian Federation	92.7	1 353.0	895.9	302.0	190.1	47.8	14.7	27.7	88.4	23.4
Transcaucasus and Central Asia	97.0	938.2	1 224.0	1 671.8	248.7	64.1	36.5	15.3	16.1	15.3

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates negative growth (deflation).

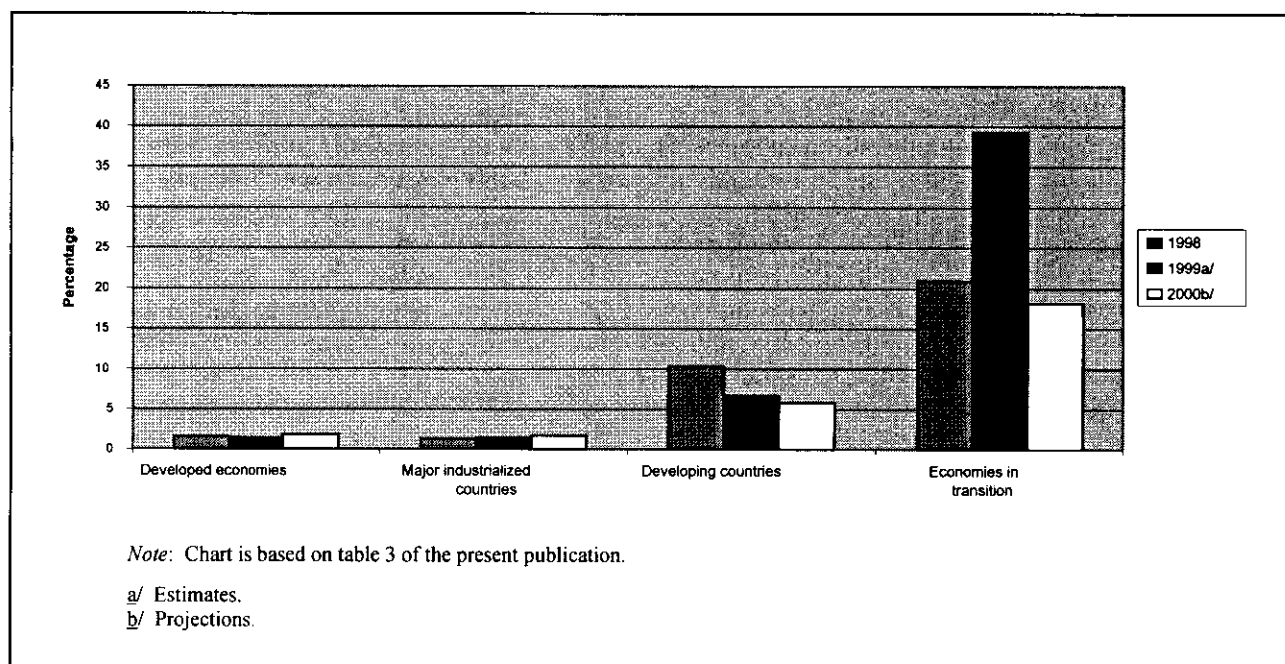
a/ Estimates.

b/ Projections.

The average rate of inflation for developing countries as a group fell sharply, from 10.3 to 6.7 per cent, between 1998 and 1999 owing to the implementation of prudent monetary and fiscal policies in most of those countries. In Asia, the inflation rate dropped from 8.0 per cent in 1998 to only 3.1 per cent in 1999 as a result of the rapid recovery from the financial crisis in East Asia and the accompanying appreciation of several of the local currencies. In Africa, the inflation rate rose to 9.0 per cent in 1999, a slight increase over the 8.7 per cent recorded for 1998. For the developing countries of the western hemisphere, the inflation rate was moderate, as in Africa, and has been continuously decreasing. In the Middle East and the developing countries of Europe, the rate of inflation decreased from 23.6 per cent in 1998 to 18.3 per cent in 1999,

though it remains high in comparison with other developing regions. Two countries in this region had particularly high inflation rates in 1999: Iran, with 15.0 per cent; and Turkey, with 60.4 per cent in 1999.⁹

Chart 3. Inflation rates for major country groupings, 1998-2000



The economies in transition still have the highest inflation rate among the country groupings of the world. Between 1998 and 1999, it rose from 20.9 to 39.3 per cent, reflecting a deterioration in exchange rate and fiscal positions. In the Russian Federation, inflation increased more than threefold, from 27.7 to 88.4 per cent.

C. DEVELOPMENTS IN INTERNATIONAL FINANCIAL MARKETS

1. Interest rate

The short-term interest rate averaged 3.8 per cent in developed economies in 1999, similar to the figures recorded for 1997 and 1998 (see table 4). In the major industrialized countries, the short-term interest rate increased slightly, from 3.6 per cent in 1998 to 3.8 per cent in August 1999. In the United States, the short-term interest rate reached 5.4 per cent by August 1999, compared with 4.9 per cent in 1998. In Japan, the short-term interest rate fell from 0.2 in 1998 to zero in August 1999. Japan will likely maintain a zero interest rate until private demand stabilizes and begins to grow in a sustainable manner. In France, Germany and Italy, the short-term interest rate was lower in August 1999 than in 1998. The United Kingdom had the highest short-term interest rate among the major developed economies in 1998, at 7.4 per cent; however, this rate decreased to about 5.3 per cent by August 1999. A slight increase in the Canadian short-term interest rate, from 4.7 to 4.9 per cent, was witnessed during the period under review.

⁹ IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999), p. 20.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 4. INTEREST RATES IN DEVELOPED ECONOMIES, 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	August 1999
<i>Short-term interest rates</i>									
Developed economies	8.1	6.9	5.4	4.9	5.2	4.1	4.0	4.0	3.8
Major industrialized countries	7.6	6.1	4.6	4.4	4.7	3.7	3.7	3.6	3.8
United States	5.5	3.5	3.1	4.4	5.7	5.1	5.2	4.9	5.4
Japan	7.0	4.1	2.7	1.9	1.0	0.3	0.3	0.2	—
Germany	9.3	9.5	7.2	5.3	4.5	3.3	3.3	3.5	2.7
France	9.2	9.5	7.2	5.3	4.5	3.3	3.3	3.7	2.5
Italy	12.7	14.5	10.5	8.8	10.7	8.6	6.6	4.8	2.5
United Kingdom	11.5	9.5	5.9	5.5	6.7	6.0	6.9	7.4	5.3
Canada	8.8	6.6	4.8	5.5	7.1	4.2	3.2	4.7	4.9
Other developed economies	11.0	10.6	8.7	7.4	7.3	6.1	5.7	5.7	4.1
<i>Long-term interest rates</i>									
Developed economies	8.7	8.0	6.6	7.2	6.8	6.1	5.4	4.5	5.3
Major industrialized countries	8.3	7.5	6.2	6.8	6.4	5.8	5.2	4.2	5.0
United States	7.9	7.0	5.9	7.1	6.6	6.4	6.4	5.3	6.0
Japan	6.3	5.1	4.0	4.2	3.3	3.0	2.1	1.3	1.9
Germany	8.5	7.9	6.4	7.1	6.9	6.2	5.6	4.6	4.9
France	9.0	8.6	6.9	7.4	7.6	6.4	5.6	4.8	5.0
Italy	13.1	13.3	11.3	10.5	12.2	9.4	6.9	4.9	5.1
United Kingdom	10.1	9.1	7.5	8.2	8.2	7.8	7.0	5.5	5.6
Canada	9.4	8.1	7.2	8.4	8.1	7.2	6.1	5.3	5.7
Other developed economies	11.0	10.5	8.7	9.3	9.1	7.7	6.7	6.0	6.5

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Long-term interest rates in developed countries tended to increase in 1999. For this group as a whole, it averaged 5.3 per cent in August 1999, compared with 4.5 per cent in 1998. In Japan, the long-term interest rate was 1.3 per cent in 1998, increasing to 1.9 per cent by August 1999 (see table 4).

The upward trend in interest rates in Canada and the United States will have a mixed impact on the ESCWA region. Those ESCWA member countries with investments abroad, particularly in the United States and Canada, will benefit from the increased interest on their respective bank deposits in these countries. However, ESCWA member countries whose national currencies are tied to the United States dollar will be obliged to follow suit and also raise interest rates on their respective currencies. Such an action, while reducing inflationary pressures, may stifle economic growth. Furthermore, debtor countries will be negatively affected, as their debt service payments will rise.

2. Exchange rate

The United States dollar has appreciated against the currencies of many of the other major industrialized countries in recent years. The exchange rate is determined by many factors, including the financial system in place, monetary and fiscal policies, and the international trade situation.

Some notable exchange rate activity took place between 1998 and 1999. The Japanese yen appreciated by 11.9 per cent, with the rate shifting from 130.9 to 115.3 yen to the United States dollar. The strengthening of the yen poses some risk to Japan's economy during this early period of its recovery. The

CHAPTER I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

initial weakening of the euro against the United States dollar supported manufacturing growth in Germany and Italy.¹⁰ The deutsche mark, French franc and Italian lira increased by about 4 per cent against the United States dollar during the period under review. The Canadian dollar also appreciated against the United States dollar, but only by 1.3 per cent, while the pound sterling depreciated by about 3 per cent (see table 5).

TABLE 5. EXCHANGE RATES FOR MAJOR CURRENCIES, 1991-2000
(US dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}
Euro ^{a/}	-	-	-	-	-	-	-	-	1.09
Japanese yen	134.7	126.7	111.2	102.2	94.1	108.8	121.0	130.9	115.3
Deutsche mark	1.66	1.56	1.65	1.62	1.43	1.50	1.73	1.76	1.83
French franc	5.64	5.29	5.66	5.55	4.99	5.12	5.84	5.90	6.14
Italian lira	1 241	1 232	1 574	1 612	1 629	1 543	1 703	1 736	1 813
Pound sterling ^{a/}	1.76	1.76	1.50	1.53	1.58	1.56	1.64	1.66	1.61
Canadian dollar	1.15	1.21	1.29	1.37	1.37	1.36	1.38	1.48	1.50

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

a/ Expressed in United States dollars per currency unit.

D. DEVELOPMENTS IN GLOBAL COMMODITY MARKETS

Developments in commodity prices in the world markets have a wide range of positive and negative effects on different economies in the world. Prices are determined mainly by market forces and are affected by commodity production in an economy, commodity stocks, self-sufficiency ratios for consumption commodities, pricing policies for some commodities such as oil, and foreign trade policies.

In 1999, non-oil commodity prices continued to fall. An increase of 2.2 per cent had been recorded in 1997, but in 1998 and 1999 the prices of non-oil commodities declined by 15.7 and 11.2 per cent respectively. A shift upward is expected in 2000. Food prices decreased at a higher rate in 1999 (14.0 per cent) than in 1998 (9.6 per cent). Beverage prices also dropped sharply in 1999, falling by 25.7 per cent. Raw material prices increased slightly in 1999, by only 1.2 per cent, against a drop of 23.2 per cent in 1998 (see chart 4).

As chart 5 indicates, oil prices witnessed a dramatic change in 1999: they completely recovered from the sharp decline in 1998, and the price increased from US\$ 10.4/barrel (b) in December 1998 to US\$ 25.1/b in December 1999. The recovery was sparked by an agreement among the members of the Organization of Petroleum Exporting Countries (OPEC) in March 1999 to reduce production by an additional 1.7 million barrels per day (b/d) and their relatively strict compliance with those targeted cuts since then. The remarkable oil price recovery in 1999 is expected to have a positive effect on the economic performance of the oil-exporting countries in 2000. However, if oil prices remain high, they could have serious adverse effects on oil-importing countries.

The ESCWA members, in particular the major oil-producing and -exporting countries, benefited from the sharp rise in oil prices in 1999. The accompanying increase in government revenues had a positive impact on the economy in general, as it led to higher economic growth in 1999 in comparison with 1998.

¹⁰ World Bank web site: Prospects for Development, "Global economic prospects and the developing countries, 2000", p. 3, downloaded from <http://www.worldbank.org/prospects/gep2000/full.htm>.

Chart 4. Annual percentage change in non-oil commodity prices, 1997-2000

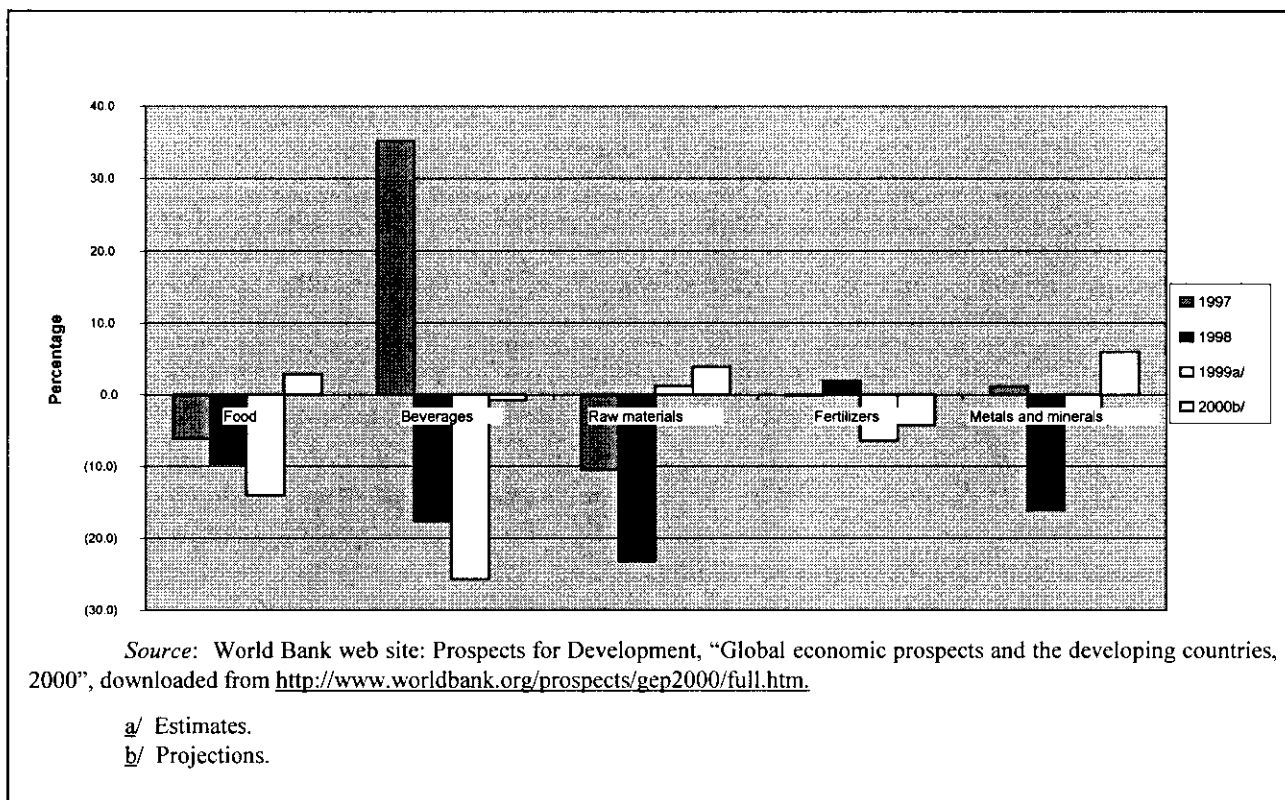
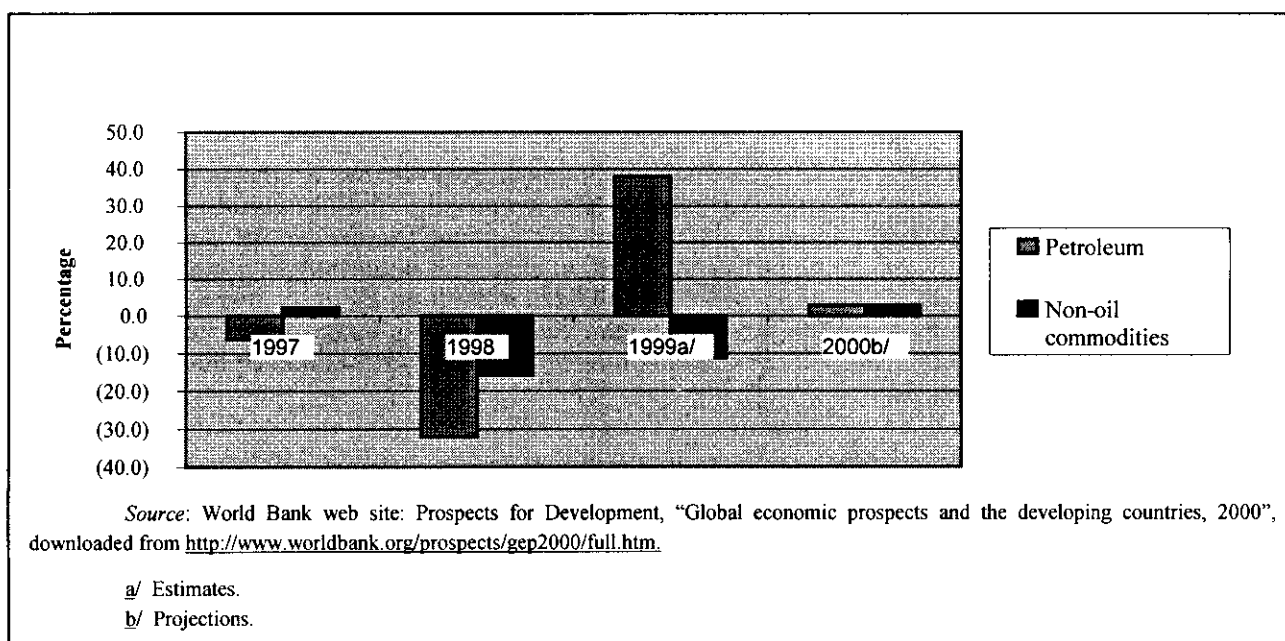


Chart 5. Annual percentage change in oil and non-oil commodity prices, 1997-2000



CHAPTER I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

E. GROWTH IN EMPLOYMENT AND UNEMPLOYMENT RATES*

Estimates indicate that between 1998 and 1999 the employment growth rate for developed economies decreased from 1.1 to 1.0 per cent, while the rate of unemployment fell from 6.7 to 6.5 per cent (see table 6). Both changes were relatively slight.

TABLE 6. UNEMPLOYMENT RATES AND GROWTH IN EMPLOYMENT IN
DEVELOPED ECONOMIES, 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
Unemployment rate										
Developed economies	6.5	7.2	7.6	7.4	7.0	7.1	6.8	6.7	6.5	6.5
Major industrialized countries	6.5	7.1	7.2	7.0	6.7	6.7	6.5	6.2	6.2	6.4
United States	6.9	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.3	4.5
Japan	2.1	2.2	2.5	2.9	3.1	3.3	3.4	4.1	5.0	5.8
Germany	5.5	6.6	7.9	8.4	8.2	8.9	9.9	9.4	9.1	8.6
France	9.4	10.3	11.6	12.3	11.7	12.4	12.5	11.6	11.3	10.7
Italy	10.9	10.7	10.1	11.1	11.6	11.6	11.7	11.8	11.7	11.4
United Kingdom	7.8	9.6	10.3	9.4	8.1	7.4	5.7	4.7	4.8	5.3
Canada	10.4	11.3	11.2	10.4	9.5	9.7	9.2	8.3	8.0	8.1
Other developed economies	6.5	7.3	8.6	8.7	8.2	8.1	7.8	8.1	7.5	6.9
Growth in employment										
Developed economies	0.1	(0.1)	—	1.0	1.1	1.0	1.4	1.1	1.0	0.8
Major industrialized countries	(0.1)	(0.1)	—	0.9	0.8	0.8	1.3	0.9	0.8	0.6
United States	(0.9)	0.7	1.5	2.3	1.5	1.4	2.2	1.5	1.5	0.9
Japan	1.9	1.1	0.2	0.1	0.1	0.5	1.1	(0.6)	(1.0)	(0.3)
Germany	1.7	(1.9)	(1.8)	(0.7)	(0.4)	(1.3)	(1.3)	—	0.1	0.2
France	0.2	(0.6)	(1.2)	(0.1)	0.8	0.3	0.2	2.1	1.6	1.5
Italy	1.4	(1.1)	(4.1)	(1.6)	(0.6)	0.5	0.4	1.1	1.1	0.7
United Kingdom	(3.6)	(2.8)	(0.7)	0.8	1.7	1.9	1.8	1.2	—	(0.3)
Canada	(1.9)	(0.6)	1.4	2.1	1.6	1.2	1.9	2.8	2.4	1.8
Other developed economies	0.8	(0.1)	(0.3)	1.3	2.1	1.7	1.8	1.7	1.9	1.6

Source: IMF, *World Economic Outlook, October 1999: A survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates negative growth.

a/ Estimates.

b/ Projections.

The unemployment rate in the major industrialized countries remained stable at 6.2 per cent between 1998 and 1999. Japan, the United Kingdom and, the United States, maintained low rates of unemployment, but in the other major industrialized economies, unemployment remained high (see table 6 and chart 6). Despite their relatively low unemployment levels, the developed economies showed no sign of inflationary pressures. This was attributed to the increase in labour force productivity in these countries, which kept production costs low (see chart 7).

Data were available only for developed economies.

Chart 6. Unemployment rates and growth in employment in developed economies, 1998-2000

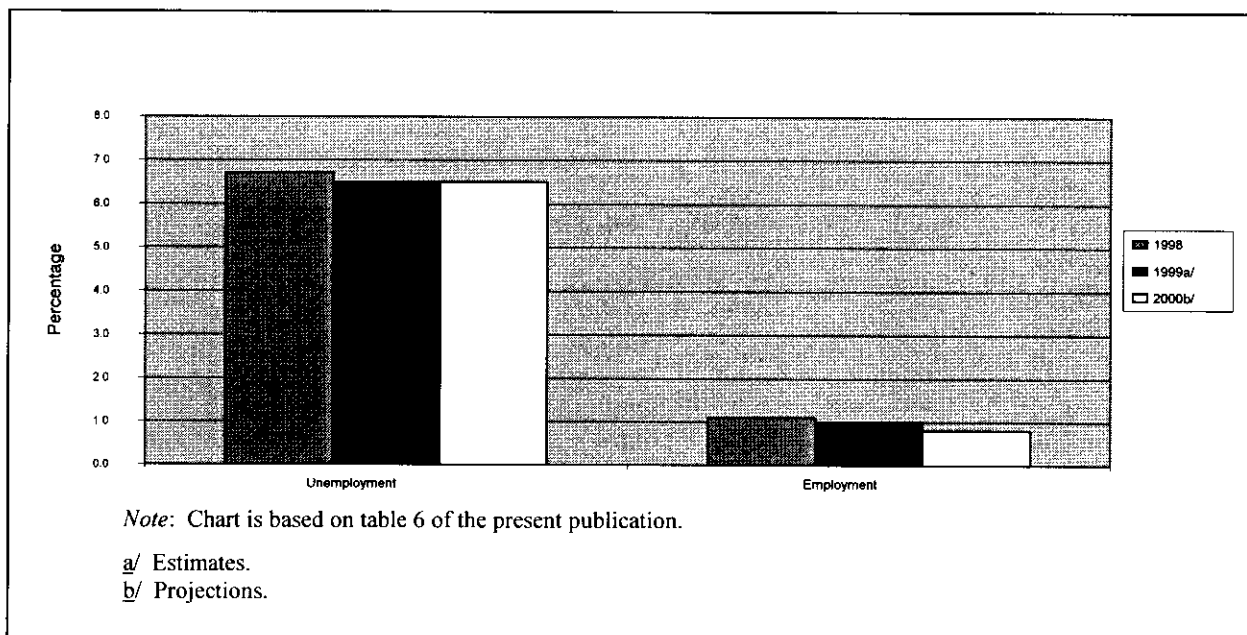
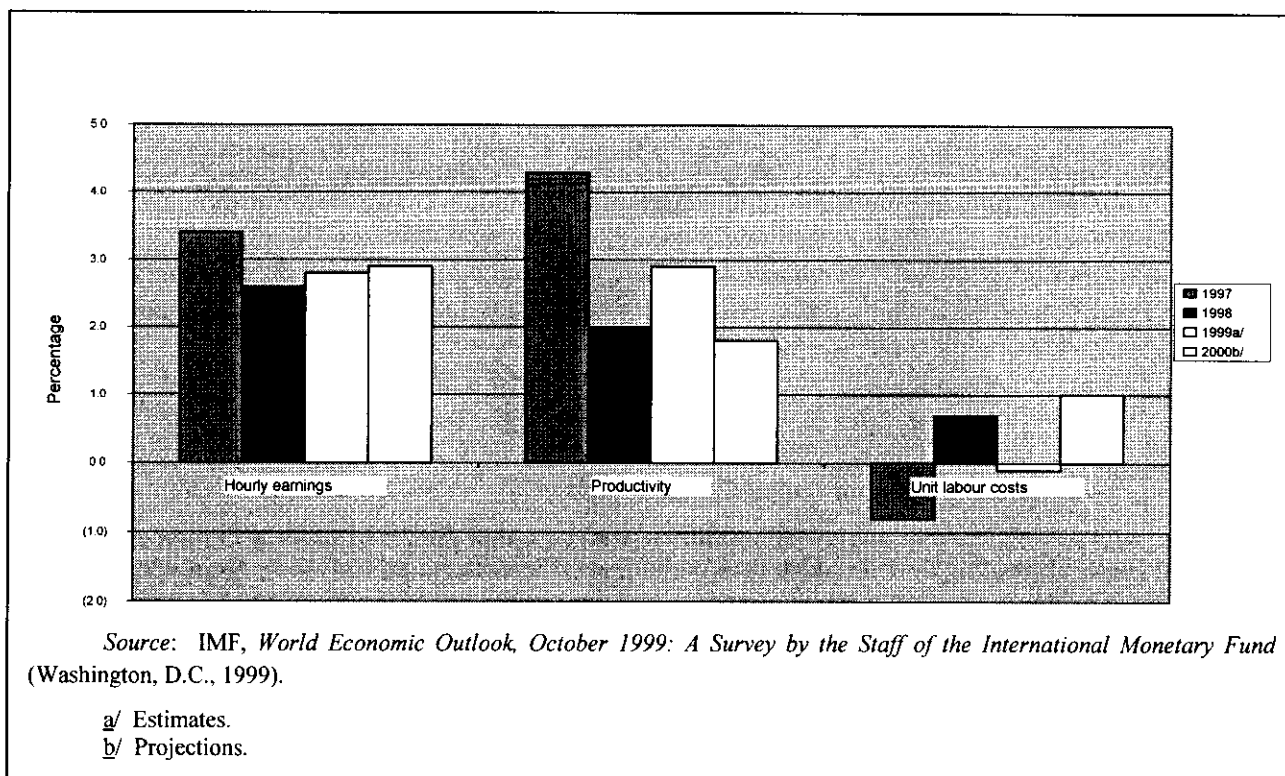


Chart 7. Hourly earnings, productivity, and unit labour costs in manufacturing in developed economies, 1997-2000



CHAPTER I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

Only Japan experienced negative employment growth (-1.0 per cent) in 1999; positive differential rates were recorded for all the other major industrialized economies. The annual increase in the employment rate remained the same in the United States (1.5 per cent) and Italy (1.1 per cent). In the other developed economies, growth in employment is estimated to have increased in 1999 in comparison with 1998.

F. DEVELOPMENTS IN THE EXTERNAL SECTOR

1. *World trade*

World trade in goods and services is estimated to have increased only slightly between 1998 and 1999, from 3.6 to 3.7 per cent, but is projected to reach 6.2 per cent in 2000 (see table 7). During 1998, world trade dropped sharply owing to the combined effects of the financial crises in East Asia, the Russian Federation and Brazil, which contributed to a slowdown in import demand. In 1999, there were a number of factors that are believed to have contributed to the acceleration of world trade, including the rapid recovery in East Asia; strong economic growth in most developed economies and stabilization in Japan; the recovery in oil prices; and the trend among developing countries towards integration into the world economy.

TABLE 7. WORLD TRADE VOLUMES, 1991-2000
(Annual percentage change)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
<i>World trade volume</i>	4.6	4.7	3.9	9.1	9.4	6.8	9.9	3.6	3.7	6.2
Exports										
Developed economies	5.7	5.2	3.3	8.7	9.0	6.3	10.3	3.2	3.0	6.2
Major industrialized countries	5.5	4.5	1.8	7.9	8.5	6.2	10.7	2.9	1.9	5.9
United States	6.3	6.6	2.9	8.2	11.3	8.5	12.8	1.5	3.6	6.5
Japan	5.2	4.9	1.3	4.6	5.4	6.3	11.6	(2.3)	(0.5)	3.3
Germany	12.8	(0.8)	(5.5)	7.6	5.8	5.3	10.9	6.5	0.3	6.3
France	4.1	4.9	(0.4)	6.0	6.3	5.2	12.6	6.3	1.6	6.4
Italy	(2.5)	6.5	8.0	10.1	12.7	1.5	5.0	1.2	2.0	5.8
United Kingdom	(0.2)	4.1	3.9	9.2	9.5	7.5	8.6	2.0	(0.9)	5.7
Canada	2.3	7.9	10.9	13.1	9.0	5.8	8.5	8.2	8.4	6.2
Other developed economies	6.0	6.4	5.9	10.1	9.8	6.4	9.6	3.9	4.8	6.8
Developing countries	7.0	11.0	8.8	13.0	10.7	8.8	11.4	4.9	2.4	5.6
Imports										
Developed economies	3.3	4.7	1.6	9.7	8.9	6.5	9.2	4.8	5.9	5.9
Major industrialized countries	1.9	4.1	0.8	9.1	8.2	6.7	9.6	6.5	5.7	5.3
United States	(0.7)	7.5	8.9	12.2	8.8	9.2	13.9	10.6	9.8	6.0
Japan	(3.1)	(0.7)	(0.3)	8.9	14.2	11.9	0.5	(7.5)	1.4	1.0
Germany	13.7	1.5	(5.4)	7.3	5.7	3.4	8.2	8.0	2.6	5.4
France	3.0	1.2	(3.5)	6.7	5.1	3.0	8.1	7.9	1.9	6.0
Italy	1.4	4.7	(10.3)	10.3	10.4	(1.3)	10.0	6.1	4.5	5.5
United Kingdom	(5.0)	6.8	3.2	5.4	5.5	9.1	9.2	8.4	5.2	6.0
Canada	3.2	6.2	7.4	8.3	6.2	5.8	14.6	5.8	8.2	5.0
Other developed economies	5.9	5.8	3.0	10.8	10.3	6.2	8.5	1.9	6.3	7.0
Developing countries	9.8	10.9	11.4	7.3	11.3	8.3	11.4	(1.3)	1.1	7.2

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SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 7 (continued)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
<i>Terms of trade</i>										
Developed economies	(0.8)	0.8	0.6	0.2	(0.2)	(0.3)	(0.5)	1.2	0.8	(0.3)
Developing countries	(5.0)	(2.6)	(0.5)	0.2	2.7	0.7	0.9	(6.6)	1.5	1.2

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates a decrease.

a/ Estimates.

b/ Projections.

The volume of world exports is believed to have declined in both developed and developing countries in 1999 in comparison with 1998 (see chart 8). In developed economies, the reduction was moderate (from 3.2 to 3.0 per cent), but in developing countries the drop was sharp (from 4.9 to 2.4 per cent). However, the volume of imports is estimated to have increased in 1999 in both developed and developing countries; in developed countries, the growth rate is estimated to have risen from 4.8 to 5.9 per cent, while developing countries witnessed an increase from a negative rate of 1.3 per cent to a positive rate of 1.1 per cent (see chart 9). Terms of trade, which represent an index number reflecting the unit value of exports and imports is estimated to have decreased in 1999 in developed countries and to have improved significantly in developing countries owing mainly to the rise in the unit value of exports, particularly oil.

Chart 8. Exports of developed and developing economies, 1998-2000

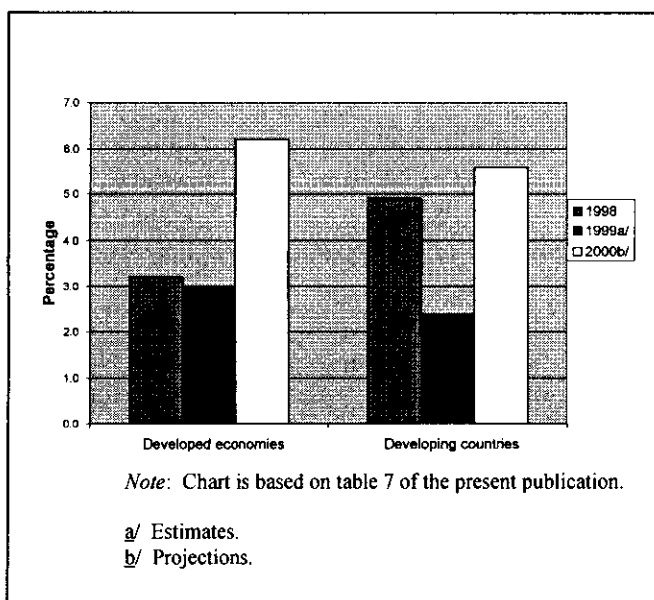
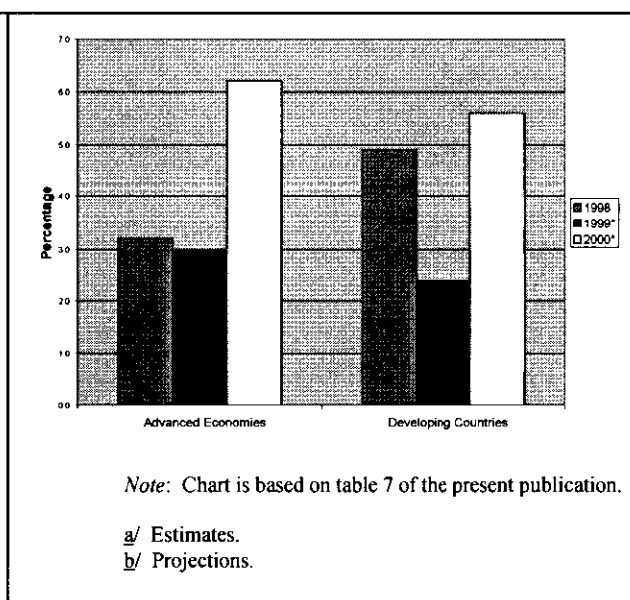


Chart 9. Imports of developed and developing economies, 1998-2000



The main event related to international trade in 1999 was the third Ministerial Conference of the World Trade Organization (WTO), held in Seattle, Washington, in the United States from 30 November to 3 December 1999. The agenda of the meeting included a number of important issues related to the WTO agreements. Box 1 provides a detailed look at the issues addressed at the meeting and the reasons for its failure to reach some important decisions.

Box 1. What happened in Seattle?

The World Trade Organization (WTO) was established in 1994. Its highest decision-making body, called the Ministerial Conference, meets every two years. The first Ministerial Conference was held in Singapore from 9 to 13 December 1996. The main outcome of the meeting was the establishment of three working groups to address new trade issues, including: (a) the interaction between trade and competition policies; (b) the relationship between trade and investment; and (c) transparency in government procurement. Other issues were discussed, such as trade facilitation and a plan of action to improve the capacity of least developed countries. In addition, a large number of participants signed a declaration to reduce barriers to trade in information technology products.⁴

The second Ministerial Conference, which was held in Geneva from 18 to 20 May 1998, coincided with the fiftieth anniversary of the establishment of the multilateral trading system. The General Agreement on Tariffs and Trade (GATT), precursor of the WTO, had been established in 1948. The participants requested the General Council to prepare a work programme for the WTO, with recommendations covering the implementation of decisions made in connection with the Uruguay Round and the Singapore meeting, as well as other matters. The General Council was also directed to prepare a work programme on global electronic commerce. All of the recommendations would be considered at the third Ministerial Conference.

The third Ministerial Conference was held in Seattle, Washington, in the United States from 30 November to 3 December 1999. This conference failed to reach decisions about different topics relating to international trade in goods and services, mainly owing to the fact that developed and developing countries were not ready to discuss issues related to agricultural subsidies, trade in services and certain other trade topics. According to Friends of the Earth,⁵ there were four reasons for this failure:

(a) Opposition from civil society: the civil disturbance in Seattle, which involved about 50,000 demonstrators, indicated the strength of opposition from American groups and other groups from around the world. This opposition encouraged different countries to register their dissatisfaction with and oppose various elements of the proposed negotiations;

(b) Conflict between developed and developing countries: developing countries were opposed to the inclusion of any new issues, mainly because of the lack of capacity; concerns that uncontrolled foreign investment would not benefit them; and the track record of the WTO, whose previous agreements (on issues such as agriculture and intellectual property rights) had been biased towards rich countries and worked against poorer countries. Most of the developing countries complained about procedures related to the working groups dealing with new issues such as competition and investment, in addition to voicing labour concerns;

(c) Conflicts between developed countries relating to agricultural support and the working group on biotechnology;

(d) WTO procedures: the representatives of some member countries found themselves overruled in working groups and unable to attend smaller "green room" meetings, and sometimes found themselves in meetings without negotiating papers.

Box 1 (continued)

The Secretary-General of the United Nations, in his address to the third Conference justified the current fears of developing countries when he said,^{a/} “In the past, developing countries have been told time and again that they stand to benefit from trade liberalization, and that they must open up their economies. They have done so, often at great cost. For the poorest countries, the cost of implementing trade commitments can be more than a whole year’s budget”. In the Uruguay Round, the developing countries cut their tariffs, as they were told to do; in this regard the Secretary-General pointed out that “rich countries had cut their tariffs less than poor ones. Not surprisingly, many of them feel they were taken for a ride.”

On dumping and agriculture subsidies, the Secretary-General stated that “in some industrialized countries, it seems almost as though emerging economies are assumed to be incapable of competing honestly, so that whenever they do produce something at a competitive price they are accused of dumping—and subjected to anti-dumping duties”. He added: “It is the industrialized countries who are dumping their surplus food on world markets—a surplus generated by subsidies worth US\$ 250 billion every year—and thereby threatening the livelihood of millions of poor farmers in the developing world, who cannot compete with subsidized imports.”

The foregoing indicates that in the coming round of negotiations, developed countries should take into consideration the requirements of developing and least developed countries, as there are wide gaps between the more developed and less developed countries in terms of income, exports of goods and services and technology. In particular, developing countries need to see actual reductions in agricultural support in developed countries (so that they can enhance their own exports), shifts in trade in services, some kind of cooperation in international trade, some tangible benefits from globalization, and the fair application of the WTO agreements.

^{a/} Downloaded from the United States Information Agency web site:
www.usia.gov/topical/econ/wto99/pp1029a.htm, pp. 1 and 2.

^{b/} Downloaded from the Friends of the Earth web site: www.foe.co.uk/camps/susdev/post_wto_brief.html, pp. 1 and 2.

^{c/} Downloaded from the Third World Network web site: www.southside.org.sg/souths/twn/title/annan-cn.htm, pp. 1 and 2.

2. External debts of developing countries

External debt tended to increase in developing countries during the 1990s (see table 8 and chart 10). Their total debt increased by 5.3 per cent between 1997 and 1998, but grew by only 0.2 per cent in 1999, amounting to US\$ 1,969.6 billion. This relatively small increase may be attributed to more prudent government policies, the receipt of grants, and the rescheduling of some debts. Among developing country groupings, the western hemisphere and Asia were the regions with the largest external debt, accounting for 38.1 and 32.1 per cent of total external debt in 1999 respectively; Africa accounted for 15.6 per cent and the Middle East and Europe for 14.2 per cent. The ratio of external debt to GDP in developing countries is believed to have remained unchanged at 37.1 per cent. Most external debts are long-term; such debts accounted for 86.9 per cent of total external debt in 1999. Official external debt represented 39.8 of the total external debt.

TABLE 8. EXTERNAL DEBT OF DEVELOPING COUNTRIES, 1991-2000
(Billions of US dollars)

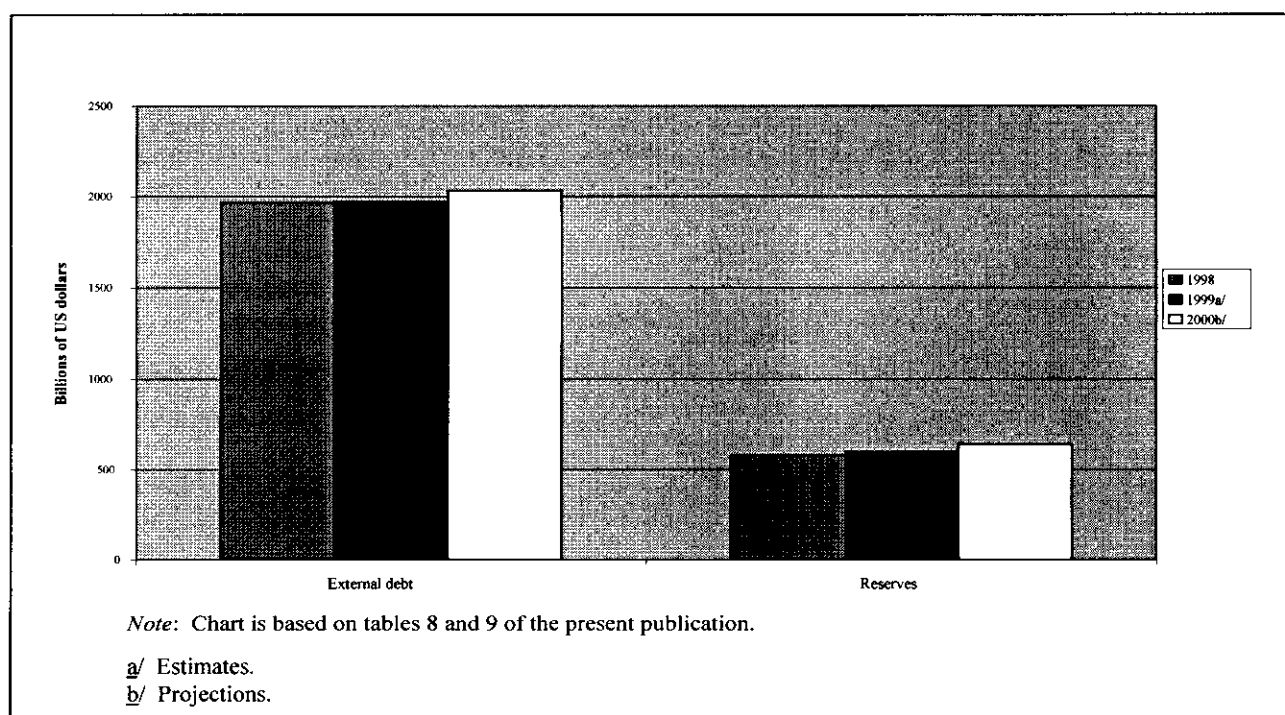
	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
External debt										
Developing countries	1 269.8	1 338.2	1 472.9	1 573.7	1 714.4	1 784.8	1 865.7	1 965.2	1 969.6	2 029.7
Africa	255.4	256.4	266.5	284.2	307.0	306.4	298.8	303.0	308.4	313.7
Asia	369.1	409.7	457.1	511.4	562.0	592.8	644.7	640.1	631.5	650.6
Middle East and Europe	186.7	191.7	210.8	214.0	223.1	231.4	241.9	271.3	279.3	290.4
Western hemisphere	458.5	480.4	538.5	564.0	622.4	654.2	680.3	750.9	750.4	774.9

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

a/ Estimates.

b/ Projections.

Chart 10. External debt and reserves of developing countries, 1998-2000



3. Reserves in developing countries

Total reserves in developing countries, which are estimated to have reached US\$ 597.2 billion in 1999, increased by 3.2 per cent over their 1998 level (see table 9 and chart 10). Asia accounted for 48.8 per cent of total developing country reserves, followed by the western hemisphere, with 25.1 per cent. The Middle East and the developing countries of Europe combined held US\$ 111.6 billion, or 18.7 per cent of total reserves. The ratio of reserves to imports of goods and services was estimated at 48.1 per cent in 1999, against 47.5 per cent in 1998. This ratio increased to 54.4 per cent in Asia, but decreased to 31.8 per cent in Africa.¹¹

¹¹ IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 9. RESERVES OF DEVELOPING COUNTRIES, 1991-2000
(Billions of US dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
Reserves										
Developing countries	246.2	261.3	307.9	362.3	432.5	517.8	570.2	578.4	597.2	638.6
Africa	21.3	18.5	19.8	24.9	26.7	32.0	43.3	42.7	44.0	52.1
Asia	95.2	86.9	109.7	158.2	188.4	233.8	255.1	273.7	291.4	316.1
Middle East and Europe	63.5	66.8	69.3	74.1	87.3	95.7	102.1	105.1	111.6	116.1
Western hemisphere	66.2	89.1	109.2	105.1	130.0	156.3	169.7	156.8	150.1	154.3

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

^{a/} Estimates.

^{b/} Projections.

4. Net capital flows to emerging market economies

Net capital flows include private and official flows to emerging market economies in developing countries. Private capital flows include net direct investment, net portfolio investment, and other types of investment. Total net private capital flows witnessed a sharp drop in 1998, amounting to US\$ 66.2 billion, against US\$ 148.8 billion in 1997, owing mainly to the financial crisis in East Asia (see table 10 and chart 11). These flows are estimated to have increased slightly in 1999, to US\$ 68.3 billion, as a result of the improvement in the economic environment in many emerging markets. However, official capital flows decreased significantly, from US\$ 43.6 billion in 1998 to only US\$ 9.4 billion in 1999.

TABLE 10. EMERGING MARKET ECONOMIES: NET CAPITAL FLOWS, 1997-2000
(Billions of US dollars)

		1997	1998	1999 ^{a/}	2000 ^{b/}
Total	Net private capital flows	148.8	66.2	68.3	118.5
	Net official flows	24.4	43.6	9.4	(2.4)
Africa	Net private capital flows	19.4	13.2	11.7	18.3
	Net official flows	(4.7)	2.2	4.8	(3.5)
Asia: crisis countries ^{c/}	Net private capital flows	(22.1)	(29.6)	(18.1)	(8.2)
	Net official flows	30.4	20.2	(4.5)	(0.6)
Other Asian emerging markets	Net private capital flows	25.4	(14.7)	(11.5)	4.9
	Net official flows	(0.4)	7.3	4.1	2.9
Middle East and Europe	Net private capital flows	17.0	10.3	17.4	11.1
	Net official flows	(0.8)	(1.1)	(1.7)	(2.0)
Western hemisphere	Net private capital flows	86.1	73.8	47.2	62.7
	Net official flows	(8.4)	4.1	4.8	(0.1)
Economies in transition	Net private capital flows	23.1	13.2	21.6	29.7
	Net official flows	8.2	10.8	1.9	1.1

Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

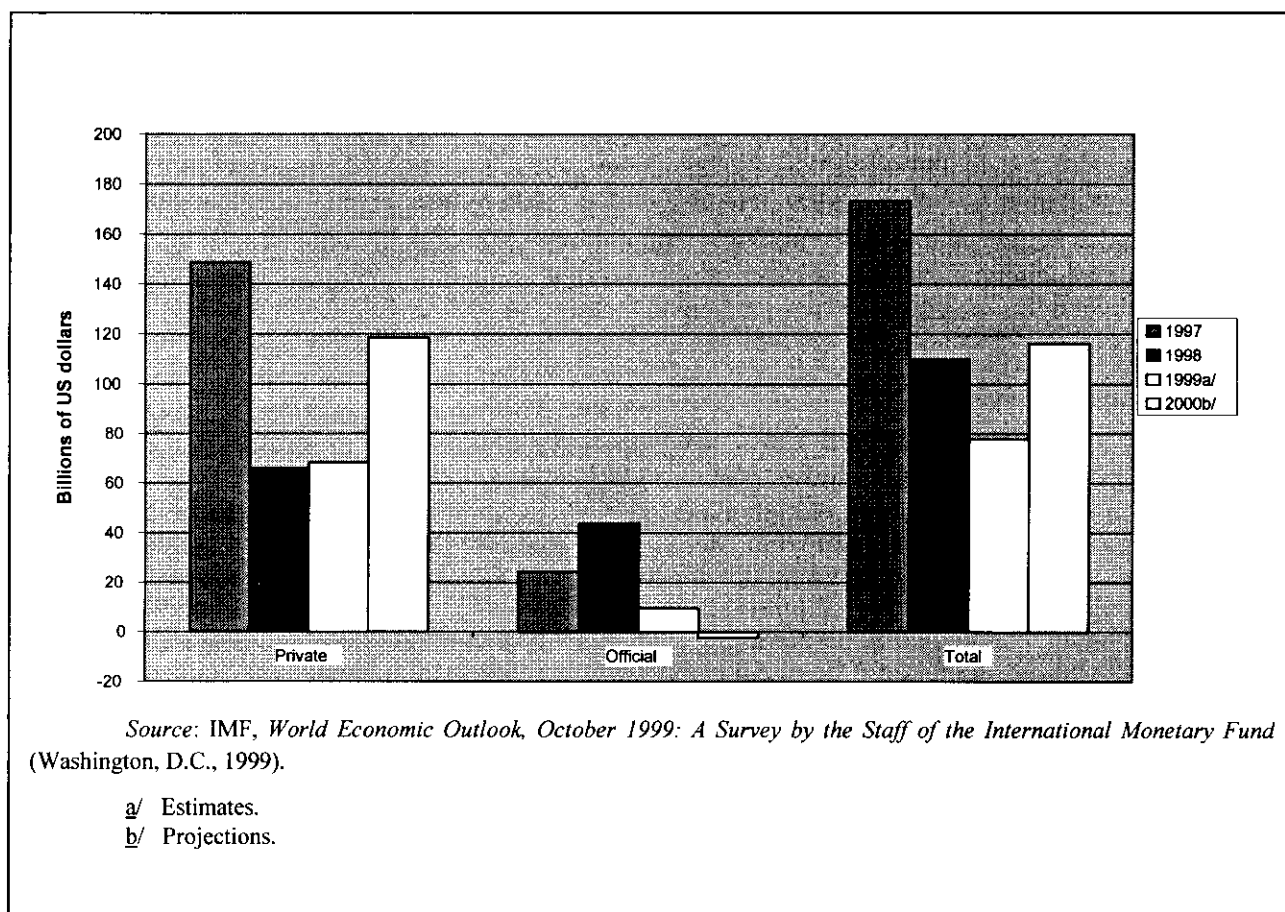
Note: () indicates negative.

^{a/} Estimates.

^{b/} Projections.

^{c/} Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand.

Chart 11. Total net capital flows to emerging market economies, 1997-2000



Among developing countries at the regional level, the western hemisphere is estimated to have received the largest private and official capital flows in 1999, followed by the Middle East and Europe. This development was attributable to the improvement of investment conditions in these countries. Projections for 2000 indicate that total net private capital flows will increase markedly, to around US\$ 118.5 billion.

5. Current account

The current account balance, which reflects trade and financial transactions, is estimated to have deteriorated in developed countries in 1999, mainly owing to the change in the balance of trade in goods, which registered a deficit in 1999 for the first time since 1992. Thus, the current account of developed countries as a group showed a deficit of US\$ 77.3 billion in 1999, against a surplus of US\$ 37.3 billion in 1998 (see table 11 and chart 12). In the developing countries, the current account deficit is estimated to have decreased from US\$ 77.3 billion in 1998 to US\$ 55.6 billion in 1999, or by 28.1 per cent, owing to the recovery in oil prices and the surge in East Asia's exports. In the economies in transition, the current account deficit is estimated to have been reduced from US\$ 25.1 billion in 1998 to US\$ 16.1 billion in 1999.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 11. CURRENT ACCOUNT BALANCES FOR VARIOUS COUNTRY GROUPINGS, 1991-2000
(Billions of US dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999 ^{a/}	2000 ^{b/}
Developed economies	(17.8)	(12.1)	66.1	32.8	55.3	44.7	81.4	37.3	(77.3)	(73.0)
Major industrialized countries	(14.4)	(16.0)	17.2	(8.5)	4.5	(6.4)	21.2	(51.0)	(142.5)	(146.1)
Developing countries	(98.6)	(84.3)	(120.8)	(88.6)	(89.1)	(72.6)	(62.1)	(77.3)	(55.6)	(66.0)
Economies in transition	4.9	(1.7)	(5.4)	3.8	(2.9)	(16.7)	(26.3)	(25.1)	(16.1)	(20.2)

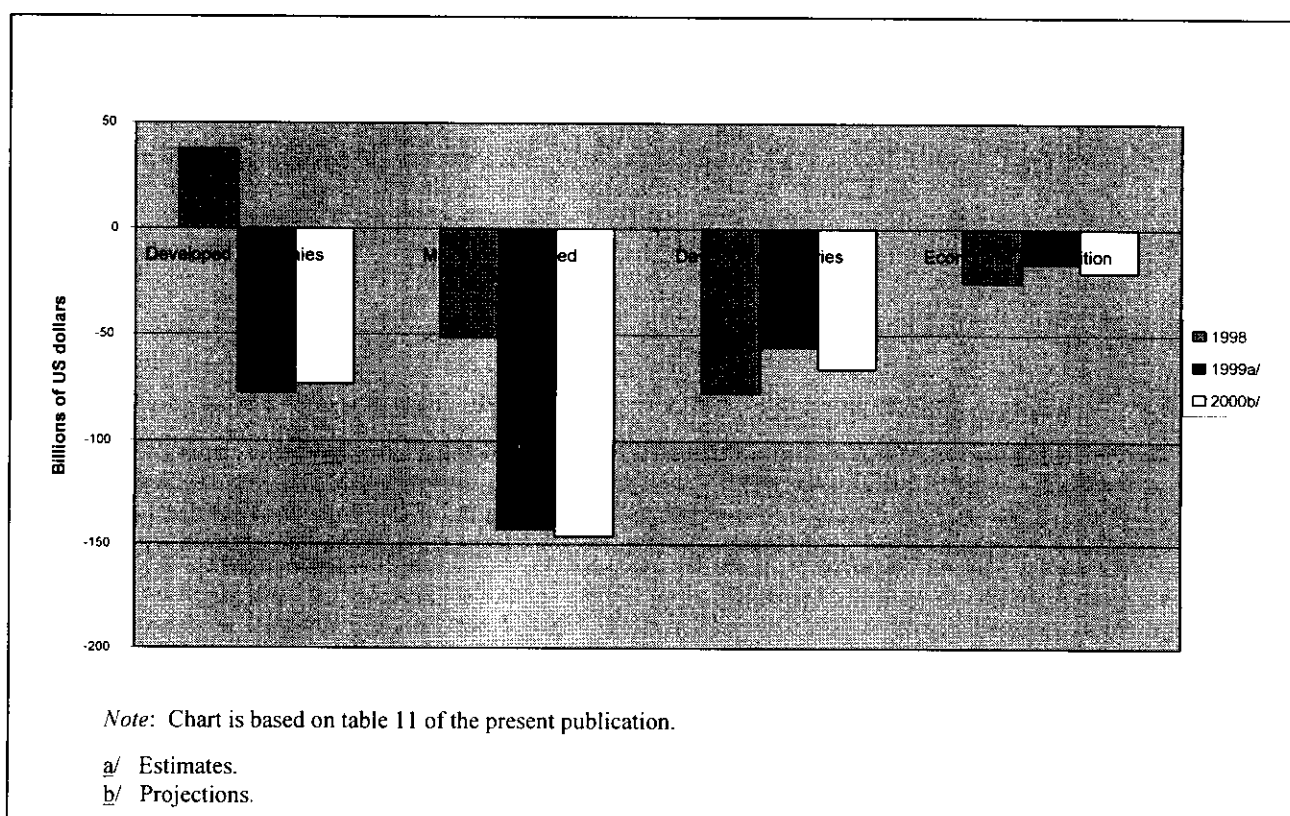
Source: IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

Note: () indicates a deficit.

a/ Estimates.

b/ Projections.

Chart 12. Current account balances, 1998-2000



G. OUTLOOK

The performance of the global economy in 2000 and 2001 will depend to a large extent on the sustainable recovery of the crisis countries; the fiscal and monetary policies adopted in different countries in the world; capital flows from developed to developing economies; global trade in goods and services;

CHAPTER I. MAJOR DEVELOPMENTS IN THE WORLD ECONOMY

agreements resulting from negotiations among WTO members; technology transfer and productivity performance; economic cooperation and integration; and developments in oil prices.

A preliminary overview of the world economy for 2000¹² indicates that the rate of economic growth is projected to increase to 3.5 per cent from 3.0 per cent in 1999. Inflation is projected to be 1.8 per cent in developed economies, 5.8 per cent in developing countries, and 18.1 per cent in the economies in transition. The unemployment rate in developed economies is projected to remain unchanged from its 1999 level of 6.5 per cent, but the annual rate of increase in unemployment is expected to fall to 0.8 per cent in 2000 from 1.0 per cent in 1999.

Private capital flows to emerging market economies are projected to increase from US\$ 68.3 billion in 1999 to US\$ 118.5 billion in 2000. However, official flows are projected to decrease from US\$ 9.4 billion to a negative US\$ 2.4 billion. Actual flows will depend on the improvement of the investment environment in the host countries.

With regard to global commodity markets, if oil prices remain as high as in 1999, oil-importing countries will likely suffer, which would lead to deficits in the budget and balance of trade, and the terms of trade will deteriorate. By contrast, if the oil-exporting countries increase production and prices fall, the inflation rate will remain under control and the balance of payments will improve in oil-importing countries. Non-oil prices are projected to start recovering in 2000, and this should lead to an improvement in the trade balance of countries exporting food commodities and raw materials.

The new round of WTO trade negotiations, which began in the first quarter of 2000, will concentrate on agriculture and services in addition to other topics, with particular emphasis on information technology and electronic commerce. The outcome of these negotiations will greatly affect world trade and the process of globalization.

The economies in the ESCWA region will continue to be affected, both directly and indirectly, by the developments in the international oil market. If the upward trend in oil prices continues or even stabilizes at a higher level in the year 2000, the impact will be positive.

¹² IMF, *World Economic Outlook, October 1999: A Survey by the Staff of the International Monetary Fund* (Washington, D.C., 1999).

II. AGGREGATE ECONOMIC PERFORMANCE

A. ECONOMIC GROWTH AND REFORM POLICIES

Economic growth accelerated in the region in 1999, especially during the second half of the year. Estimates indicate that the combined real GDP of the ESCWA members,¹³ excluding Iraq,¹⁴ grew by a rate of 3.12 per cent in 1999, which was higher than the rate of 2.31 per cent registered in 1998 but lower than the 3.39 per cent real GDP growth achieved by the region in 1997 (see table 12 and chart 13). Given that the region's annual population growth rate was around 2.5 per cent, real GDP per capita increased only slightly in 1999.

TABLE 12. REAL GDP TOTALS AND GROWTH RATES FOR THE ESCWA REGION (AT CONSTANT 1996 PRICES), 1997-2000
(Millions of US dollars and percentages)

ESCWA member	1996	1997	1998	1999 ^{a/}	2000 ^{b/}	Percentage change			
						1997	1998	1999 ^{a/}	2000 ^{b/}
Bahrain	61 01.9	6 291.1	6 593.0	6 889.7	7 234.2	3.10	4.80	4.50	5.00
Kuwait	30 654.3	31 512.6	30 945.4	31 100.1	31 908.7	2.80	(1.80)	0.50	2.60
Oman	15 277.8	16 255.6	16 727.0	17 345.9	18 126.5	6.40	2.90	3.70	4.50
Qatar	9 059.3	10 010.5	10 260.8	10 394.2	10 830.7	10.50	2.50	1.30	4.20
Saudi Arabia	141 321.8	145 109.2	145 834.8	148 459.8	15 3804.3	2.68	0.50	1.80	3.60
United Arab Emirates	47 993.5	48 929.4	50 397.3	53 421.1	57 267.4	1.95	3.00	6.00	7.20
GCC countries	250 408.6	258 108.4	260 758.2	267 610.8	279 171.9	3.07	1.03	2.63	4.32
Egypt ^{c/}	67 591.5	71 173.8	74 732.5	79 216.5	84 127.9	5.30	5.00	6.00	6.20
Jordan	6 644.4	6 730.8	6 845.2	6 988.9	7 212.6	1.30	1.70	2.10	3.20
Lebanon	12 996.0	13 450.9	13 854.4	13 965.2	14 216.6	3.50	3.00	0.80	1.80
Syrian Arab Republic	21 862.6	22 144.6	23 871.9	23 991.3	24 471.1	1.29	7.80	0.50	2.00
Yemen	6 958.5	7 319.6	7 551.7	7 868.8	8 222.9	5.19	3.17	4.20	4.50
West Bank and Gaza Strip	3 896.0	3 989.5	4 153.1	4 344.1	4 561.3	2.40	4.10	4.60	5.00
More diversified economies ^{d/}	119 949.0	124 809.3	131 008.8	136 374.9	142 812.5	4.05	4.97	4.10	4.72
ESCWA region ^{d/}	370 357.6	382 917.6	391 767.0	403 985.7	421 984.3	3.39	2.31	3.12	4.46

Source: ESCWA, based on national and international sources.

Note: () Indicates a decrease.

a/ ESCWA estimates.

b/ ESCWA projections.

c/ The fiscal year for Egypt starts 1 July and ends 30 June. Official figures for the fiscal years 1997/98 and 1998/99 indicate real GDP growth of 6.0 and 6.8 per cent respectively.

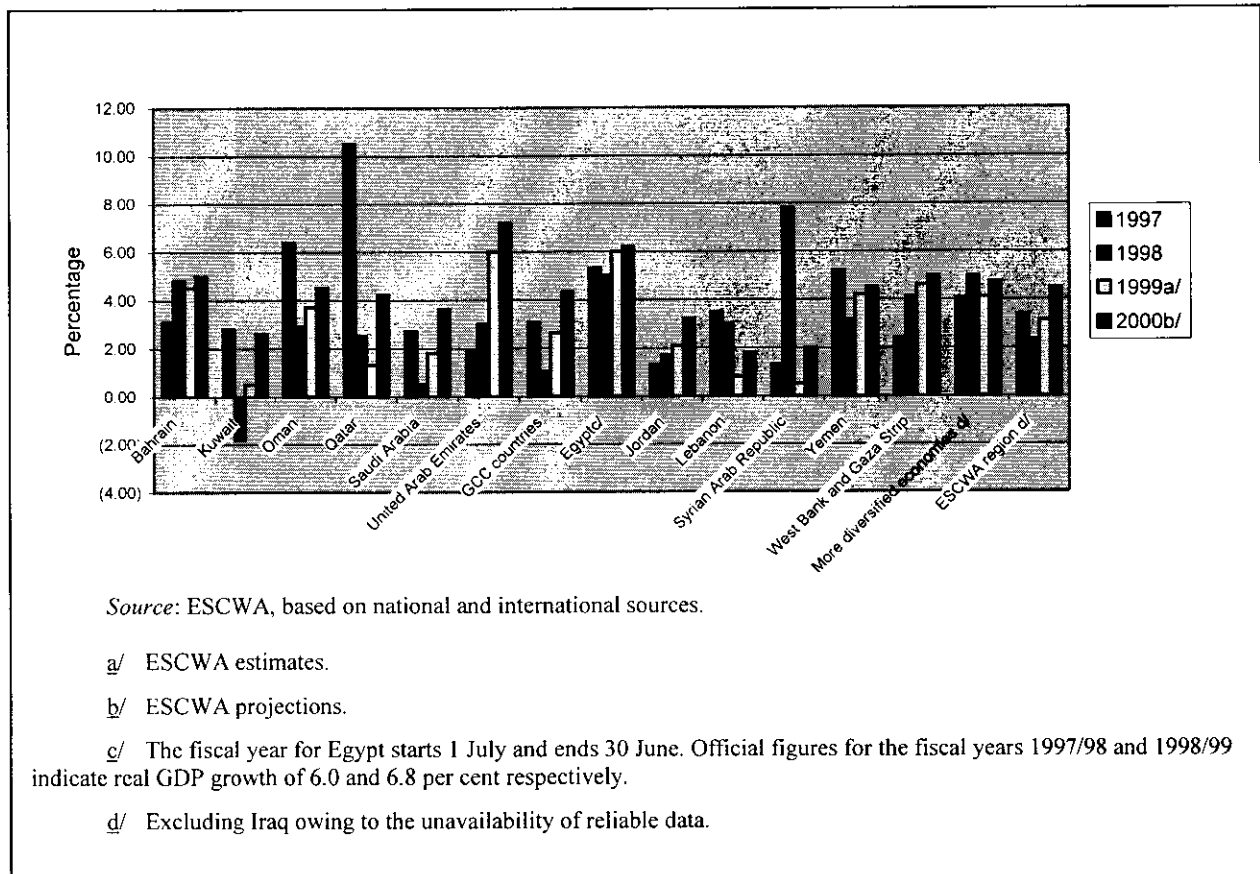
d/ Excluding Iraq owing to the unavailability of reliable data.

¹³ ESCWA members include Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine (the West Bank and Gaza Strip), Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

¹⁴ Iraq is excluded owing to the unavailability of reliable data.

Real GDP growth rates differed significantly between the GCC countries¹⁵ and the members with more diversified economies,¹⁶ and among the members of each group. Estimates indicate that in 1999, the combined real GDP growth rate for the GCC countries as a group was 2.63 per cent,¹⁷ while the countries with more diversified economies achieved a 4.10 per cent growth rate.

Chart 13. Real GDP growth in the ESCWA region, 1997-2000



The factor that enhanced economic growth most in 1999 and greatly improved the outlook for the year 2000 for the majority of ESCWA members was the sharp rebound in oil prices and revenues, which started in March and continued through the end of 1999. This was especially true for the GCC countries, where oil accounts for over 35 per cent of GDP, 75 per cent of government revenues and 85 per cent of exports.

Along with the higher oil prices and revenues, the most important factors affecting economic growth in the GCC countries in 1999 included oil production cutbacks, fiscal and monetary policies, and economic diversification and reform. All of these countries benefited considerably from higher oil prices and revenues. Most GCC countries reduced their oil production by between 6 and 12 per cent; two maintained their oil production at close to 1998 levels. While some countries quickly raised government expenditures at the first

¹⁵ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

¹⁶ Egypt, Iraq, Jordan, Lebanon, Palestine (West Bank and Gaza Strip), the Syrian Arab Republic and Yemen.

¹⁷ At the time this report was drafted, real GDP growth rate figures for 1998 were made available to ESCWA only by the Governments of Bahrain and Oman among the GCC countries. Thus, for most of the GCC countries, real GDP growth rate figures are to be regarded as preliminary estimates for both 1998 and 1999.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

sign of higher oil prices and revenues, others were more cautious and increased government spending only late in the year. Since most of the currencies of GCC countries are pegged to the United States dollar, generally tight and prudent monetary policies were pursued in view of the higher interest rates in the United States. Those GCC countries that were more diversified and had already implemented notable economic and structural reforms registered the highest rate of growth within this group in 1999.

Estimates indicate that among the GCC countries, the highest growth rates in 1999 were registered in the United Arab Emirates, Oman and Bahrain, and the lowest rates in Kuwait and Qatar.

Official government figures indicate that in the United Arab Emirates, the non-oil sectors registered 4.7 per cent real growth in 1998, which partly offset the decline in the oil sector that year. This growth occurred because the Government was able to maintain its expenditures as planned, despite the then tumbling oil prices and revenues, by drawing on its earnings from its overseas investments—estimated at more than US\$ 120 billion.¹⁸ In 1999, the country reduced its oil production by 10 per cent in comparison with the 1998 level. Estimates indicate that the United Arab Emirates registered a real growth rate of 6 per cent in 1999.

Oman's real GDP is estimated to have increased by 3.7 per cent in 1999, up from the provisionally estimated growth rate of 2.9 per cent in 1998. Being a non-member of OPEC, Oman reduced its oil production only marginally in 1999. The Sultanate also benefited from the economic and structural reforms it had undertaken in previous years. In addition, the agriculture and services sectors performed well in 1999.

According to official provisional estimates issued by the Government, real GDP grew by 4.8 per cent in Bahrain in 1998, and estimates place GDP growth at 4.5 per cent in 1999. Bahrain, also a non-member of OPEC, did not curtail its oil production in 1999. State expenditures on planned projects continued, accelerating during the year as the Government concentrated on promoting economic growth and creating job opportunities for its national labour force. The tourism and banking sectors performed well, particularly during the second half of 1999.

Estimates indicate that Saudi Arabia's real GDP grew by a meagre 0.5 per cent in 1998 and by 1.8 per cent in 1999. This improvement was primarily due to the considerable increase in government expenditures and investment by the private sector as a result of the sharp rise in oil prices and revenues. Non-oil sectors achieved relatively high growth rates in 1999, since they were directly and indirectly affected by higher oil revenues. The construction, real estate, banking, trade and services sectors are all estimated to have registered growth rates above 5 per cent. Real growth in the non-oil sector, which now accounts for 64 per cent of GDP, is estimated to have more than offset the 6.93 per cent decline in oil production and reductions in capital spending in the energy sector. Furthermore, in the second half of 1999, the Saudi Government announced a package of legal measures aimed at encouraging foreign investment in the country. The new legislation allows foreign investors to own property in the Kingdom. It also amends the system of local sponsorship of foreigners involved in business enterprises in Saudi Arabia. Non-Saudi Arabians, including expatriate workers, will be allowed to invest in the local stock market through the 12 established mutual funds. In addition, the Government is reviewing a new investment law aimed at reducing the obstacles faced by foreign investors, improving labour regulations, and possibly allowing foreign investors to acquire up to 75 per cent ownership in joint ventures in the Kingdom. The Minister of Finance and National Economy announced that the proposed package of measures also includes provisions for "lowering income tax to lure back at least a part of the funds invested abroad".¹⁹

¹⁸ These assets are invested mainly in Western countries in the form of bank deposits, Treasury bills, bonds, shares in major international companies and real estate.

¹⁹ *The Daily Star*, 9 November 1999, p. 7.

CHAPTER II. AGGREGATE ECONOMIC PERFORMANCE

There are indications that Qatar's real GDP grew by 1.3 per cent in 1999, after having grown by an estimated 2.5 per cent the preceding year. Qatar's oil production was 5.97 per cent lower in 1999 than in 1998. The Government maintained its austere spending plans for 1999, which hampered higher growth in the non-oil sectors. Moreover, the exodus of expatriates²⁰ from the country continued to depress overall market activity, particularly in the real estate, trade and services sectors.

According to estimates, Kuwait had a negative growth rate of 1.8 per cent in 1998 and a positive, though low, growth rate of 0.5 per cent in 1999. The country cut its oil production by 12.02 per cent in 1999 and was slow to increase government expenditures after oil revenues rebounded sharply from their depressed levels of 1998. The departure of expatriates during the first half of 1999 resulted in a decline in the total labour force in Kuwait by an annualized rate of 0.6 per cent, which also adversely affected economic growth in the country.

Estimates for the ESCWA members with more diversified economies, excluding Iraq, indicate that their combined real GDP grew by 4.1 per cent in 1999, a slightly lower rate than the 4.97 per cent registered in 1998.²¹ However, the rates of real GDP growth achieved in 1999 differed widely among the members of this group: Egypt, Jordan, Yemen and the West Bank and Gaza Strip are estimated to have achieved real GDP growth rates of more than 2 per cent, while Lebanon and the Syrian Arab Republic are estimated to have witnessed real GDP growth rates of less than 1 per cent. The seventh member of this group is Iraq. Although no reliable data are available, it is assumed that Iraq's real GDP grew considerably in 1999, given the positive direct and indirect effects of rising oil production, prices and revenues.

Estimates indicate that Egypt's real GDP grew by 6 per cent in 1999. This is the highest rate not only among the countries with more diversified economies but within the region as a whole (the United Arab Emirates also witnessed GDP growth of 6 per cent). Furthermore, Egypt's GDP growth rate in 1999 was higher than the rates of 5.3 and 5 per cent registered for the country in 1997 and 1998 respectively. Egypt's economy has continued to perform well, mainly as a result of the economic reform and structural adjustment programme it has been implementing with great success since 1991 under the auspices of the International Monetary Fund (IMF) and the World Bank. One of the distinctive aspects of the economic reform experience in Egypt is that it has been very successful in achieving its goals without major adverse social effects, as it was accompanied by social safety nets that helped vulnerable groups. Egypt's privatization programme is generally regarded as one of the most successful in the world. In 1993, there were 303 public sector companies; by September 1999 there were only 163 such companies, as 140 had been partially or totally privatized. The revenues from the sale of these companies totaled 11.5 billion Egyptian pounds (LE), even though their combined book value was only LE 3 billion.²² In 1993, 182 of the 303 public sector companies, or 60 per cent, were making a profit; that proportion has risen to 89 per cent, as 145 of the remaining 163 public sector companies currently show a profit.²³ Furthermore, Egypt has been successful in attracting major strategic foreign investors, such as the Aluminum Company of America (Alcoa), Nestlé, Daewoo and Alcatel, to name but a few. FDI inward stock increased from US\$ 2.3 billion in 1980 to US\$ 11 billion in 1990, reaching US\$ 16.7 billion in 1998 after rising by US\$ 1.1 billion from its 1997 level. FDI

²⁰ Expatriates account for 75 per cent of Qatar's population, and an estimated 75,000 of them left the country during the period 1998-1999.

²¹ The real GDP growth rate for these ESCWA members as a group would have been notably higher in 1999, were it not for the sharp decline in the real GDP growth rate of the Syrian Arab Republic. According to official government sources, the country's real GDP grew by 7.8 per cent in 1998, while estimates indicate a growth rate of only 0.5 per cent in 1999. The Syrian Arab Republic has one of the largest economies among this group of ESCWA members, so the sharp decline in its real GDP growth rate in 1999 had a significant impact on the growth rate of these members as a group.

²² *Al Ahram* (Arabic), 22 September 1999, p. 15.

²³ *Ibid.*

inflow is expected to have doubled in 1999 to around US\$ 2 billion. Government officials indicate that the returns on FDI in Egypt are considerably higher than the world average of 12 per cent.²⁴ With its greater efficiency in production, surge in FDI inflows, booming tourism and rejuvenated private sector, Egypt was able to achieve a real GDP growth rate that was close to triple its annual population growth rate of about 2.1 per cent. Even higher GDP growth would have been registered if Egypt's banking sector were more efficient. There are many banks in Egypt, but owing to the fragmentation of the banking sector, banking services are inadequate. This sector must consolidate in order to contribute more to Egypt's economic growth and enhance its competitiveness in what is rapidly becoming a globalized world economy.

The real GDP of Yemen and that of the West Bank and Gaza Strip grew at faster rates in 1999 than in 1998. Yemen's real GDP growth rate rose from 3.2 to 4.2 per cent, mainly owing to the performance of the country's oil sector, in which production increased by 5 per cent and prices rose sharply. Higher oil revenues allowed the Government to increase its expenditures, which helped accelerate growth in the non-oil sectors. Several attacks on tourists adversely affected both the tourism sector and FDI inflows and dampened prospects for higher growth in 1999. In the West Bank and Gaza Strip, real GDP is estimated to have grown by rates of 4.1 per cent in 1998 and 4.6 per cent in 1999. The economy benefited in 1999 from the services of the international airport in the Gaza Strip and from the major work done on the Gaza port. Nevertheless, the biggest boost to the economy of the West Bank and Gaza Strip came from surging tourism and from soft loans for economic development provided by the World Bank and several donor countries.

Jordan's real GDP is estimated to have grown by 1.7 per cent in 1998 and by 2.1 per cent in 1999. There has been a notable increase in private investment and higher growth in the services sector, particularly in tourism. The Government accelerated economic reforms and became the 136th country in the world (and the sixth in the ESCWA region) to join the WTO. The reforms have enhanced the efficiency of the Jordanian economy. The qualifying industrial zones (QIZs) recently established in Jordan have been very successful and have contributed to export, employment and GDP growth.²⁵ However, the decline in agricultural output, caused by water shortages, offset most of the growth achieved in other sectors. In addition, relatively high interest rates continued to adversely affect the construction and real estate sectors in particular. It should be noted, though, that the international reserves of the Central Bank of Jordan continued to rise during 1999, and this impelled the monetary authorities to gradually reduce interest rates during the second half of the year by a significant percentage. This is expected to contribute to more rapid economic growth in the year 2000.

Lebanon's real GDP growth declined from 3.5 per cent in 1997 to 3 per cent in 1998, and slowed further to an estimated 0.8 per cent in 1999. The crisis in the construction sector continued in 1999, sustained mostly by high interest rates. The banking sector witnessed a slowdown in its activity in 1999 compared with 1998, manifested in the declines in annual growth rates of deposits, loans and total balance sheets. The tourism sector continued to perform well, however, with the number of visitors increasing by about 15 per cent in comparison with the 1998 level. It should be noted that since 1995, the Lebanese economy has suffered from a crisis in the real estate sector, a shortage of investment in the manufacturing sector, and excessive investment in Treasury bills owing primarily to the exceedingly high interest rates on the Lebanese pound. Interest rates on two-year Treasury bills fell from 16 to 14 per cent during the first 11 months of 1999. Nevertheless, the interest rate is still considered too high and should be reduced much further in order to decrease the country's debt-service burden and stimulate the economy. This is particularly

²⁴ *Al Ahram* (Arabic), 3 November 1999, p. 15.

²⁵ Outputs from the QIZs are not aimed at the domestic market. They may enter the United States market duty free and receive preferential treatment in Europe. Foreign investors, mostly from Malaysia, Indonesia, the Republic of Korea and China, have been attracted to Jordan, hoping to benefit from tax-free entry to the United States market.

important now, as the Government is raising taxes²⁶ and curtailing its expenditures in an effort to reduce its budget deficit as a percentage of GDP, as it struggles to service a total public debt that passed the \$20 billion mark during the latter part of 1999. The Government of Lebanon declared that it would endeavour to achieve an annual GDP growth rate of 3 to 5 per cent during the coming five years.²⁷ To realize this goal, the Government must adopt measures that encourage private investment, both Lebanese and foreign; accelerate economic and administrative reforms; and launch the privatization process as soon as possible. There are indications that in 1999, the Government of Lebanon worked on formulating laws that would encourage investment and also on preparations for the privatization of some public sector companies from 2000 onward.

Box 2. Competitiveness of ESCWA member countries in international markets

Well-functioning market economies are supported by a number of important factors, including open trade policies, deep financial markets, small government, a superb infrastructure, technological advancement, strong management skills, flexible labour markets, and effective institutions responsible for rigorously enforcing commercial contracts, maintaining low levels of corruption, and providing reliable police protection for physical security. A competitiveness index has been constructed for the world's largest economies based on scores given for these factors.^a A statistically significant positive correlation has been found between the index and economic growth: more competitive countries tend to grow faster.

Two ESCWA member countries—Egypt and Jordan—are ranked in the competitiveness index.^b Their rankings over the past three years are shown in the table below.

Year	Jordan	Egypt
1997 ranking (out of 53 countries)	43 (81st percentile)	28 (53rd percentile)
1998 ranking (out of 53 countries)	34 (64th percentile)	38 (72nd percentile)
1999 ranking (out of 59 countries)	40 (68th percentile)	49 (83rd percentile)

While Jordan's competitiveness index ranking improved from 1997 to 1998, it fell slightly in 1999. Egypt was ranked around the middle among the 53 countries ranked in 1997, but its relative competitiveness began to decline thereafter, as it dropped to the 72nd percentile in 1998 and the 83rd percentile in 1999.

The factors determining a country's global competitiveness can be divided into two important dimensions. The first is low business operation costs, which are dependent on flexible labour markets, high productivity, low labour costs, low rates of taxation, and so on. The second dimension is a solid institutional structure that facilitates the smooth function of a market economy. A Government's contribution can be significant if it establishes a clear and predictable regulatory framework, creates and maintains a stable macroeconomic climate, provides appropriate protection of property rights, and ensures effective law enforcement. These two dimensions combine to attract business investment, inducing steady and sustainable economic growth. Both Jordan and Egypt fall into a group with relatively low business costs but poorly developed market support institutions.

²⁶ The Lebanese Government plans to raise the tax burden to a GDP ratio of 18 per cent from the current 14 per cent (*The Daily Star*, 15 November 1999, p. 7).

²⁷ *Al Hayat* (Arabic), 4 November 1999, p. 11.

Box 2 (continued)

In a separate study, over 100 countries were rated based on 25 components designed to identify how consistent institutional arrangements and policies were with economic freedom; or more precisely, whether business could be conducted with legally acquired property without violating the right of others to do the same.^{a/} The seven major areas covered to measure the "freedom" levels of countries include: (a) the size of Government; (b) the economic structure and the use of markets; (c) monetary policy and price stability; (d) the freedom to use alternative currencies; (e) the legal structure and security of private ownership; (f) the freedom to trade with foreigners; and (g) the freedom of exchange in capital markets. The study found that the freer the economy, the higher its rate of economic growth. Countries that had maintained a fairly free economy for many years did especially well.

Seven ESCWA member countries were ranked for 1997 and 1998; the four GCC countries were all rated higher than the three countries with more diversified economies. The former group's more open and market-oriented economic structures explain these results (see the table below).

ESCWA member	1997 ranking (out of 119)	1998 ranking (out of 123)
Bahrain	22	24
Oman	24	32
United Arab Emirates	Not rated	37
Kuwait	39	57
Egypt	73	65
Jordan	76	79
Syrian Arab Republic	102	116

It should be noted that there was not much improvement in the rankings from 1997 to 1999. All of the rankings fell except those of the United Arab Emirates and Egypt. The Governments of the ESCWA member countries are encouraged to create a freer climate for business in order to attract investment.

^{a/} See World Economic Forum, the *Global Competitiveness Report 1999* (Geneva, 1999 [BAS Printers Ltd., United Kingdom]).

^{b/} Numerical scores based on quantitative and survey data are given to each country for eight factors determining competitiveness and provide an overall average figure for the country. Missing data for other ESCWA member countries probably explain their exclusion from the index.

^{c/} See the *Economist*, 11 September 1999, for the ranking; and the Fraser Institute, *Economic Freedom of the World: 1998/1999 Interim Report*, for the ranking methodology.

Official government sources indicate that in the Syrian Arab Republic, real GDP grew by 7.8 per cent in 1998 but only by 0.5 per cent in 1999. The country's agricultural output declined considerably in 1999, mainly owing to the 60 per cent drop in rainfall during the year in comparison with past annual averages. The agricultural sector is a major contributor to the country's economy. While the oil sector performed well, the surge in oil revenues apparently delayed the implementation of much-needed major economic reform and structural adjustment measures.

Economic growth is estimated to have increased in Iraq, owing mainly to the effects of significantly higher oil revenues. Nevertheless, since the economic sanctions imposed by the United Nations on Iraq not

only restrict the country's trading activities and capital movement but also deny the Government of Iraq control over the country's oil revenues, economic conditions remained very poor.

B. TURNAROUND IN THE WORLD OIL MARKET AND ITS IMPLICATIONS FOR THE ESCWA REGION

Developments in the international oil market have considerable economic implications for the region. Of the 13 ESCWA members, 10 are oil-exporting countries. Changes in oil prices and revenues greatly affect government revenues and expenditures, budget deficits, exports, economic growth, employment opportunities, intraregional aid and trade, and expatriate remittances. In 1999, oil prices and revenues rebounded sharply from the depressed levels of 1998. As shown in table 13 and chart 14, oil prices jumped to US\$ 15/b in April 1999, up from US\$ 9.96/b and US\$ 12.27/b in February and March respectively. Prices then continued to rise, reaching US\$ 24.77/b in December 1999 and US\$ 26.71/b by March of 2000. The main factor contributing to this significant turnaround was the OPEC members' decision to curtail their oil production by 1.7 million b/d for a 12-month period starting 1 April 1999. This major cutback was accompanied by a decrease in production by non-members of OPEC totalling 400,000 b/d, and by a jump in oil demand owing mainly to the economic recovery in East Asia and Latin America.

1. Oil prices

The annual average price of the OPEC crude oil basket is estimated at US\$ 17.47/b for 1999, which is about US\$ 5/b higher than the average for the preceding year, representing an increase of over 40 per cent (see table 13). The OPEC oil price averaged below US\$ 10/b in February 1999, before beginning its rise in March and continuing its upward trend throughout the rest of the year. It should be noted that oil prices have fluctuated sharply over the years; they were 33.6 per cent lower in 1998 than in 1997, and even in 1999, despite their sharp rebound, they remained below the 1997 level of US\$ 18.68/b. The sharp fluctuations in oil prices in recent years are shown in charts 14 and 15.

2. Oil production

Oil production in the region averaged 17.58 million b/d in 1999, a decline of about 3.9 per cent in comparison with the 18.29 million b/d produced in 1998. The ESCWA region's total oil production in 1999 accounted for 24.3 per cent of the world total, slightly down from its 24.9 per cent share the previous year. Seven of the ten oil-exporting ESCWA members curtailed their oil production in 1999; only Iraq and Yemen increased production, and Bahrain generally maintained the same production level.

Among the ESCWA members, the largest percentage decreases in oil production in 1999 were registered in Kuwait and the United Arab Emirates, whose production levels of 1.83 million b/d and 2.06 million b/d were about 12 and 10 per cent below their respective 1998 levels, as shown in table 14 and chart 16. Iraq produced an average of 2.53 million b/d in 1999, an amount approximately 20 per cent higher than the 2.11 million b/d it produced in 1998. Iraq's oil production in 1999 was the second largest among the ESCWA members, surpassed only by the 7.79 million b/d produced by Saudi Arabia. Iraq has increased production considerably every year since 1996, as shown in table 14.²⁸ In Yemen oil production rose from 0.39 million b/d in 1998 to 0.41 million b/d in 1999, an increase of about 5 per cent.

²⁸ It should be noted, however, that Iraq's oil production in 1999 was about 10.9 per cent below the level of 2.84 million b/d recorded a decade earlier, and 37.6 per cent below the production peak of 3.84 million b/d recorded in 1979.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

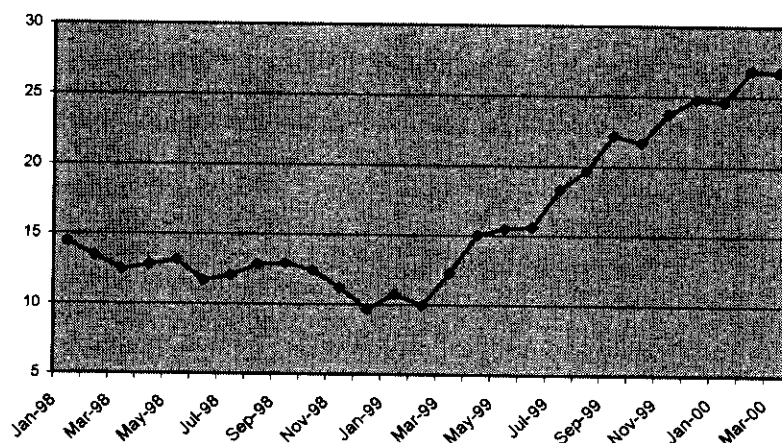
TABLE 13. AVERAGE PRICE OF THE OPEC CRUDE OIL BASKET, 1996-2000
(US dollars per barrel)

OPEC basket price	
1996	20.29
1997	18.68
1998	12.28
1999	17.47
2000 ^{a/}	23.00
Percentage change	
1998-1999	42.26%
January 1998	14.42
February 1998	13.45
March 1998	12.41
April 1998	12.76
May 1998	13.14
June 1998	11.67
July 1998	12.04
August 1998	12.84
September 1998	12.91
October 1998	12.41
November 1998	11.19
December 1998	9.69
January 1999	10.74
February 1999	9.96
March 1999	12.27
April 1999	15.00
May 1999	15.48
June 1999	15.61
July 1999	18.28
August 1999	19.66
September 1999	22.17
October 1999	21.67
November 1999	23.75
December 1999	24.77
January 2000	24.58
February 2000	26.84
March 2000	26.71

Source: ESCWA, based on national and international sources.

a/ ESCWA forecast.

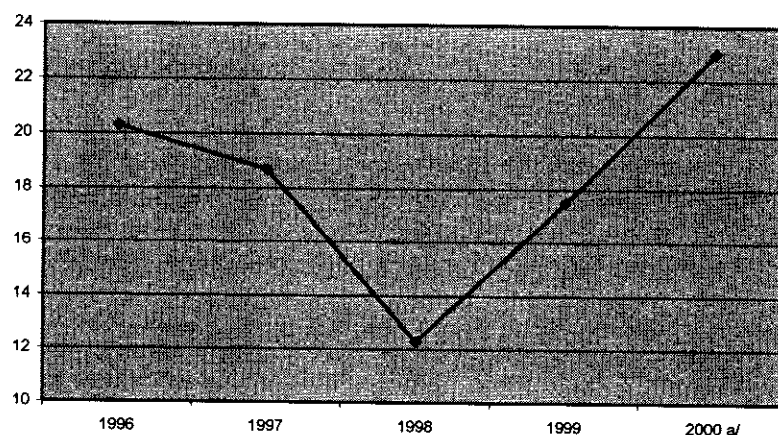
Chart 14. OPEC basket: monthly prices, January 1998 - March 2000
(US dollars)



Source: ESCWA, based on national and international sources.

Note: Chart is based on table 13 of the present publication.

Chart 15. OPEC basket: annual prices, 1996-2000
(US dollars)



Source: ESCWA based on national and international sources.

Note: Chart is based on table 13 of the present publication.

a/ ESCWA forecast.

CHAPTER II. AGGREGATE ECONOMIC PERFORMANCE

TABLE 14. OIL PRODUCTION IN THE ESCWA REGION, 1996-1999
(Million barrels per day)

Country/region	1996	1997	1998	1999	Percentage change 1998-1999
Bahrain ^{a/}	0.05	0.05	0.05	0.05	..
Kuwait	2.05	2.11	2.08	1.83	(12.02)
Oman	0.89	0.91	0.90	0.89	(1.11)
Qatar	0.49	0.62	0.67	0.63	(5.97)
Saudi Arabia	8.15	8.35	8.37	7.79	(6.93)
United Arab Emirates	2.23	2.25	2.29	2.06	(10.04)
GCC countries	13.86	14.28	14.36	13.25	(7.72)
Egypt	0.92	0.91	0.88	0.85	(3.18)
Iraq	0.58	1.15	2.11	2.53	19.91
Syrian Arab Republic	0.58	0.56	0.55	0.54	(2.18)
Yemen	0.37	0.37	0.39	0.41	4.87
More diversified economies	2.45	2.99	3.93	4.33	10.15
ESCWA region	16.31	17.27	18.29	17.58	(3.88)
World total	69.78	72.10	73.46	72.25	(1.65)

Sources: *Petroleum Economist*, various issues; *Oil and Energy Trends*, various issues.

Note: () indicates a decrease.

a/ If the oil produced by Saudi Arabia for Bahrain from the Abu Saafa oilfield is included, Bahrain's total oil production would be around 180,000 b/d.

It may be noted here that because of their general adherence to the cutbacks agreed upon within OPEC, Saudi Arabia, Kuwait and the United Arab Emirates are currently left with idle oil production capacities estimated at 3 million b/d, 650,000 b/d and 500,000 b/d respectively.

3. Oil revenues

Estimates indicate that the region's oil revenues totalled US\$ 93.94 billion in 1999, a 36 per cent increase over the 1998 level of US\$ 69.15 billion (see table 15 and chart 17). Despite the major increase in 1999, oil revenues remained US\$ 2.6 billion and US\$ 5.1 billion below their levels in 1996 and 1997 respectively. Nevertheless, higher oil revenues in 1999 greatly improved the trade and fiscal positions of many ESCWA members, in particular the GCC countries.

The GCC countries earned US\$ 76.51 billion in oil revenues, or about 81 per cent of the region's US\$ 93.94 billion total. It may be noted that while the oil revenues of the GCC countries in 1999 were significantly higher than the 1998 level of US\$ 58.25 billion, they were almost identical to the levels registered back in 1995. Saudi Arabia's oil revenues of US\$ 42.34 billion in 1999 were by far the largest within both the GCC group and the region as a whole. Initial estimates indicate that among the countries with more diversified economies, Iraq registered the largest oil revenues, totalling around US\$ 11.58 billion. Benefiting from both a sharp increase in oil prices and a surge in production, Iraq's oil revenues in 1999 are estimated to have increased by 70.5 per cent from their 1998 levels.²⁹

²⁹ Iraq receives only a third of its oil revenues; the other two thirds are distributed elsewhere in line with United Nations resolutions.

Chart 16. Oil production in the ESCWA region, 1996-1999

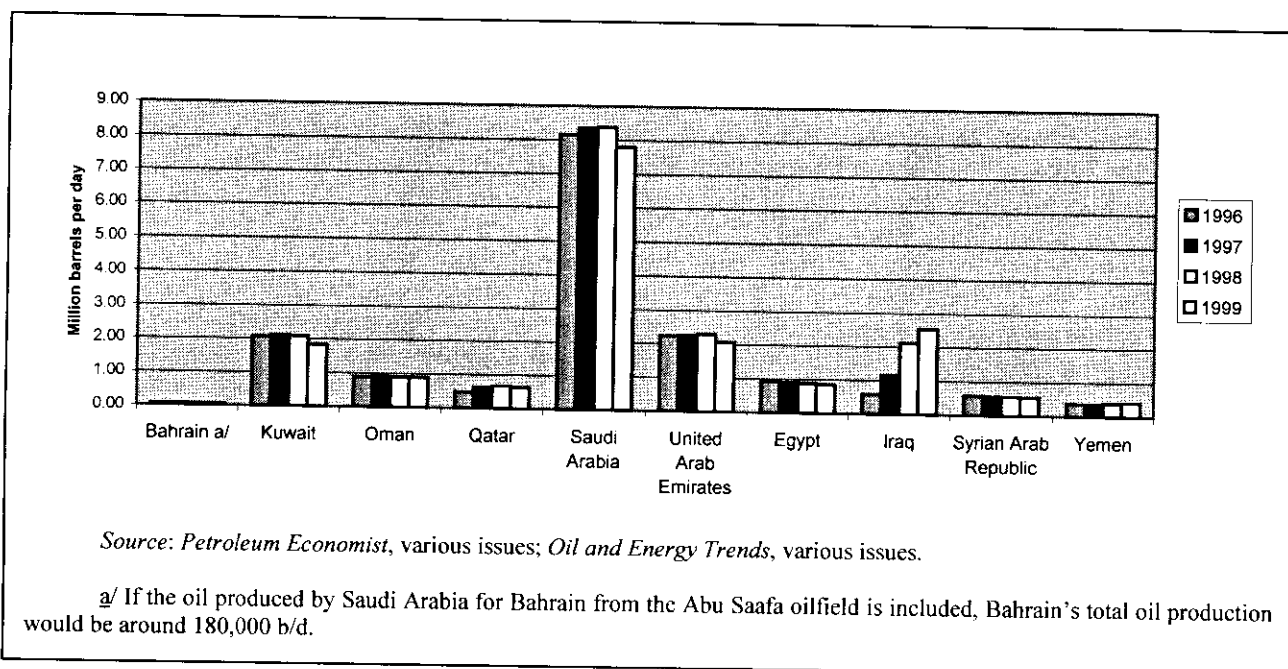


TABLE 15. OIL REVENUES IN THE ESCWA REGION, 1994-1999
(Billions of US dollars)

Country/region	1994	1995	1996	1997	1998	1999 ^{a/}
Bahrain ^{b/}	1.01	1.10	1.32	1.20	0.80	1.16
Kuwait ^{c/}	10.46	12.05	14.13	13.47	8.39	10.50
Oman	4.23	4.75	5.88	5.78	3.71	5.22
Qatar	2.42	2.60	3.80	4.66	3.11	4.16
Saudi Arabia ^{c/}	37.53	42.70	50.05	48.22	31.98	42.34
United Arab Emirates	12.30	13.35	14.98	15.27	10.26	13.13
GCC countries	67.95	76.55	90.16	88.60	58.25	76.51
Egypt	1.29	1.22	1.63	1.72	1.26	1.73
Iraq	0.37	0.37	0.68	4.59	6.79	11.58
Syrian Arab Republic	1.81	1.90	2.31	1.97	1.32	1.84
Yemen	1.54	1.40	1.80	2.19	1.53	2.28
More diversified economies	5.01	4.89	6.42	10.47	10.90	17.43
ESCWA region	72.96	81.44	96.58	99.07	69.15	93.94

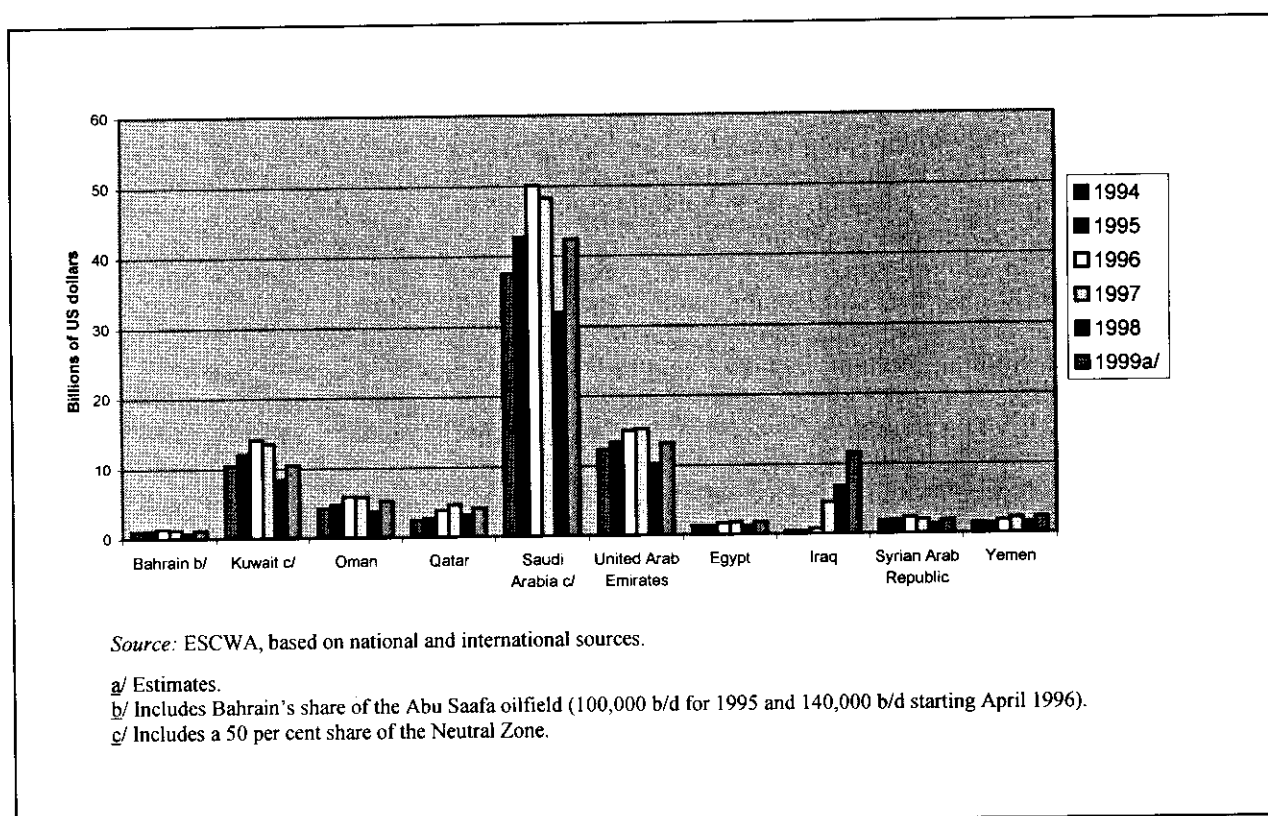
Source: ESCWA, based on national and international sources.

a/ Estimates.

b/ Includes Bahrain's share of the Abu Saafa oilfield (100,000 b/d for 1995 and 140,000 b/d starting April 1996).

c/ Includes a 50 per cent share of the Neutral Zone.

Chart 17. Oil revenues in the ESCWA region, 1994-1999



C. LABOUR MARKET DEVELOPMENTS

Labour market conditions remained generally unfavourable for job seekers in most of the countries with more diversified economies in 1999. Most countries in the region have fairly high population growth rates and significantly higher labour supply growth rates. Preliminary estimates indicate that the labour force in the ESCWA region will total around 49 million by mid-2000.³⁰ This figure is projected to increase by about 18 per cent, to 58 million, by the year 2005.³¹ In 2010, the ESCWA region's labour force is projected to total around 67 million, an increase of more than one third from the estimated level for 2000.³²

The participation rate of women in the labour force, though rising, remains relatively low in the countries of the region.³³ The data available indicate that the share of women in the national labour force in Egypt, Jordan, Lebanon, the Syrian Arab Republic and Yemen ranges between 21 and 30 per cent. For the rest of the ESCWA members, that share is even lower, ranging between 11 and 20 per cent. Some 70 per cent of the women in the labour force in the ESCWA region are employed in the services sector, while 19

³⁰ This will represent around 57 per cent of the labour force in the Arab world, projected to total around 86 million.

³¹ Arab Labour Organization, Arab Labour Office. *Arab Economic Situation and Employment Challenges*, Employment Studies Series, No. 4, 1993 (in Arabic).

³² Ibid.

³³ Chapter VI of the present publication, on gender-sensitive participatory development, addresses the topic of women in the labour force in a more comprehensive manner.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

and 11 per cent are employed in the agriculture and industrial sectors respectively.³⁴ Economic growth was at best sluggish in Jordan, Lebanon and the Syrian Arab Republic; hence, it is estimated that only negligible improvements took place in the domestic labour markets, despite the fact that some employment opportunities arose abroad during the latter part of the year.

In Egypt, however, economic reforms, large development projects in the Sinai Peninsula and the New Valley, surging FDI and the booming tourism sector are believed to have contributed greatly to pushing the country's unemployment rate lower in 1999. Official government figures indicate that the unemployment rate in Egypt peaked at 10.4 per cent in 1993, partly owing to the return of expatriate workers as a result of the Gulf war, but declined every year thereafter. Egypt's unemployment rate dropped to 9.8 per cent in 1994, 9.6 per cent in 1995, 9.2 per cent in 1996, 8.8 per cent in 1997 and 8.3 per cent in 1998, and is estimated to have declined further, to 7.9 per cent, in 1999. Out of Egypt's labour force of 18.3 million,³⁵ 16.9 million were employed and around 1.4 million were unemployed in 1999.³⁶ It should be noted that other sources, including the International Labour Organization (ILO), estimate unemployment rates to be around 50 per cent higher than official government figures. Nevertheless, it is agreed by most analysts that Egypt's annual unemployment rate is falling. This in itself may be considered a major achievement for a country that has to create an additional 450,000 jobs for new entrants to the labour market every year. Government officials in Egypt predict that the unemployment rate in Egypt will continue its steady and gradual decline, falling to 4.9 per cent by the year 2002.³⁷

Labour market conditions remained weak in Jordan in 1999, given the sluggish performance of the economy and the rapidly increasing labour supply. In order to improve conditions for Jordanians in the labour force, the Government implemented measures to combat unemployment in the Kingdom and improve the benefits received by Jordanian workers. Most notably, it raised the work permit fees for foreign workers and established a minimum wage of 80 Jordanian dinars (JD) (US\$ 112) per month in most sectors.³⁸

Labour market conditions are believed to have improved in Yemen and the West Bank and Gaza Strip in 1999. Both benefited from an acceleration in economic growth. Nevertheless, given their relatively high population growth rates (3.5 per cent for both) and significantly higher labour supply growth rates, improvements in labour market conditions are believed to have been limited.

In the GCC countries, the labour market is of a different nature: expatriate workers account for the dominant share of the total labour force. These workers have contributed substantially to the economic growth and development of all GCC countries for the past three decades. However, as they are not permitted to own real estate or undertake major investments, expatriates have no choice but to remit the bulk of their earnings to their respective home countries or elsewhere. Remittances by expatriate workers in the GCC countries are estimated to have totalled around US\$ 23 billion in 1998.³⁹

³⁴ For a detailed survey of the distribution of men and women in the labour force by sector for each ESCWA member, see chapter VI, on "Arab women and development in Western Asia", in the *Survey of Economic and Social Developments in the ESCWA Region, 1996-1997* (E/ESCWA/ED/1997/2).

³⁵ There are also 2 million Egyptian workers employed in other Arab countries, most notably Saudi Arabia, the Libyan Arab Jamahiriya, the United Arab Emirates, Kuwait, Jordan and Oman. In addition, there are 1.5 million Egyptian workers who have emigrated to the United States and Europe.

³⁶ *Al Hayat* (Arabic), 30 September 1999, p. 13.

³⁷ *Ibid.*

³⁸ The agriculture sector, which is heavily dependent on foreign workers, is excluded.

³⁹ *Al Hayat* (Arabic), 20 October 1999, p. 12.

Box 3. Information technology infrastructure in the ESCWA region

The world is becoming increasingly interconnected through rising volumes of international trade, international financial transactions, foreign direct investment, and other forms of cross-border linkages and cooperation between private firms. Advances and growth in information technology (IT) are facilitating this integration process. Knowledge has therefore become one of the most critical components of success in the global economic environment.

Developing countries without the resources and infrastructure required to manipulate knowledge-based production processes and to benefit from ever-accelerating technological advancements are at a risk of falling behind their competitors in the world market. Inadequate access to telecommunications, computers and the Internet in most ESCWA member countries constitutes a major impediment preventing them from taking full advantage of the IT revolution.

The table below shows the number of Internet users in selected ESCWA member countries in July 1997 and April 1999. It indicates that the total number of users quadrupled from 215,823 to 875,300 in a year and a half. Nevertheless, they made up only 0.6 per cent of the total population in the region, excluding Iraq, at the end of April 1999. This contrasts with other developing countries in Asia and Latin America, where more than 1.1 per cent of the population were online by the end of 1998.

Number of Internet users ^{a/}	July 1997	April 1999
GCC countries		
Bahrain	^{b/}	32 500
Kuwait	29 600	62 800
Oman	11 425	40 000
Qatar	8 288	27 500
Saudi Arabia	38 480	112 500
United Arab Emirates	45 150	204 300
More diversified economies ^{c/}		
Egypt	35 520	207 200
Jordan	11 840	50 000
Lebanon	35 520	132 200
Yemen	..	6 300

Source: Downloaded from NUA Internet Surveys web site: <http://www.nua.ie/surveys>.

^{a/} The figures are based on actual numbers of subscriptions with Internet service providers; totals are subject to a margin of error of 5 per cent owing to the tendency of providers to inflate numbers in the face of competition.

^{b/} The total for Saudi Arabia (38,480) includes the users in Bahrain.

^{c/} No data are available for Iraq, and the Syrian Government currently forbids Internet access, limiting its spread only to those using Lebanese Internet service providers.

The Governments of the ESCWA member countries must encourage the development of an effective IT infrastructure. Their economic growth strategies should include strengthening computer literacy in the workforce, promoting the network of IT research institutes, and reducing prohibitive communications costs.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

The indigenization of the labour force has been a declared policy in the GCC countries for many years, but it was enforced far more strictly in 1998, a year during which financial and economic conditions deteriorated abruptly and the number of GCC nationals seeking employment opportunities continued to rise rapidly. The intensity of the Governments' efforts to replace expatriate workers with citizens seeking employment did not diminish in 1999, despite improving economic and financial conditions.

In Bahrain, 62 per cent of the total labour force were expatriates in 1998.⁴⁰ This share represents the lowest proportion among the GCC countries but is still considered high in comparison with most other countries in the world. In both 1998 and 1999, the Government maintained the highest public expenditure levels the economy could sustain in order to provide greater employment opportunities for citizens. In addition, the Bahrainization policy continued. However, measures to oblige companies to employ more nationals conflict with the Government's economic strategy aimed at raising the number of foreign companies based in Bahrain and attracting FDI.⁴¹

In Kuwait, the Government issued a decree imposing a ceiling on the number of expatriate workers Kuwaiti employers could hire, the main purpose being to create employment opportunities for Kuwaitis in the private sector. The decree calls for increasing the share of Kuwaitis employed in the private sector from the current 1.5 per cent to 5 per cent of the private sector labour force. It also provides for the payment of social and child allowances to Kuwaitis working in the private sector, similar to those provided to nationals employed in the public sector. In addition, private sector companies employing more citizens are promised preferential treatment in tendering for government projects.

During the first half of 1999, the labour force in Kuwait totalled 1.25 million, which represented a decrease of 0.6 per cent in annualized terms.⁴² This reduction in the size of the total labour force took place despite the 5.8 per cent rise in the number of employed Kuwaitis, owing to the 1.9 per cent drop in the number of expatriate workers. The number of Kuwaitis in the labour force has continued to grow at a rapid pace in both the private and public sectors. In the public sector, which contains more than 90 per cent of employed Kuwaitis, the labour force grew by an annualized rate of 5.7 per cent, with 5,543 new labour market entrants absorbed during the first six months of 1999.⁴³ This indicates that the pressure on the Government to limit new hiring in the public sector is not having the desired effect; in any case, the increase was made possible by the sharp, unexpected rise in government revenues.

In certain sectors of the Kuwaiti economy, there is an acute need for expatriates with specialized skills that are not adequately available among nationals. The Ministry of Education asked the Civil Service Commission to reduce the percentage of expatriate workers who have to be replaced by Kuwaitis each year from 10 to 4.5 per cent, indicating that it would face great difficulty in meeting this need otherwise.⁴⁴ In addition, the Ministry of Health is exempted from applying some of the Kuwaitization measures, since many of its workers are expatriates with highly technical skills.⁴⁵

⁴⁰ Economist Intelligence Unit, "Country report: Bahrain, 3rd quarter, 1999", p. 5.

⁴¹ Ibid.

⁴² National Bank of Kuwait, *Economic and Financial Quarterly*, (ii/1999), p. 16.

⁴³ Ibid., p. 17.

⁴⁴ Many teachers in Kuwaiti schools are from other ESCWA member countries (mainly Egypt, Lebanon and the Syrian Arab Republic).

⁴⁵ Economist Intelligence Unit, "Country report: Kuwait, 3rd quarter 1999", p. 12.

CHAPTER II. AGGREGATE ECONOMIC PERFORMANCE

In Oman, the total expatriate labour force declined from 493,847 in 1997 to 482,527 in 1998, or by 2.3 per cent.⁴⁶ During the same period, the number of Omani citizens employed by the public sector increased by 2.6 per cent. The Omanization drive continued in 1999, and proved most successful in the public sector, as well as in the banking and finance sector.

In Qatar, the policy of replacing expatriate workers with nationals continued. It is estimated that around 75,000 expatriates left Qatar during the two-year period 1998-1999.

In Saudi Arabia, there are more than 6 million expatriate workers, who represent 70 per cent of the Kingdom's total labour force⁴⁷ and 90 per cent of its private sector workforce. It is estimated that expatriate workers transfer around US\$ 6 billion annually out of Saudi Arabia. It should be noted that over the past several years, at a time of limited expansion in the public sector, Saudi Arabia has been experiencing a rapid rise in the number of both men and women seeking employment opportunities. Over 30,000 Saudi Arabians graduate from universities and institutes every year and join the labour force. Further, around 40 per cent of the Kingdom's population is currently under the age of 15, and members of this group will be starting to join the local labour market in the coming few years.⁴⁸ Hence, it is no surprise that among the top priorities included in Saudi Arabia's Seventh Development Plan (2000-2005), announced in August 1999, is the development of the Saudi Arabian labour force and the provision of employment opportunities for nationals. The newly established Economic Council plans to help create jobs for nationals by encouraging foreign and domestic investment and the replacement of expatriate workers with local citizens whenever possible.

D. TAMED INFLATION

Inflation has been tamed in the region. Estimates indicate that most ESCWA members had inflation rates of 2.3 per cent or lower in 1999 (see table 16 and chart 18). Both the GCC countries and the ESCWA members with more diversified economies were able to keep inflation under control.

Four of the GCC countries, namely Bahrain, Kuwait, Oman and Saudi Arabia, have had inflation rates of 1 per cent or lower during the past three years. Bahrain, Oman and Saudi Arabia even registered negative inflation (deflation) rates in 1998. However, estimates indicate that in 1999 inflation rates were marginally higher in five of the six GCC countries. Within the GCC group, inflation is estimated to have been highest in the United Arab Emirates, and Qatar is the only GCC country to have witnessed a decline from the previous year.

TABLE 16. RATES OF INFLATION IN THE ESCWA REGION, 1996-1999
(Percentage)

Country/area	1996	1997	1998	1999 ^{a/}
GCC countries				
Bahrain	(0.2)	0.2	(0.4)	0.5
Kuwait	3.6	0.7	0.2	0.7
Oman	0.5	(0.5)	(0.5)	0.8
Qatar	4.9	4.9	2.9	1.5
Saudi Arabia	0.8	(0.4)	(0.2)	1.0
United Arab Emirates	4.0	2.0	1.6	3.0
More diversified economies ^{b/}				
Egypt ^{c/}	7.3	4.8	4.1	2.3

⁴⁶ *Central Bank of Oman: Annual Report, 1998*, p. 18.

⁴⁷ *Al Hayat* (Arabic), 20 August 1999, p. 9.

⁴⁸ *Ibid.*

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 16 (continued)

Country/area	1996	1997	1998	1999 ^{a/}
Jordan	6.5	3.0	3.1	1.9
Lebanon	8.9	7.8	5.0	1.0
Syrian Arab Republic	8.8	2.2	(1.2)	1.0
Yemen	27.3	6.3	12.2	2.0
West Bank and Gaza Strip	8.4	7.6	5.6	4.0

Source: ESCWA, based on national and international sources.

Note: () indicates deflation.

^{a/} Estimates.

^{b/} Excluding Iraq owing to the unavailability of reliable data.

^{c/} The fiscal year begins 1 July and ends 30 June of the following year.

Since the currencies of all GCC countries are pegged to the United States dollar (with the exception of the Kuwaiti dinar, which is pegged to a basket of currencies dominated by the dollar), the monetary policies of the GCC countries were generally tight in 1999. Interest rates were raised in line with similar action taken by the monetary authorities in the United States. However, in all of the GCC countries except Qatar, government expenditures were notably higher in 1999 than in 1998. Another factor pushing inflation rates upward in these countries was the partial removal of subsidies on goods and services provided by the Government.

Bahrain registered an inflation rate of 0.2 per cent in 1997 and a deflation rate of 0.4 per cent in 1998. Estimates indicate that Bahrain's inflation was 0.5 per cent in 1999, the lowest rate among all ESCWA members. Inflation rates in Kuwait were 0.7 per cent in 1997, 0.2 per cent in 1998, and an estimated 0.7 per cent in 1999. Oman registered deflation rates of 0.5 per cent in both 1997 and 1998, but estimates show an inflation rate of 0.8 per cent in 1999. The inflation rate in Qatar was 4.9 per cent in both 1996 and 1997, but is estimated to have fallen to 2.9 per cent in 1998 and 1.5 per cent in 1999.⁴⁹ Saudi Arabia had deflation rates of 0.4 per cent in 1997 and 0.2 per cent the following year; however, estimates indicate an inflation rate of 1 per cent in 1999. The United Arab Emirates had inflation rates of 2 per cent in 1997 and 1.6 per cent in 1998, and estimates show an increase to 3 per cent in 1999.

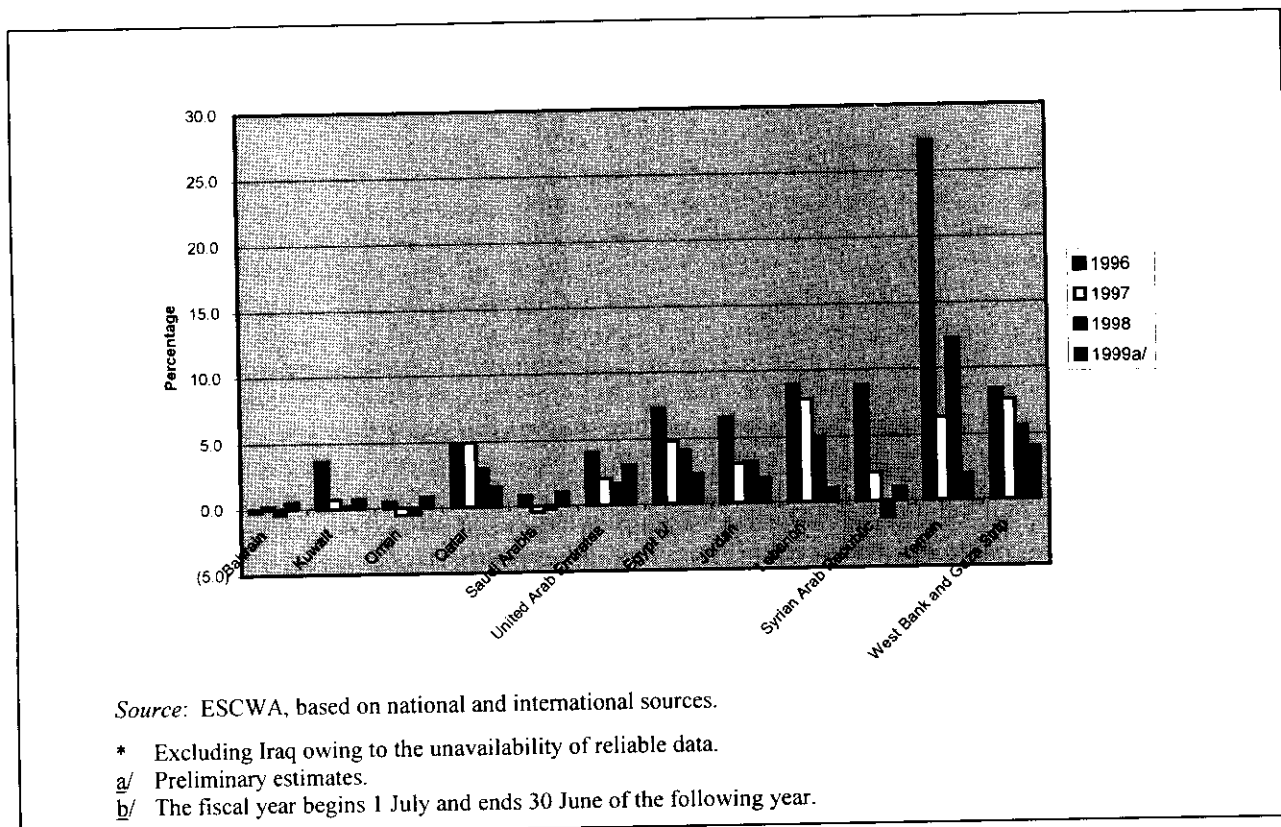
Estimates indicate that among the countries of the region with more diversified economies, Lebanon and the Syrian Arab Republic had the lowest inflation rate in 1999, put at 1 per cent. However, the inflation rate in Lebanon was lower than in 1998, while in the Syrian Arab Republic it was higher.

Lebanon's inflation rate fell from 8.9 per cent in 1996 to 7.8 per cent in 1997 and 5 per cent in 1998. The decline in the inflation rate in each of these years accompanied a decline in the country's real GDP growth rate. The trend continued in 1999, as weak economic growth, accompanied by constrained government expenditures and tight monetary policies, adversely affected overall consumer demand and investment, bringing about a further decline in the country's inflation rate.

In the Syrian Arab Republic, the inflation rate fell from 8.8 per cent in 1996 to 2.2 per cent in 1997, and a deflation rate of 1.2 per cent was recorded in 1998. Economic activity was sluggish in 1999, owing mainly to the severe drought experienced in the country, which sharply reduced output in the important agricultural sector and pushed overall prices upward by 1 per cent.

⁴⁹ The exodus of around 75,000 expatriates from this sparsely populated country during the two-year period 1998-1999 contributed to a further decline in inflationary pressures.

Chart 18. Rates of inflation in the ESCWA region, 1996-1999*



Jordan's inflation rate was relatively low at 3 and 3.1 per cent in 1997 and 1998 respectively. It is estimated to have declined to 1.9 per cent in 1999, owing to conditions similar to those in Lebanon, including meagre GDP growth, constrained government expenditures and tight monetary policies. Jordan's inflation did not fall to an even lower level mainly because of higher agricultural commodity prices brought about by the drought.

Egypt's inflation rate fell from 7.3 per cent in 1996 to 4.8 per cent in 1997 and 4.1 per cent in 1998. The downward trend continued in 1999, with inflation falling to an estimated 2.3 per cent. Prudent monetary and fiscal policies contributed to the decline in inflation in the country.⁵⁰

The sharpest decline among ESCWA members in 1999 appears to have taken place in Yemen, where the inflation rate dropped from 12.2 per cent in 1998 to 2 per cent a year later, according to estimates. A major factor contributing to this decline was the strengthening of the Yemeni rial in 1999, owing primarily to much higher oil revenues and a significant increase in foreign aid. In the West Bank and Gaza Strip, inflation declined from 7.6 per cent in 1997 to an estimated 5.6 and 4 per cent in 1998 and 1999 respectively.

⁵⁰ Egypt's inflation rate rose as high as 21 per cent in 1991, prior to the initiation of the economic reform and structural adjustment programme implemented under the auspices of the International Monetary Fund and the World Bank.

Box 4. Points for consideration by ESCWA members

Although the economic outlook is relatively bright for the region as a whole, the challenges and opportunities presented by rapid globalization require immediate and continuous action on the part of the ESCWA members. The following suggestions are offered for consideration by decision makers in the ESCWA region:

- (a) Expedite structural economic reforms;
- (b) Promote economic diversification, particularly in the GCC countries, by moving away from the heavy dependence on oil towards greater reliance on gas, petrochemicals, aluminium and other light industries, as well as towards the services sector;
- (c) Implement policies and provide an institutional environment that will encourage the private sector to play a much greater role in the national economy;
- (d) Accelerate privatization, including that of such public services as electricity, water, transport and telephone services, in a manner that guarantees transparency and accountability and safeguards against monopoly;
- (e) Ensure that human resources development is based primarily on quality- and market-oriented education and training;
- (f) Amend educational policies and stress the importance of vocational training for both men and women;
- (g) Encourage unemployed national workers to accept employment in professions that are currently shunned for social rather than economic reasons, increasing awareness and participation through mass media and other means;
- (h) Endeavour, when implementing programmes, to replace expatriate workers with nationals, to opt for raising taxes on expatriates rather than imposing quotas to limit the number of expatriates working in the GCC countries;
- (i) Adopt concrete measures to achieve greater harmonization of economic liberalization policies among the ESCWA members and also with the rest of the Arab world;
- (j) Attract and promote foreign investment and undertake joint ventures with major transnational corporations;
- (k) Allow expatriate workers, particularly in the GCC countries, to invest in national stock markets and financial markets, as Saudi Arabia began to do in 1999;
- (l) Abolish the system of employer sponsorship of expatriate workers in the GCC countries;
- (m) Adopt special monetary and fiscal measures that encourage expatriates and emigrants living abroad to repatriate some of their financial assets held abroad (this applies to Egypt, Jordan, Lebanon, the Syrian Arab Republic and Yemen);
- (n) Encourage the private sector to repatriate some of its foreign-held assets and invest them in the local economy, in regional and/or subregional projects (this applies to the GCC countries);
- (o) Promote tourism by increasing marketing efforts to attract visitors from both inside and outside the region, and improving the infrastructure to better accommodate them;
- (p) Reconsider and compare the advantages and disadvantages of pegging national currencies to the United States dollar, particularly in the GCC countries;
- (q) Work with the other members of OPEC to achieve oil price stability (the gradual rise in prices through the year 2000 and beyond) by engaging in a constructive dialogue with the major oil-importing countries, even though the latter rejected calls to discuss oil price stability when prices were tumbling (this recommendation applies to GCC countries that are members of OPEC);
- (r) Reduce military expenditures, when possible, and allocate higher levels of resources to economic and social development.

E. OUTLOOK

In 2000, developments in the energy (oil and gas) sector are again expected to have a dominant impact on the economies of the region. Other factors that will markedly affect economic performance in Western Asia include: (a) developments pertaining to the economic sanctions imposed on Iraq since 1990; (b) the speed and success of the implementation of economic reforms and structural adjustment measures by ESCWA members; (c) the inflow of FDI; (d) the scarcity of water and its impact on agricultural output for several ESCWA members; and (e) progress in the Middle East peace process and the peace dividend, if any. A reallocation of resources from military and defence programmes to human development would greatly enhance the long-term prospects for the region.

Real GDP growth is projected to accelerate for every ESCWA member next year. For the region as a whole, excluding Iraq, real GDP is projected to grow by 4.46 per cent in the year 2000. The determining factor will be the significant increase in oil production, prices and revenues. Higher growth in the important oil and gas sector in the GCC countries will greatly enhance the performance of the external sector, improve budgetary positions and contribute to more rapid economic growth in these countries. Notable improvements in the economies of the GCC countries are expected to have considerable positive spillover effects on the other economies of the region, mainly through increased exports, tourism revenues and financial aid.

Real GDP growth is projected to accelerate to 4.32 per cent in the GCC countries in 2000, with individual rates ranging from 2.6 per cent in Kuwait to 7.2 per cent in the United Arab Emirates. Within this group, economic growth is forecast to be highest in the United Arab Emirates, owing not only to higher growth in the oil and gas sectors but also to the resurgence of its re-export activities and greater FDI inflow. Oman's real GDP growth in 2000 is projected at 4.5 per cent, the third highest rate among the GCC countries. Further acceleration of GDP growth in Oman will come from one of the largest gas liquification projects in Western Asia, which will be inaugurated during the year. This project, which has taken four years to complete, is projected to generate about US\$ 1 billion in annual revenues for the Sultanate. Qatar will also benefit from the parallel rise in production and revenues in both the oil and gas sectors. Saudi Arabia's real GDP growth is projected at 3.6 per cent in 2000, a rate twice as high as the estimate for 1999. The surge in the energy sector, higher government expenditures and the growing confidence of the private sector, encouraged by recent economic reforms, are expected to further boost economic growth and development in the Kingdom. Kuwait's projected real GDP growth of 2.6 per cent in the year 2000 is several times higher than the estimate of 0.5 per cent for 1999. Kuwait's economic growth is expected to be spurred by developments in the energy sector as well as the FDI by multinational corporations attracted by recently decreed laws and regulations.

For the countries with more diversified economies in the region, the real GDP growth is projected to average 4.72 per cent in 2000, with rates ranging from 1.8 per cent in Lebanon to 6.2 per cent in Egypt. Egypt's economic growth will continue as a result of the increase in domestic and foreign direct investment, continued steady growth in the tourism sector, and the implementation of large development projects in the Sinai Peninsula and the New Valley. The economy of Yemen is projected to grow by 4.5 per cent and that of the West Bank and Gaza Strip by 5 per cent in the year 2000. Yemen will benefit significantly from higher economic growth propelled by the oil sector. Both the Government of Yemen and the Palestinian Authority are expected to be major beneficiaries of financial aid and in-kind support from the World Bank, several United Nations agencies and major donor countries. The real GDP growth in the Syrian Arab Republic is projected to rise to 2 per cent in 2000 from an estimated 0.5 per cent in 1999. Both Jordan and Lebanon are expected to see their real GDP growth edge upwards to about 3.2 and 1.8 per cent respectively, stimulated mainly by lower interest rates and marked increases in tourism. For Lebanon, this rate remains below the growth targets of between 3 and 5 per cent set for the coming several years by the Government.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

The oil sector in the region is expected to register excellent performance in 2000. Oil revenues should rise markedly with the notable increases in both production and prices in comparison with 1999. Projections for oil prices in the year 2000 differ widely depending on assumptions made with regard to OPEC decisions on production levels, given the rising demand and falling inventory levels in the major oil-importing countries. OPEC members can increase their oil production by over 5 per cent and still maintain an average price level of US\$ 23/b for 2000.⁵¹ Such a price level would finally be above the US\$ 21/b targeted by OPEC for several years, and more than 25 per cent higher than its US\$ 17.5/b annual average for 1999. Significantly higher oil revenues are expected in 2000 in the region, with some countries also receiving much higher revenues from the sale of gas and petrochemicals.

Labour market conditions for GCC nationals will improve significantly in 2000. Higher government expenditures, faster economic growth, a rise in the inflow of FDI, and the continued application of the labour force indigenization policy will collectively enhance employment opportunities for job-seeking GCC nationals. Even with the continuation of the indigenization policy, the total number of expatriate workers may not decline in 2000 in the GCC countries, as it did during the 1998-1999 period, owing to the higher economic growth and the greatly improved financial conditions and economic outlook. Employment conditions in most of the countries with more diversified economies in the region are not expected to improve much in 2000. Although some employment opportunities are expected to arise abroad, they will be relatively limited. Given the current labour surplus situation, labour market conditions will improve and employment opportunities will increase significantly in these countries only when average annual GDP growth rates reach 5 per cent.

Inflation rates for most ESCWA members are expected to remain under control in 2000 as Governments maintain generally prudent monetary and fiscal policies. However, some imported inflation can be expected owing to the higher prices for imports from East Asian countries, whose respective currencies continue to appreciate as they recover from the sharp depreciation in 1997 and 1998.

⁵¹ Many analysts regard US\$ 22/b as mutually acceptable to both oil-importing and oil-exporting countries.

III. MONETARY AND FISCAL DEVELOPMENTS

A. MONETARY DEVELOPMENTS

The effectiveness of monetary policy in most ESCWA member countries was enhanced during the 1996-1999 period by the introduction of new (as well as changes in existing) rules and regulations in the financial system, aimed at improving the mobilization, management and allocation of financial resources and strengthening the system of monetary control. To improve the process of mobilizing, managing and allocating financial resources, it was necessary to enhance the role of the market forces in determining rates of return (interest rates) and credit allocation. In a number of ESCWA member countries, including Egypt, Jordan, Oman and Yemen, significant progress was made in liberalizing the structure of rates (initially deposit rates) and in reducing the scope of preferential rates, particularly for public sector enterprises. Other ESCWA member countries, including Lebanon and the United Arab Emirates, have broadened the range of assets available to savers through financial instruments with market-determined rates.

Improving the mechanisms of monetary control, especially in the context of financial liberalization, has necessitated a move away from quantitative credit restrictions towards indirect instruments of monetary control. In most of the ESCWA member countries, the rediscount instrument has been made more sensitive to market conditions, and the sale and repurchase of central bank papers and Treasury bills have been used more often in the management of liquidity. Moreover, legal reserve requirements have been made more uniform for institutions throughout the financial sector.

The decline in market liquidity in most of the member countries during 1998 and the first half of 1999, however, pushed up market interest rates in those countries (this was true for Bahrain, Jordan, Lebanon and the United Arab Emirates). These rates stabilized during the second half of 1999, following the rise in market liquidity that accompanied the upturn in oil revenues in the GCC countries and the spillover from those countries to the other ESCWA members, while the much-needed drive for the mobilization of domestic savings was maintained. The central banks of a number of member countries (for example, Jordan and Oman) encouraged the banking sector to offer the public a range of competitive savings schemes with cash incentives and promotional prizes. In other ESCWA member countries, including Egypt, Lebanon and Saudi Arabia, the monitoring of money and capital market operations by the central banks was enhanced; a careful examination was made of bank credit policies, asset quality, the quality of management, the credit appraisal system, adherence to central bank rules and regulations, and other issues relating to solvency, liquidity and general performance.

The fall in liquidity resulted in a sharp rise in lending to deposit ratios in the banking sector in most member countries. This happened at a time when expenses and provisions were growing by an average of around 15 per cent in many of these countries, including Egypt, Jordan, Lebanon and Oman. This rise, however, was due largely to increased provisioning rather than reduced efficiency in the banking sector. The performance of the banking sector was less than remarkable. This was reflected in the consolidated balance sheet, which indicated that bank assets had grown by an average of only around 8 per cent in 1999 in most member countries, compared with an average of over 25 per cent in many of these countries in 1998. Most banks in the region closed their respective funding gaps largely by inter-bank borrowing. The most worrying development in this regard, however, was the increased lending to deposit ratios, caused by the rising demand for credit against stagnant deposit levels. The resulting asset-liability mismatch forced the central banks of some countries to impose strict provisioning rules for the banking sector. In cases where loans were not serviced regularly, or where deterioration of collateral values occurred, increased levels of provisioning were mandatory. In some ESCWA member countries, including Jordan, Kuwait and Oman, the central banks also required higher provisioning for loans linked to the country's stock market, even though it was believed that such provisioning would negatively affect stock market activity, since it could wipe out the cash dividend, which would in turn affect the banks' main shareholders, who usually invest in the stock market.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

The monetary authorities in Egypt, Jordan, Lebanon, Oman and Saudi Arabia saw consumer lending as a potential problem for the banking sector. These authorities were particularly concerned when liquidity was falling during the first half of 1999, creating fears of government defaults. However, following the upturn in oil revenues during the second half of the year, coupled with the pledge by the Governments of these countries to pursue privatization and diversify budget revenue sources, the perceived risks associated with the asset portfolios of the banking sector were sharply reduced.

Below is a summary of monetary developments in a number of ESCWA member countries, selected because of the consistency in the availability of reliable information on their monetary developments.

1. *Egypt*

In Egypt, the money supply (M_1)⁵² amounted to LE 45.6 billion in 1998, up by around 8.8 per cent (LE 3.7 billion) in comparison with the 1997 figure of LE 41.9 billion. This rise was attributed to the increase in both components of M_1 ; currency in circulation rose by around 11.3 per cent, from LE 28.2 billion to LE 31.4 billion, and demand deposits increased by around 3.6 per cent, from LE 13.7 billion to LE 14.2 billion (see table 17).

TABLE 17. EGYPT: MONEY SUPPLY AND INTEREST RATE DEVELOPMENT, 1994-1998
(Billions of Egyptian pounds)

	A. Money supply					
	June 1994	June 1995	June 1996	December 1996	December 1997	December 1998
Currency in circulation	19.1	21.5	23.6	24.9	28.2	31.4
+ Demand deposits	9.2	10.2	11.5	12.2	13.7	14.2
= Money supply (M_1)	28.3	31.7	35.1	37.1	41.9	45.6
+ Time and savings deposits (quasi-money)	76.6	82.2	94.4	141.5	160.5	137.0
= Money supply (M_2)	104.9	113.9	129.5	178.6	202.4	182.6
+ Foreign currency deposits	32.0	38.2	38.5	36.4	36.9	39.0
= Overall domestic liquidity	136.9	152.1	168.0	215.0	239.3	221.6
B. Factors affecting money supply (counterpart assets)						
Net foreign assets	45.3	47.4	47.6	52.0	48.3	35.3
Net domestic credit	119.4	133.2	155.8	169.2	201.4	237.9
Net other items	(27.8)	(28.6)	(35.3)	(42.6)	(47.3)	(51.6)
C. Interest rate development ^{a/} (percentage)						
Deposit rate	10.3	9.6	9.8	9.7	9.0	9.0
Lending rate	16.0	14.0	13.5	13.0	12.3	12.0

Sources: For money supply, Central Bank of Egypt, *Economic Review*, various issues; for interest rate development, National Bank of Egypt, *Economic Bulletin*, various issues.

Notes: Figures are rounded.

() indicates a negative amount.

Exchange rate: LE 1 = US\$ 0.295; US\$ 1 = LE 3.39.

a/ The interest rate on the Egyptian pound was liberalized on 31 January 1991; thereafter, Egyptian banks were authorized to fix their own interest rates on deposits and loans.

⁵² M_1 = currency in circulation + demand deposits.

The contraction in liquidity and depreciatory pressure on the Egyptian pound during the past two years resulted in a rise in the demand for dollars, which appears to have been met through withdrawals from time and savings deposit accounts. Part of the amount withdrawn was used to meet the demand for dollars, and part was held in cash or demand deposits. This development resulted in a drop in time and savings deposits by around 14.6 per cent (LE 23.5 billion), from LE 160.5 billion in 1997 to LE 137 billion in 1998, culminating in a decrease in overall domestic liquidity by around 7.4 per cent, from LE 239.3 billion to LE 221.6 billion. However, the depreciatory pressure on the Egyptian pound was eased during the second half of 1999 as a result of increased oil and tourism revenues.

Regarding changes in the money supply in Egypt (counterpart assets), the main factors behind the drop in domestic liquidity were the LE 13 billion decrease in net foreign assets and the LE 36.5 billion expansion in net domestic credit. The LE 4.3 billion increase in net other items added to the contractionary effects on domestic liquidity. The drop in the bank lending rate from 12.3 to 12 per cent could not revise this trend, since the deposit rate remained unchanged at 9 per cent.

2. Jordan

The Central Bank of Jordan reduced the compulsory reserve rate for banks from 14 to 12 per cent in 1999 in an effort to increase market liquidity and reduce interest rates on bank lending, thus increasing bank credit and sustaining domestic demand for local currency at stable exchange rate levels. The reduction was applicable to bank deposits in both Jordanian dinars and foreign currency. However, since economic developments in Jordan during the past two years had caused many bank debtors to reschedule their debts, it was believed that the extent to which the banks would be able to reduce interest rates on lending would depend on a change in the base rates rather than on a reduction in the mandatory reserve rates.

The Central Bank continued its efforts in 1999 to build up a cushion of foreign exchange reserves to meet IMF demands within the context of Jordan's economic reform and structural adjustment programme. The IMF required that reserves be sufficient to cover at least three months of imports, estimated at around US\$ 3.9 billion in November 1999. The Bank aimed to increase its international reserves to over US\$ 4 billion at the end of 1999. The reserve policy is a central feature of the Bank's monetary policy, which is committed to the objective of maintaining the convertibility and exchange rate stability of the dinar. Overall, the monetary policy of the Central Bank, however, continues to be directed towards sustaining a low rate of inflation and maintaining a healthy external sector performance, with special emphasis on reserve levels and domestic credit requirements.

The money supply (M_1) increased by around 5 per cent, from JD 1,625.2 million in 1998 to JD 1,706.2 million at the end of August 1999 (see table 18). As mentioned previously, the increase in M_1 resulted from a rise in both the currency in circulation and demand deposits, with the former increasing by around 5.4 per cent, from JD 952.8 million to JD 1,004.4 million, and the latter by around 4.4 per cent, from JD 672.4 million to JD 701.8 million. The upward trend in time and savings deposits during the past few years is a sign of improved banking awareness among the Jordanian population. Time and savings deposits were around 9.1 per cent higher at the end of August 1999 (JD 4,777.9 million) than at the end of December 1998 (JD 4,378 million) and around 54.3 per cent higher than in 1994 (JD 3,095.3 million). This development was reflected in an increase of around 8 per cent in M_2 , from JD 6,003.2 million in 1998 to JD 6,484.1 million at the end of August 1999.

The rise in M_2 ⁵³ appears to have been the result of the expansionary effect of the change in net domestic assets, which at the end of August 1999 were JD 154.9 million higher than the 1998 figure of JD

⁵³ $M_2 = M_1 +$ time and savings deposits.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

315.3 million. The increase in net foreign assets, although lower than in 1998, more than compensated for the possible contractionary effect of the decline in the increase in net domestic assets.

TABLE 18. JORDAN: MONEY SUPPLY AND INTEREST RATE DEVELOPMENT, 1994 - AUGUST 1999
(Millions of Jordanian dinars)

A. Money supply						
	1994	1995	1996	1997	1998	August 1999
Currency in circulation	1 072.6	1 050.9	952.2	987.6	952.8	1 004.4
+ Demand deposits	673.6	694.7	587.0	654.8	672.4	701.8
= Money supply (M ₁)	1 746.2	1 745.6	1 539.2	1 642.4	1 625.2	1 706.2
+ Time and savings deposits (quasi-money)	3 095.3	3 414.2	3 636.1	3 934.2	4 378.0	4 777.9
= Money supply (M ₂)	4 841.5	5 159.8	5 175.3	5 576.6	6 003.2	6 484.1
Amount in foreign currencies	588.3	782.6	835.6	839.2	1 190.3	1 233.9
B. Factors affecting the change in money supply						
Change in net foreign assets	62.8	120.3	16.4	421.1	111.3	94.4
Change in net domestic assets	296.9	198.0	(0.9)	(19.8)	315.3	154.9
C. Interest rate development						
Licensed bank deposit rates						
Savings deposits	4.94	4.94	5.27	5.03	4.56	4.34
Time deposits	7.09	7.68	8.50	9.18	8.33	8.33
Licensed bank lending rates						
Loans and advances	10.48	10.65	11.25	12.25	12.89	12.26
Commission rate	1.00	1.00	1.00	1.00	1.00	1.00

Source: Central Bank of Jordan, Department of Research and Studies, *Monthly Statistical Bulletin*, vol. 35, No. 10, October 1999.

Notes: () indicates negative amounts.

Exchange rate: JD 1 = US\$ 1.40; US\$ 1 = JD 0.71.

Interest rates on bank lending and deposits are determined by the market in Jordan. However, the Central Bank supervises their development and ensures that they do not go beyond established higher or lower limits. The rate on one-year savings deposits dropped from 5.03 per cent in 1997 to 4.56 per cent in 1998 and 4.34 per cent at the end of August 1999, while the rate on time deposits dropped from 9.18 per cent in 1997 to 8.33 per cent in 1998, where it remained in 1999. The bank lending rate, which increased from 10.48 to 12.89 per cent during the period 1994-1998, was lowered during 1999 (the rate at the end of August was 12.26 per cent). It should be noted, however, that commercial banks in Jordan usually charge borrowers 1 per cent commission on top of the lending rate.

3. Kuwait

In Kuwait, M₂ increased only slightly, by around 0.4 per cent (29.8 million Kuwaiti dinars [KD]), from KD 7,556.5 million at the end of December 1998 to KD 7,586.3 million at the end of September 1999. The increase was mainly in M₁, from KD 1,143.4 million to KD 1,172.6 million; time and savings deposits remained almost unchanged (see table 19). However, the significant share of time and savings deposits in M₂ (around 85 per cent) indicates an improved banking awareness in Kuwait and a further strengthening of the country's banking and financial markets.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

TABLE 19. KUWAIT: MONEY SUPPLY, 1994 - SEPTEMBER 1999
(Millions of Kuwaiti dinars)

A. Money supply						
	1994	1995	1996	1997	1998	September 1999
Currency in circulation	351.3	311.5	350.1	345.3	348.7	345.1
+ Demand deposits	774.7	873.5	892.5	902.2	794.7	827.5
= Money supply (M ₁)	1 126.0	1 185.0	1 242.6	1 247.5	1 143.4	1 172.6
+ Time and savings deposits (quasi-money)	5 616.9	6 189.8	6 088.2	6 368.5	6 413.1	6 413.7
= Money supply (M ₂)	6 742.9	7 374.8	7 330.8	7 616.0	7 556.5	7 586.3
B. Factors affecting money supply						
Change in net domestic assets	346.1	410.9	14.1	811.9	86.2	186.6
Change in net foreign assets	0.3	221.0	(58.1)	(526.7)	(145.6)	(156.8)

Sources: Central Bank of Kuwait, Economic Research Department, *Quarterly Statistical Bulletin, January-March 1999*, vol. 25, No. 1; and *Monthly Monetary Statistics, October 1999*, vol. 20, No. 10.

Notes: () indicates negative amounts.

Exchange rate: KD 1 = US\$ 3.33; US\$ 1 = KD 0.3.

An analysis of the factors affecting changes in money supply shows that in September 1999 there was an increase of KD 186.6 million in net domestic assets and a decrease of KD 156.8 million in net foreign assets, compared with an increase of only KD 86.2 million in the former and a decrease of KD 145.6 million in the latter in 1998.

4. Lebanon

The central bank of Lebanon, Banque du Liban, plays a significant role in helping the Government finance its budgetary deficits using non-inflationary measures: it borrows from the local market through the issuance of Treasury bills. This monetary policy of the central bank has been successful in lowering inflation and stabilizing the exchange rate of the Lebanese pound. Inflation was reduced from triple digits in 1992 to a single digit in 1999, and the exchange rate vis-à-vis the United States dollar appreciated from US\$ 1 = 1,741 Lebanese pounds (LL) in 1993 to US\$ 1 = LL 1,508 in 1999. To achieve this, the central bank had to markedly increase the interest rates on Treasury bills to induce investor demand.

The financial tools used by the central bank to control liquidity in the market included Treasury bill swaps, discount rate adjustments, loans to banks and financial institutions, intervention in the foreign exchange market, open market operations, and the imposition of reserve requirements on bank assets and/or liabilities.

The Government's issuing Treasury bills to help finance the budget deficit and avoid borrowing from the central bank, along with the bank's tight monetary policy and other policies (including the continuous savings trend for Lebanese pounds) helped to replenish the central bank's foreign currency reserves, which—including gold but not including net foreign liabilities—stood at US\$ 10,218.2 million at the end of November 1999.⁵⁴

⁵⁴ Banque du Liban, *Monthly Bulletin*, No. 66 (November 1999) (in Arabic).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

M₁ increased by around 10.2 per cent, from LL 2,051.5 billion (US\$ 1,354 million) in 1998 to LL 2,260.7 billion (US\$ 1,492 million) in 1999. The increase in M₁ was attributed mostly to the 10 per cent increase in money in circulation, from LL 1,241.3 billion to LL 1,369.3 billion. The significant (24 per cent) increase in time and savings deposits in Lebanese pounds, from LL 14,502.7 billion to LL 17,978.9 billion, raised the level of M₂ by around 22.3 per cent, from LL 16,554.3 billion to LL 20,239.6 billion (see table 20).

TABLE 20. LEBANON: MONEY SUPPLY AND INTEREST RATE DEVELOPMENT, 1995-1999
(Billions of Lebanese pounds)

A. Money supply					
	1995	1996	1997	1998	1999
Currency in circulation	1 046.2	1 160.7	1 210.0	1 241.3	1 369.3
+ Demand deposits	514.4	592.7	719.3	810.2	891.4
= Money supply (M ₁)	1 560.6	1 753.4	1 929.3	2 051.5	2 260.7
+ Time and savings deposits (quasi-money)	8 102.6	12 248.3	12 600.5	14 502.7	17 978.9
= Money supply (M ₂)	9 663.2	14 001.7	14 529.9	16 554.3	20 239.6
B. Factors affecting money supply					
Net foreign assets	15 787.0	16 405.4	15 680.7	14 623.3	14 723.1
Net domestic credit	15 790.0	21 322.0	28 261.5	35 414.4	39 595.2
Net other items	(2 782.6)	(3 263.6)	(5 428.5)	(6 481.9)	(6 407.5)
C. Interest rate development (year average) ^{a/}					
Lending rates					
In Lebanese pounds	25.18	25.01	20.00	20.24	19.47
In United States dollars	11.96	11.83	11.77	11.57	10.95
Deposit rates (time and savings)					
In Lebanese pounds	16.3	15.4	13.3	13.6	12.49
In United States dollars	6.0	6.0	6.2	6.3	6.08

Source: Banque du Liban, *Monthly Bulletin*, No. 66 (November 1999).

Notes: () indicates negative amounts.

Exchange rate: 1995-1998: US\$ 1 = LL 1,530; 1999-2000: US\$ 1 = LL 1,508.

a/ Commercial bank rates.

As to the factors affecting M₂ growth in 1999, expansion came almost exclusively from the increase in domestic credit to around LL 39,595.2 billion; the two other factors, net foreign assets and net other items, remained almost unchanged from their 1998 levels.

Bank lending and deposit rates changed markedly between 1998 and 1999. The former decreased from 20.24 to 19.47 per cent on lending in Lebanese pounds and from 11.57 to 10.95 per cent on lending in United States dollars, and the latter declined from 13.6 to 12.49 per cent on deposits in Lebanese pounds and from 6.3 to 6.08 per cent on deposits in United States dollars. Since the decrease in bank lending and deposits in Lebanese pounds was greater than that in bank lending and deposits, United States dollars, the interest spread between lending and deposits in the two currencies decreased—the former from 8.67 to 8.52 per cent, and the latter from 7.3 to 6.41 per cent.

5. Oman

Table 21 shows an increase of around 3.1 per cent in Oman's money supply (M₂), from 1,999 million rials Omani (RO) at the end of August 1998 to RO 2,047.7 million at the end of August 1999. The increase

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

was attributed to the rise in time and savings deposits by around 5.4 per cent, from RO 1,510.5 million to RO 1,592.5 million. M_1 decreased by around 6.8 per cent, from RO 488.5 million to RO 455.2 million. The decline in M_1 was believed to have been a consequence of the shift by fund holders (of around 11.6 per cent) from demand deposits to short-term time deposits as a result of the rise in interest rates following the tightening of the lending ratios by the Central Bank of Oman.

TABLE 21. OMAN: MONEY SUPPLY, 1994 - AUGUST 1999
(Millions of rials Omani)

A. Money supply							
	1994	1995	1996	1997	1998	August 1998	August 1999
Currency in circulation	245.6	235.9	231.2	242.2	244.3	235.1	231.2
+ Demand deposits	225.3	233.1	271.1	296.8	258.5	253.4	224.0
= Money supply (M_1)	470.9	469.0	502.3	539.0	502.8	488.5	455.2
+ Time and savings deposits (quasi-money) ^{a/}	933.2	1 042.9	1 131.5	1 495.2	1 628.5	1 510.5	1 592.5
= Money supply (M_2)	1 404.1	1 511.9	1 633.8	2 034.2	2 131.3	1 999.0	2 047.7
B. Change from year to year (percentage)							
Money supply (M_1)	4.6	(0.4)	7.1	7.3	(6.7)	(2.8)	(6.8)
+ Time and savings deposits (quasi-money)	7.8	11.7	8.5	32.1	8.9	(7.2)	5.4
= Money supply (M_2)	6.7	7.7	8.1	24.5	4.7	(6.2)	3.1

Sources: Central Bank of Oman, Department of Research and Statistics, *Quarterly Statistical Bulletin, September 1998* vol. 24, No. 3; and *Monthly Statistical Bulletin, August 1999*, No. 8.

Notes: () indicates negative amounts.

Exchange rate: RO 1 = US\$ 2.598; US\$ 1 = RO 0.384.

a/ Quasi-money is the aggregate of rial Omani time and savings deposits and foreign currency deposits.

The liquidity of the banking sector was the main focus of the Central Bank's monetary policy in 1999. The Bank introduced a new ruling, classifying all consumer and individual bank lending under one single heading, namely, personal lending. The ruling also raised the maximum ratio of the banking sector's consumer lending to total lending from 25 to 30 per cent, on the grounds that the former figure did not reflect reality, since it excluded personal lending. Responding to concerns about asset liquidity in the banking sector, the Central Bank took steps to realign loan-deposit ratios, which had been obscured through a legislative loophole that allowed for external borrowing to boost domestic deposit levels. Omani banks were borrowing short-term funds from abroad and keeping them in either the same bank or other banks, but then including them in their domestic deposit base, thus creating a maturity mismatch. Banks in Oman are now forced to net-off external borrowing with external deposits so that only locally-held funds can be included in total deposits.

6. Saudi Arabia

In Saudi Arabia, growth in the money supply (M_2) continued to decelerate in 1998, increasing by only around 2.4 per cent in comparison with 7 per cent the preceding year (see table 22). However, the trend began to reverse during the first quarter of 1999, with M_2 increasing by 3.1 per cent. The main factors behind the significant slowdown in M_2 growth in 1998 include the reduction in net domestic expenditures by

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

the Government, owing to the drop in oil revenues, and the increased deficit in the balance of payments of the private sector. The slight increase in the M₂ growth rate in the first quarter of 1999 occurred notwithstanding the continued restraint exercised by the Saudi Government in its domestic expenditures; it was attributed mainly to an expected improvement in the balance of payments of the private sector.

TABLE 22. SAUDI ARABIA: MONEY SUPPLY, 1994 - MARCH 1999
(Billions of Saudi Arabian riyals)

A. Money supply						
	1994	1995	1996	1997	1998	March 1999
Currency in circulation	45.0	43.1	43.0	45.8	45.0	47.2
+ Demand deposits	80.7	81.4	89.9	95.4	95.3	99.8
= Money supply (M ₁)	125.7	124.5	132.9	141.2	140.3	147.0
+ Time and savings deposits (quasi-money)	51.4	61.2	71.1	77.2	83.4	83.6
= Money supply (M ₂)	177.1	185.7	204.0	218.4	223.7	230.6
B. Change from year to year (percentage)						
Money supply (M ₁)	3.4	(0.9)	6.8	6.2	(0.6)	4.8
+ Time and savings deposits (quasi-money)	7.3	19.1	16.1	8.6	8.1	0.2
= Money supply (M ₂)	4.5	4.9	9.9	7.0	2.4	3.1

Source: Saudi Arabian Monetary Agency, Research and Statistics Department, *Thirty-Fifth Annual Report, 1420 H (1999 G)*.

Notes: () indicates negative amounts.

Exchange rate: US\$ 1 = SRIs 3.75; SRIs 1 = US\$ 0.27.

The Saudi Arabian Monetary Agency (SAMA), the Kingdom's central bank, continued to conduct its monetary policy with flexibility, attuned to the needs of the market and committed to the objective of promoting and maintaining domestic price and exchange rate stability. SAMA adopted some important policy measures to help relieve pressures on bank liquidity resulting from mismatched growth in loans and deposits; to provide support to the exchange rate peg; and to enhance the attractiveness of government bonds. The measures included, inter alia, equalizing the percentage of the value of government securities eligible for repurchase agreements and adjusting the yields on government development bonds to more closely reflect conditions in the maturing Saudi Arabian riyal market.

The money supply (M₁) totalled 140.3 billion Saudi Arabian riyals (SRIs) in 1998, a decline of around 0.6 per cent from the SRIs 141.2 billion registered in 1997. The decrease in M₁ resulted from a decrease in both its components; currency in circulation dropped from SRIs 45.8 billion to SRIs 45 billion, and demand deposits fell from SRIs 95.4 billion to SRIs 95.3 billion. The decline was more than compensated for by the significant increase of around 8 per cent in time and savings deposits, from SRIs 77.2 billion to SRIs 83.4 billion.

The official exchange rate relative to the United States dollar has remained unchanged, at SRIs 3.75, during the past few years; occasional pressures have been relieved by SAMA actions, which were predicated on the fundamental stability of the riyal in relation to the currencies of Saudi Arabia's major trading partners.

B. FISCAL DEVELOPMENTS

1. Government budgets

During the past few years, new trends emerged in the fiscal policies pursued in most ESCWA member countries. In the GCC countries, the fluctuation in oil earnings, the major source of their budget revenues, necessitated a number of revisions in government spending priorities, the aim being to reduce the growth rate for budget expenditures and consequently the budget deficit. In ESCWA member countries with more diversified economies, significant efforts were made to put together deflationary budgets, in which expenditures were set to increase at a rate below that of inflation, thus reducing expenditures in real terms. In their endeavour to reduce the dependence of their budget expenditures on oil revenues, the GCC countries sought to establish certain fundamentals for a stable long-term fiscal policy, entailing the introduction of policies aimed at raising non-oil revenues and reducing expenditures. Member countries with more diversified economies resorted increasingly to instruments of domestic resource mobilization, such as improving tax collection methods, introducing new taxes and raising the rates of existing ones, and increasing the use of financial instruments such as bonds and Treasury bills. Both groups of ESCWA member countries sought to reduce budget deficits either by raising the prices and user fees for public utilities and services or by reducing subsidies and granting lower increases in public sector wages and salaries.

The GCC countries see fiscal reform as an essential step in maintaining their current pace of economic development. They realize that their economic well-being remains excessively dependent on oil revenues. However, because there are a number of factors to be considered, the reform process will require some time. The introduction of user fees for public utilities and services, though considered inevitable by most of these countries, has been postponed or the fees lowered more than once by some of them, owing to expectations of its negative impact on the low-income segments of the population. The GCC countries do not anticipate that the revenues generated from these sources will add much to their budget revenues; rather, they are a component and a reflection of the much larger effort to prevent extravagance and rationalize consumption, and to eliminate the subsidies allocated for these items in the budget. Such developments are not meant to indicate a slowdown in these countries' efforts to boost non-oil revenues, but rather to ease further, possibly painful, reforms.

The upturn in oil prices during the second half of 1999 means that the GCC countries should be able to cover their budget deficits projected for fiscal year 1999. A number of these countries relied on modest oil price assumptions in their budget forecasts (Kuwait and Oman projected oil prices to be US\$ 10 and US\$ 15 per barrel respectively), which means that oil revenues, and subsequently budget revenues, should be significantly higher than projected.

The surge in the exchange rate of the United States dollar against major international currencies in 1999 gave another boost to the economies of the GCC countries. With oil exports being priced in United States dollars, the oil revenues of these countries were higher in terms of other currencies, as most of their oil exports were to Japan and other non-dollar areas. The strong dollar also meant a reduction in the import bill of the GCC countries, especially for imports from Japan and the EU countries. This, combined with the higher oil revenues, permitted the GCC countries to increase budget spending on economic development and reduce the budget deficit.

In 1999, a number of GCC countries, in particular Oman, Qatar and Saudi Arabia, planned to introduce legislative reforms aimed at encouraging foreign investments and thereby creating a new source of revenues and reducing the fiscal burden. In this context, privatization should be pursued as a strategic policy option to attract foreign investments and, at a broader level, to establish a solid economic foundation by strengthening the role of the private sector in such a way as to diversify sources of budget revenues.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

Fiscal reforms in ESCWA member countries with more diversified economies have been designed to eliminate public finance imbalances, apply the principle of relative scarcity of resources, eliminate the squandering of government financial resources, and facilitate the move towards economic conditions under which private sector enterprises can become efficient and thus commercially viable. The reduction of indirect subsidies has become a major component of most of these countries' fiscal reform plans, with particular attention given to introducing efficient tax regimes, streamlining the civil service, strengthening fiscal administrative capacity and improving transparency in expenditures.

During the period 1997-1999, most of the ESCWA member countries experienced significant fluctuations in their budget deficit to GDP ratios. In the GCC countries all such ratios rose between 1997 and 1998, sometimes dramatically, except in Kuwait and Qatar, where they declined. From 1998 to 1999 the budget deficit to GDP ratio declined in all the GCC countries except Qatar, where it increased slightly, from 0.1 to 0.3 per cent (see table 23). Most of the ESCWA member countries with more diversified economies also witnessed diverse changes during this period. Between 1997 and 1999 the deficit to GDP ratio increased from 0.9 to 1 to 1.3 per cent in Egypt and from 0.4 to 0.8 to 1 per cent in the West Bank and Gaza Strip. In 1999, the ratio was 3.3 per cent for Jordan and 4.8 per cent for Yemen. For both countries the ratio was lower than in 1998 (when the ratio was 6.8 per cent for Jordan and 8.4 per cent for Yemen) but higher than in 1997, when Jordan and Yemen had deficit to GDP ratios of 3.1 and 1.1 per cent respectively. Among this group of ESCWA member countries, only Lebanon showed a consistent downward trend during this period, recording ratios of 23.5 per cent in 1997, 13.8 per cent in 1998 and 13.2 per cent in 1999.

TABLE 23. BUDGET DEFICIT TO GDP RATIOS IN THE ESCWA REGION, 1997-1999
(Percentage)

Country	1997	1998	1999 ^{a/}
GCC countries			
Bahrain	0.1 ^{b/}	6.5	2.0
Kuwait ^{c/}	11.5 ^{b/}	5.9	1.0
Oman	0.7	6.9	2.5
Qatar ^{d/}	10.7	0.1	0.3
Saudi Arabia	2.9	9.4	2.8
United Arab Emirates	4.5	17.0	5.0
More diversified economies ^{e/}			
Egypt ^{f/}	0.9	1.0	1.3
Jordan	3.1	6.8	3.3
Lebanon	23.5	13.8	13.2
Yemen	1.1	8.4	4.8
West Bank and Gaza Strip	0.4	0.8 ^{d/}	1.0

Source: ESCWA, *Preliminary Overview of Economic Developments in the ESCWA Region in 1999* (E/ESCWA/ED/1999/20).

^{a/} Preliminary estimates.

^{b/} Indicates a surplus.

^{c/} Calculations are based on the calendar year, given that official figures are based on the fiscal year 1 July to 30 June.

^{d/} The fiscal year begins 1 April and ends 31 March the following year.

^{e/} Excluding Iraq and the Syrian Arab Republic owing to the unavailability of reliable data.

^{f/} The fiscal year begins 1 July and ends 30 June the following year.

Despite the public pledges from most of the Governments in the region to pursue privatization, their commitment to public investment has been largely maintained, with a rise of between 20 and 25 per cent in the category of public services. An examination of detailed expenditures indicates that in most member

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

countries, in particular the GCC countries, the increase originated mainly from higher expenditures for defence and other unspecified items, while spending on education and health services, for example, decreased as a percentage of total investment and capital expenditures. This development has been of particular concern to the Governments of the GCC countries, especially in the light of the upturn in oil prices during the second half of 1999, given that the Governments of the GCC countries had hoped to underwrite the expenditures budgeted for these two particular areas but had postponed doing so owing to low oil prices during the first half of 1999.

Below is a summary of budget developments for those ESCWA members for which reliable data were available.

(a) *Egypt*

Egypt's total budget expenditures were projected to increase from LE 74.7 billion in 1998/99 to LE 99.4 billion in 1999/2000, or by around 33.6 per cent (LE 25 billion, or US\$ 7.37 billion) (see table 24). With total revenues projected to increase by around 26.9 per cent, from LE 71.4 billion to LE 90.6 billion, the budget deficit is expected to rise from LE 3 billion to LE 8.8 billion and to constitute around 1.3 per cent of Egypt's GDP, compared with 1 per cent the previous year.

Current revenues, projected at LE 79.1 billion in the 1999/2000 budget, are expected to constitute around 87.3 per cent of total budget revenues. The share of tax revenues in current revenues is forecast at around 68.2 per cent (LE 54 billion), compared with 69.4 per cent (LE 46.4 billion) in 1998/99. However, the share of capital revenues in total revenues is expected to rise from 6.4 per cent (LE 4.6 billion) to 12.7 per cent (LE 11.5 billion).

The figures in table 24 indicate that wages and salaries are expected to constitute 32.8 per cent of current expenditures and 25.4 per cent of total expenditures in 1999/2000, representing increases of 1.1 and 0.3 per cent respectively over the 1998/99 figures. Public debt interest payments will increase from LE 15.4 billion (26.1 per cent of current expenditures and 20.7 per cent of total expenditures) in 1998/99 to LE 25.7 billion (33.3 and 25.9 per cent respectively) in 1999/2000.

The financing of the LE 8.8 billion budget deficit is planned to be almost entirely from domestic sources (LE 8 billion); only LE 0.8 billion will be from external sources.

TABLE 24. EGYPT: BUDGET, 1995/96 - 1999/2000*
(Billions of Egyptian pounds)

	1995/96	1996/97	1997/98	1998/99	1999/2000
	A	A	Adj.	Adj.	B
Revenues	60.7	64.9	68.0	71.4	90.6
Current revenues	57.2	61.2	64.0	66.8	79.1
Tax revenues	37.7	40.8	43.6	46.4	54.0
Non-tax revenues	16.2	16.8	16.6	16.1	19.2
Other current revenues ^{a/}	3.3	3.6	3.8	4.3	5.9
Capital revenues	3.5	3.7	4.0	4.6	11.5
Expenditures	63.5	66.8	70.8	74.4	99.4
Current expenditures	51.7	53.4	55.8	58.9	77.1
Wages and salaries	14.0	15.3	17.1	18.7	25.3
Public debt interest	16.3	15.3	14.9	15.4	25.7
Domestic debt	12.2	12.2	12.2	12.8	21.6
Foreign debt	4.1	3.1	2.7	2.6	4.1

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 24 (continued)

	1995/96	1996/97	1997/98	1998/99	1999/2000
Subsidies	4.1	4.3	4.4	4.3	5.4
Other current expenditures ^{b/}	17.3	18.5	19.4	20.5	20.7
Capital expenditures	1.8	13.4	15.0	15.5	22.3
Surplus (or deficit)	(2.8)	(1.9)	(2.8)	(3.0)	(8.8)
Sources of financing					
Domestic sources	1.5	0.4	5.1	2.4	8.0
Foreign sources	1.3	1.5	1.3	0.6	0.8

Sources: National Bank of Egypt, Research Department, *Economic Bulletin*, vol. XXXXXII, No. 2 (1999); and *Middle East Economic Survey*, 26 July 1999, vol. XLII, No. 30.

Notes: () indicates negative.

A = actual; Adj = adjusted; B = budgeted.

Exchange rate: LE 1 = US\$ 0.295; US\$ 1 = LE 3.39.

* The fiscal year starts on 1 July and ends on 30 June the following year.

a/ Including duties and revenues from services authorities and local government offices.

b/ Including defence and security as well as commodity and services requirements.

(b) Kuwait

The Kuwaiti budget for fiscal year 1999/2000, passed by decree (issued by the Emir) and published in mid-July 1999, shows a drop in both revenues and expenditures compared with 1998/99. Total revenues were projected to be KD 2,224 million (US\$ 7,406 million) and total expenditures KD 4,290 million (US\$ 14,286 million), representing decreases of around 9 and 1.7 per cent respectively from the 1998/99 budget figures (see table 25). With the decrease in budget revenues for fiscal year 1999/2000 set higher than the decrease in budget expenditures, the budget deficit (KD 2,066 million) is expected to be around 7.7 per cent higher than in 1998/99. This deficit, usually called net deficit, rises to a gross deficit of KD 2,288 million after the allocation of 10 per cent (KD 222 million) of total budget revenues to the country's Reserve Fund for Future Generations.⁵⁵

The low budget revenue projections were based on the assumption of an oil price of US\$ 10/b⁵⁶ as well as non-oil revenues consisting mainly of taxes (customs and excise) and income from public utilities and services, which were projected to drop by around 15.8 per cent, from KD 550 million in 1998/99 to KD 463 million in 1999/2000. Non-oil revenues have almost always turned out to be below budgeted figures. By adjusting the figure for non-oil revenues downward, the Government was indicating that no new measures to raise non-oil revenues would be introduced in fiscal year 1999/2000.

Revenues in the Kuwaiti budget do not usually include revenues from the country's foreign assets, which, prior to the Gulf crisis in 1990/91, were often higher than oil revenues and were more than sufficient to finance the budget deficit. Nevertheless, since oil prices during much of the current fiscal year have been significantly higher than the projected US\$ 10 per barrel,⁵⁷ it is expected that the forecast deficit may turn into a budget surplus, as was the case in fiscal year 1996/97, when the projected deficit of around KD 1.2 billion turned into a surplus of around KD 0.5 billion following the significant rise in oil prices above previously assumed levels.

⁵⁵ The Kuwaiti authorities are obliged by law to allocate 10 per cent of total budget revenues to the Fund.

⁵⁶ The same price as that projected in the 1998/99 budget.

⁵⁷ At the time of this writing, the average price of oil was around US\$ 28 per barrel.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

TABLE 25. KUWAIT: BUDGET, 1994/95 - 1999/2000
(Millions of Kuwaiti dinars)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
	A	A	A	A	B	B
Revenues	3 100.7	3 473.1	4 391.0	3 607.8	2 443.5	2 224.0
Oil revenues	2 784.7	3 113.5	3 935.9	3 208.4	1 893.5	1 761.0
Other revenues	316.0	359.6	455.1	399.4	550.0	463.0
Expenditures	4 193.2	4 126.5	3 888.6	4 378.0	4 362.0	4 290.0
Current expenditures	2 995.2	2 966.4	2 685.4	2 591.3	2 909.5	3 573.0
Capital expenditures	1 198.0	1 160.0	1 203.2	1 786.7	1 452.5	717.0
Net surplus (or deficit)	(1 092.5)	(653.4)	502.4	(770.2)	(1 918.5)	(2 066.0)
Allocation for RFFG ^{a/}	310.0	347.3	439.1	360.7	244.3	222.4
Gross surplus (or deficit)	(1 402.5)	(1 000.7)	63.3	(1 130.9)	(2 162.8)	(2 288.4)

Sources: For 1994/95 - 1998/99, Central Bank of Kuwait, Economic Research Department, *Quarterly Statistical Bulletin*, January-March 1999, vol. 25, No. 1; for 1999/2000, National Bank of Kuwait, *Economic and Financial Quarterly* (i/1999); and *Middle East Economic Survey*, 19 July 1999, vol. XLII, No. 29.

Notes: () indicates negative.

A = actual; B = budgeted.

The Kuwaiti fiscal year starts on 1 July and ends on 30 June of the following year.

Exchange rate: KD 1 = US\$ 3.33; US\$ 1 = 0.3.

^{a/} Reserve Fund for Future Generations. The Kuwaiti authorities are obliged by law to divert 10 per cent of total budget revenues to the Fund.

The imbalance in the development of current and capital expenditures is particularly pronounced in the 1999/2000 budget, as current expenditures are set to rise at the expense of capital expenditures. This has prompted calls for government plans aimed at eliminating this kind of imbalance in Kuwait's public finance. Current plans to address the problem involve adopting the principle of relative scarcity of resources; halting the squandering of the Government's financial resources, particularly in the area of direct and indirect subsidies; removing price distortions; and encouraging private sector activities.

(c) *Lebanon*

Actual figures for Lebanon's 1999 budget indicate a notable change in the country's fiscal management. The country's actual revenues of LL 4,463 billion (US\$ 2.98 billion) turned out to be around 10.6 per cent lower than budgeted (LL 4,990 billion, or US\$ 3.3 billion); however, actual expenditures turned out to be 13.9 per cent lower than forecast, resulting in an actual budget deficit of LL 2,737 billion (US\$ 1.6 billion), which was around 18.8 per cent lower than the budgeted figure of LL 3,370 billion (US\$ 2.2 billion) (see table 26). The actual budget deficit in 1999 represented around 38 per cent of actual expenditures, compared with the budgeted ratio of 40.3 per cent. The actual ratio reflected significant improvement in Lebanon's fiscal management, for it was around 5 per cent below the 43 per cent target set by the Lebanese Parliament in the 1995 budget law.

The budgeted revenues for 1999 were projected to increase by 12.6 per cent over the actual revenues of 1998 (LL 4,430 billion), with taxes constituting around 74.6 per cent (LL 3,725 billion). The 1999 budget was seen as an instrument to increase the tax base and to review the Government's role in the management of the economy. However, the increased income and company taxes, as set out in the 1999 budget, were not expected to be collected before fiscal year 2000; the same applied to a proposal concerning value-added tax.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 26. LEBANON: BUDGET, 1995-2000
(Billions of Lebanese pounds)

	1995	1996	1997	1998	1999		2000
	A	A	A	A	B	A	B
Revenues	3 150	3 532	3 753	4 430	4 990	4 463	5 435
Expenditures	5 630	7 225	9 155	7 815	8 360	7 200	8 525
Surplus (or deficit)	(2 480)	(3 693)	(5 402)	(3 385)	(3 370)	(2 737)	(3 090)
Deficit/expenditures (%)	44.0	51.1	59.0	43.3	40.3	38.0	36.2
Revenues/expenditures (%)	56.0	48.9	41.0	56.7	59.7	62.0	63.8

Source: For 1995-1997, Banque du Liban, *Quarterly Bulletin*, various issues; for 1998-2000, Middle East Capital Group, Research and Analysis Department, *Economic Brief*, "Lebanon—the 2000 budget proposal," October 1999; and *As-Safir* (Arabic daily), 19 January 2000.

Notes: () indicates negative.

A = actual; B = budgeted.

Exchange rate: for 1995-1998, US\$ 1 = LL 1,530; for 1999-2000, US\$ 1 = LL 1,508.

The plan in 1999 was to finance the budget deficit through foreign as well as domestic borrowing. The Government planned to tap the international bond market for US\$ 2 billion and issue US\$ 750 million in Treasury bills denominated in United States dollars. By borrowing externally, the Government hoped to secure better repayment terms, since interest rates on existing short-term debt in Lebanese pounds are far higher than those offered on foreign currency debt in international financial markets.

Lebanon's budget for fiscal year 2000 forecasts revenues of LL 5,435 billion, higher by around 22 per cent than actual 1999 revenues (LL 4,463 billion). With expenditures expected to rise by around 18.4 per cent, from LL 7,200 billion in 1999 to LL 8,525 billion, the budget deficit is projected to increase by around 12.9 per cent, from LL 2,737 billion to LL 3,090 billion. Despite this development, the 2000 budget indicates improved fiscal management by the Government on two tracks: the first is the further reduction in the deficit to expenditures ratio, from 38 per cent in 1999 to 36.2 per cent in 2000—6.8 per cent points below the above-mentioned 43 per cent target; and the second is the further decline in the deficit to GDP ratio, from an estimated 13.2 per cent in 1999 to 12.7 per cent in 2000.

(d) *Oman*

The budget for 1999 was issued within the guidelines of Oman's Fifth Five-Year Development Plan (1996-2000) (see box 5). The Plan is based on the assumption of an average oil price of US\$ 15 per barrel. Oil revenues continue to be the major source of finance for the country's economy, constituting an average of around 70 per cent of total budget revenues. The 1999 budget projected oil revenues of RO 902 million (US\$ 2,343 million), lower by around 27 per cent than the preliminary estimates of actual revenues for 1998 (RO 1,239 million, or US\$ 3,219 million) (see table 27).

The conservative oil revenue projection for 1999 was based on the assumption that the drop in oil prices in 1998 would continue into 1999. However, the significant rise in oil prices during the second half of 1999 was expected to result in oil revenues rising by roughly one third to around RO 1,200 million (US\$ 3,118 million), which would allow the projected budget deficit to be reduced by around 50 per cent, from RO 631 million to RO 349 million, as long as expenditures did not increase. However, note should be taken of the fact that according to Omani fiscal policy, additional oil revenues accruing from a rise in the price of oil over the level of US\$ 15 per barrel set in the Plan should be allocated to the State General Reserve Fund and not expended.

Box 5. Oman's Fifth Five-Year Development Plan (1996-2000)

Oman's Fifth Five-Year Development Plan (1996-2000) introduced a new element into Oman's development and planning policy. The Plan reflects the measures and recommendations emanating from the Vision Conference: Oman 2020, held in Muscat in June 1995, to examine past achievements and plan for the future of Oman in the light of the globalization and regionalization processes.

The main features of the Plan include the following:

- (a) Adopting strict and prudent fiscal policies and increasing the capacity of the Omani economy so that Oman's resources can be transformed into renewable productive assets;
- (b) Reshaping the Government's role in the economy and increasing private sector participation in economic development;
- (c) Diversifying sources of national income and guiding the economy away from low-value-added activities towards high-value-added activities;
- (d) Globalizing the Omani economy;
- (e) Developing human resources.

Source: Oman, Ministry of National Economy, *Oman: The Development Experience* (Muscat, April 1998).

The caution characterizing the 1999 budget appears once again in the budget forecasts for fiscal year 2000. Despite the optimistic assumption of an oil price of US\$ 14.5/b by the Government, compared with an assumed oil price of only US\$ 9/b in 1999, and a projected increase of around 37 per cent in total revenues, from RO 1,525 million (US\$ 3,962 million) to RO 2,091 million (US\$ 5,432 million), total expenditures are set to rise by only around 13 per cent, from RO 2,156 million (US\$ 5,601 million) to RO 2,440 million (US\$ 6,339 million). Non-oil revenues, which have risen during past fiscal years, are projected to drop by around 6.3 per cent, from RO 623 million (US\$ 1,619 million) to RO 584 million (US\$ 1,517 million) owing to the planned reduction in customs tariffs announced by the Government of Oman in late 1999.

Under the category of current expenditures, a significant increase is planned for civilian ministries, with spending rising by 11.5 per cent, from RO 921 million (US\$ 2,393 million) in 1999 to RO 1,027 million (US\$ 2,668 million) in 2000, and expenditures on defence and security are projected to rise by 10.7 per cent, from RO 608 million (US\$ 1,580 million) to RO 673 million (US\$ 1,748 million). Investment expenditures are set to rise by around 24.4 per cent, from RO 393 million (US\$ 1,021 million) to RO 489 million (US\$ 1,270 million). This is in contrast to fiscal year 1999, when investment expenditures were RO 39.3 million (US\$ 102 million) lower than the 1998 figure of RO 432.3 million.

The budget deficit for fiscal year 2000 is projected to decline by around 45 per cent, from RO 631 million (US\$ 1,639 million) in 1999 to RO 349 million (US\$ 907 million). The Government plans to finance the budget deficit by drawing on the country's reserves and by issuing government development bonds (the latter have been increasingly used during the past few years to deepen Oman's financial market).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 27. OMAN: BUDGET, 1994-2000
(Millions of rials Omani)

	1994	1995	1996	1997	1998	1999	2000
	A	A	A	A	PA	B	B
Revenues	1 757.4	1 851.6	1 990.2	2 003.0	1 793.0	1 525.0	2 091.0
Oil revenues	1 311.5	1 372.7	1 473.0	1 502.0	1 239.0	902.0	1 507.0
Non-oil revenues	445.9	478.9	517.2	501.0	554.0	623.0	584.0
Expenditures	2 252.9	2 331.0	2 253.7	2 266.0	2 114.4	2 156.0	2 440.0
Current expenditures	1 777.3	1 859.5	1 837.7	1 815.0	1 665.6	1 738.0	1 899.0
Defence and security	779.3	776.1	736.8	698.0	655.0	608.0	673.0
Civilian ministries	809.6	878.1	890.9	898.0	862.0	921.0	1 027.0
Other	188.4	205.3	210.0	219.0	148.6	209.0	199.0
Investment expenditures	458.9	456.9	403.6	398.0	432.3	393.0	489.0
Development expenditures by							
civilian ministries	282.7	278.1	209.7	158.0	204.7	170.0	250.0
Other	176.2	178.8	193.9	240.0	227.6	223.0	239.0
Participation in and support for							
private sector activities	16.7	14.6	12.4	53.0	16.5	25.0	52.0
Surplus (or deficit)	495.5	479.4	263.5	263.0	321.4	631.0	349.0

Sources: For 1994-1997, ESCWA, *Survey of Economic and Social Developments in the ESCWA Region, 1997-1998* (ESCWA/E/ED/1998/5); for 1998 and 1999, Central Bank of Oman, *Al-Markazi*, vol. 24, No. 1, February/March 1999; and for 2000, *Middle East Economic Survey*, 24 January 2000, vol. XLIII, No. 4.

Notes: () indicates negative.

A = actual; PA = preliminary actual; B = budgeted.

Exchange rate: RO 1 = US\$ 2.598; US\$ 1 = RO 0.384.

(e) *Saudi Arabia*

The higher oil prices during the second half of 1999, averaging around US\$ 7/b over the 1998 level, helped generate actual budget revenues of SRls 147 billion (US\$ 39.2 billion); this figure was around 21 per cent (SRls 26 billion or US\$ 7 billion) higher than the projection of SRls 121 billion (US\$ 32.2 billion). Actual budget expenditures totalled SRls 181 billion (US\$ 48.2 billion), around 10 per cent higher than the SRls 165 billion (US\$ 44 billion) forecast (see table 28). As a result, the actual budget deficit amounted to SRls 34 billion (US\$ 9 billion), which was around 33 per cent lower than the budgeted deficit of SRls 44 billion (US\$ 11.7 billion).

The actual budget figures for 1999 turned out to be close to those of 1998. However, the 1999 actual revenues do not specify how much of the increase of SRls 26 billion over budgeted revenues came from the increase in oil prices and how much came from other sources, including the increased tariffs, fees and prices for a number of public utilities and services. In May 1999, the Government raised the domestic price of gasoline by 50 per cent, to SRls 0.9 (US\$ 0.24) per litre. In addition, a departure tax of SRls 50 (US\$ 13.30) was imposed on foreigners, and work permit fees for expatriates were raised from SRls 1,000 (US\$ 267) to SRls 2,000 (US\$ 534). These measures were expected to add between US\$ 2 billion and US\$ 2.5 billion to annual budget revenues during the next three to five years. Although the impact of this amount might be considered minor in the light of the projected (US\$ 11.7 billion) and actual (US\$ 9 billion) budget deficit for 1999, it was meant to send a signal to the public that the Government was serious in its efforts to diversify sources of budget revenues.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

TABLE 28. SAUDI ARABIA: BUDGET, 1995-2000
(Billions of Saudi Arabian riyals)

	1995	1996	1997	1998		1999		2000
	A	A	A	B	A	B	A	B
Revenues	135.0	177.0	204.0	178.0	143.0	121.0	147.0	157.0
Expenditures	150.0	194.0	210.0	196.0	189.0	165.0	181.0	185.0
Deficit	15.0	17.0	6.0	18.0	46.0	44.0	34.0	28.0

Source: For 1995-1997, ESCWA, *Survey of Economic and Social Developments in the ESCWA Region, 1997-1998* (E/ESCWA/ED/1998/5); and for 1998-2000, *Middle East Economic Survey*, 27 December 1999/3 January 2000, vol. XLII, No. 52/vol. XLIII, No. 1.

Notes: A = actual; B = budgeted.

Exchange rate: US\$ 1 = SRIs 3.75; SRIs 1 = US\$ 0.27.

The Saudi Arabian budget for fiscal year 2000 forecasts increases of around 12 and 30 per cent in expenditures and revenues respectively over the corresponding budget projections for fiscal year 1999. However, the figures for 2000 are only 2.2 and 6.8 per cent higher than the actual expenditure and revenue figures recorded in 1999 respectively. The budget deficit for fiscal year 2000 is projected to be SRIs 28 billion (US\$ 7.5 billion), which is around 36 per cent lower than the budgeted deficit for 1999 (SRIs 44 billion) and around 18 per cent lower than the actual deficit of SRIs 34 billion.

The 2000 budget has been drawn up to provide the necessary means for economic growth and to improve the Government's ability to continue with its efforts to achieve financial balance and rationalize spending, as provided for in the Sixth National Development Plan (1996-2000) (see box 6). The modest increases in revenues and expenditures forecast for 2000 (in comparison with the actual figures for 1999) indicate that the Government of Saudi Arabia has been cautious in projecting a further upturn in oil revenues.

Budget deficits are considered to have significant implications for the Government's domestic debt, estimated at around SRIs 500 billion (US\$ 133 billion).⁵⁸ The actual budget deficit in fiscal year 1999 was expected to raise this debt by around 7 per cent, increasing the debt service payment to around 5.5 per cent of GDP. Budget deficits in Saudi Arabia are usually financed by borrowing from domestic banks and placing bonds against the revenues of the Pension Fund and the private sector's General Security Association.

(f) *West Bank and Gaza Strip*

The issuance of the Palestinian budget is usually delayed until the Palestinian Authority receives assurances from donor countries and agencies regarding the amounts they intend to donate. This "tradition" was maintained with the 1999 budget. It was approved by the Palestinian Legislative Council only in late August, six months after it was submitted by the Palestinian Authority, at which time it was already six months overdue.

The 1999 budget included projected expenditures of US\$ 1,729 million; this figure is around 7 per cent lower than the preliminary estimate of actual expenditures for 1998 (US\$ 1,858 million), but around 53 per cent higher than 1998 projected expenditures (US\$ 1,133 million). Revenues were projected to be US\$ 1,604 million in 1999, or around 12 per cent lower than the actual figure of US\$ 1,821 million estimated for 1998. The projected budget deficit of US\$ 125 million for 1999 was around US\$ 90 million higher than the

⁵⁸ *Middle East Economic Survey*, 3 January 2000, vol. XLIII, No. 1.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

actual 1998 deficit of US\$ 35 million and US\$ 119 million higher than the deficit originally projected for 1998 (see table 29).

The decline in projected revenues in the 1999 budget appears to derive mainly from the decrease in donor assistance (grants and aid), from US\$ 900 million in 1998 to US\$ 700 million in 1999; the 2 per cent drop in current revenues (the other component of budget revenues), from US\$ 922 million to US\$ 904 million, is too small an amount to have a major impact on total budget revenues.

Table 29 shows that the reduction in total expenditures reflected the decline in capital expenditures, from US\$ 964 million in 1998 (preliminary estimate of actual expenditures) to US\$ 739 million in 1999 (budget projection); current expenditure figures reflected an upward trend, rising from US\$ 894 million to US\$ 990 million, with wages and salaries expected to constitute around 52 per cent (US\$ 516 million) of current expenditures and around 30 per cent of total expenditures in 1999.

Box 6. Saudi Arabia's Sixth National Development Plan (1996-2000)

For the past 25 years, the economic development of Saudi Arabia has been broadly governed by five-year plans. The first five plans emphasized the development of infrastructure and focused increasingly on human resources and private sector development. The Sixth Plan, which began in 1996, calls for broadening the technical skills of the Saudi Arabian population and increasing emphasis on economic diversification. The highlights of the current Plan include the following:

- (a) Limiting government spending on development programmes and projects to actual revenues;
- (b) Linking government loans and support facilities provided to individual private sector enterprises to the implementation of Saudization commitments;
- (c) Deepening the dialogue with the private sector by establishing suitable institutional mechanisms;
- (d) Expanding the use of private capital in financing government projects;
- (e) Meeting the increasing demand for modern infrastructural facilities and safeguarding existing facilities.

The Plan also provides a number of estimates for broad economic indices:

- (a) Economic growth averaging 3.8 per cent annually during the Plan period;
- (b) Growth in non-oil GDP averaging 3.9 per cent annually;
- (c) Annual private sector and government investment increases of 4.9 and 19 per cent respectively;
- (d) An 8.5 per cent annual increase in gross fixed capital formation, based on fixed prices, thereby raising the contribution of investment to GDP from 14.4 per cent at the beginning of the Plan period to 18 per cent at its end.

Source: US-Saudi Arabian Business Council web site, "The Saudi Arabian Economy", downloaded from <http://www.us-saudi-business.org/economy.htm>.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

TABLE 29. WEST BANK AND GAZA STRIP: BUDGET, 1997-1999
(Millions of US dollars)

	1997		1998		1999
	A	B	PA	B	B
Revenues	954	1 127	1 821		1 604
Current revenues	684	902	922		904
Domestic revenues	648	901	922		904
Tax revenues	502	779	751		779
Non-tax revenues	145	122	171		125
Grants and aid	270	225	900		700
Expenditures	1 113	1 133	1 858		1 729
Current expenditures	790	868	894		990
Capital expenditures	323	266	964		739
Surplus (or deficit)	(159)	(6)	(35)		(125)

Source: *Middle East Economic Survey*, 6 September 1999, vol. XLII, No. 36.

Note: Figures are rounded.

() indicates negative.

A = actual; PA = preliminary actual; B = budgeted.

The projected decrease in revenues does not reflect the anticipated improvement in domestic tax collection, in light of the amendment to the taxation laws in early 1999. The amendment included a decrease in corporate tax, from 38.5 to 20 per cent; and a reduction in personal income tax; in order to combat tax evasion and broaden the tax base, personal income tax for those earning more than US\$ 2,730 per month was lowered from 48 to 20 per cent; and for wage earners in the lowest tax brackets (those earning less than US\$ 687 per month), a tax rate of only 5 per cent would be levied.

(g) *Yemen*

Yemen's budget for the year 2000 includes projected revenues of 389 billion Yemeni rials (YRIs) (US\$ 2.4 billion), an 8 per cent increase over the 1999 projection of YRIs 359.9 billion (see table 30). Expenditures are envisaged to increase by around 15.4 per cent, from YRIs 365.7 billion (US\$ 2.3 billion) to YRIs 422.2 billion (US\$ 2.6 billion). The budget deficit is therefore expected to be around 33.2 billion, or around six times the planned deficit for 1999 (YRIs 5.8 billion).

TABLE 30. YEMEN: BUDGET, 1996-2000
(Billions of Yemeni rials)

	1996	1997	1998	1999	2000
	A	A	A	B	B
Revenues	155.9	301.2	334.6	359.9	389.0
Current revenues	112.6	251.6	280.0	278.0	369.2
Oil revenues	73.0	190.5	205.2	162.6	246.5
Tax and non-tax revenues	32.0	41.5	49.8	100.4	103.5
Grants and aid	7.6	19.6	25.0	15.0	19.2
Capital revenues	43.3	49.6	54.6	81.9	19.8

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 30 (continued)

	1996	1997	1998	1999	2000
	A	A	A	B	B
Expenditures	181.4	314.0	350.1	365.7	422.2
Current expenditures	137.2	248.8	250.3	257.6	321.4
Wages and salaries	90.4	115.6	118.8	135.6	144.3
Defence and security	22.3	55.3	63.7	62.2	75.5
Loan repayments	18.6	52.2	53.3	44.7	45.3
Other expenditures	5.9	25.7	14.5	15.1	56.3
Capital expenditures	44.2	65.2	99.8	108.1	100.8
Surplus (or deficit)	(25.5)	(12.8)	(15.5)	(5.8)	(33.2)

Sources: *Middle East Economic Survey*, 8 February 1999, vol. XLII, No. 6; and 31 January 2000, vol. XLIII, No. 5; and ESCWA calculations based on various international sources.

Note: () indicates negative.

A = actual; B = budgeted.

Exchange rate: for 1996, US\$ 1 = YRls 126.9; for 1997 and 1998, US\$ 1 = YRls 133.0; for 1999, US\$ 1 = YRls 136.7; and for 2000, US\$ 1 = YRls 159.7.

Oil revenues constitute the most positive aspect of the 2000 budget, considering the very low increases projected for the other budget revenue items. Oil revenues are expected to increase by around 52 per cent, from YRls 162.6 billion (US\$ 1 billion) in 1999 to YRls 246.5 billion (US\$ 1.54 billion) in 2000. The 28 per cent increase in grants and aid, from YRls 15 billion to YRls 19.2 billion, should be looked at with some caution, since the turnout has generally been lower than projected for most of the past few years. For example, in 1996, 1997 and 1998, when grants and aid were projected at YRls 30 billion, YRls 80 billion and YRls 27 billion respectively, the actual amounts provided were only YRls 7.6 billion, YRls 19.6 billion, and YRls 25 billion.

Tax and non-tax revenues, which increased significantly during the past few years, from YRls 32 billion in 1996 to YRls 49.8 billion in 1998 and YRls 100.4 billion in 1999, should continue to rise in 2000, reaching YRls 103.5 billion. The surpluses of public sector enterprises, which usually account for around 25 to 30 per cent of non-tax revenues, are expected to decrease significantly during the next few years, however, owing to the sale of an increasing number of these enterprises as part of the ongoing privatization process in Yemen. It should be noted, though, that the Government of Yemen is planning to introduce a number of taxation measures and improve tax collection methods to compensate for the loss in non-tax revenues.

If capital expenditures decline, as expected, from YRls 108.1 billion in 1999 to YRls 100.8 billion in 2000, the ratio of capital expenditures to total expenditures will fall from around 30 per cent to around 24 per cent; consequently, the ratio of current expenditures to total expenditures will rise from 70 to 76 per cent.

Wages and salaries averaged around 36 per cent of total expenditures and 50 per cent of current expenditures during the period 1996-1999; these ratios are projected to drop to 34 and 45 per cent respectively in 2000. Defence and security expenditures increased significantly during the past few years, rising from around YRls 22.3 billion in 1996 to around YRls 62.2 billion in 1999, and are expected to increase to YRls 75.5 billion in 2000.

2. Public debt

The sovereign rating of most ESCWA member countries has declined significantly in international financial markets during the past few years, making it difficult for them to arrange loans in these markets.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

As a result, domestic borrowing has become an important means of financing budget deficits as well as development projects in the ESCWA region. In most of the member countries, however, domestic borrowing is not relied upon only to finance budget deficits; it is also being used to help develop domestic financial markets through the issuance of various financial (debt) instruments, including government bonds and Treasury bills and notes. Governments are not the only ones resorting to domestic borrowing in most ESCWA member countries; government agencies and public sector enterprises are also relying increasingly on the domestic market for financing projects.

Below is a summary of public debt developments in a number of ESCWA member countries, selected on the basis of the availability of reliable information.

(a) *Lebanon*

Lebanon's net total public debt, which includes net domestic public debt (in Lebanese pounds) and external debt (in United States dollars), increased by around 163 per cent during the past five years, from LL 11,369.4 billion in 1995 to LL 29,909.8 billion in 1999 (see table 31). It is estimated that net total public debt was equivalent to over 120 per cent of Lebanon's GDP in 1999, representing one of the heaviest debt burdens among sovereigns rated by international agencies.

TABLE 31. LEBANON: PUBLIC DEBT, 1995-1999
(Billions of Lebanese pounds)

	1995	1996	1997	1998	1999
Gross domestic public debt	11 997.2	17 228.8	19 787.1	21 685.7	25 541.5
Central Bank	102.7	100.4	374.6	117.3	..
Banks	8 545.1	12 661.9	13 532.4	16 296.9	..
Non-banking system	3 349.4	4 466.5	5 880.1	5 271.5	..
Public sector deposits	2 709.9	3 870.6	1 406.0	2 141.9	4 006.1
Net domestic public debt	9 287.3	13 358.2	18 381.1	19 543.8	21 535.4
External debt (in millions of US dollars)	1 304.6	1 856.0	2 435.2	4 164.5	5 538.2
Net total public debt	11 369.4	16 238.7	22 099.7	25 823.8	29 909.8

Source: Banque du Liban, *Monthly Bulletin*, Nos. 40 and 66 (see <http://www.bdl.gov.lb/>) (in Arabic).

Note: Exchange rates: 1995: US\$ 1 = LL 1,595; 1996: US\$ 1 = LL 1,552; 1997: US\$ 1 = LL 1,528; 1998: US\$ 1 = LL 1,508; 1999: US\$ 1 = LL 1,507.

Large fiscal deficits, averaging around 15 per cent of GDP during the past five years, led to a significant accumulation of net domestic public debt; such debt rose from LL 9,287.3 billion in 1995 to LL 21,535.4 billion in 1999, leaving the country with a heavy interest payment burden. The large fiscal imbalances are seen to reflect inefficient revenue and tax collection methods and capabilities, coupled with increasing expenditure demands linked to Lebanon's massive post-war reconstruction efforts.

Lebanon's external debt increased from US\$ 1,304.6 million in 1995 to US\$ 5,538.2 million in 1999; the interest rate differential between domestic borrowing and external borrowing and the relatively low external debt to net total public debt ratio, averaging around 13 per cent during the past five years, appear to have encouraged further borrowing from international financial markets. The Government planned to continue tapping these markets in 1999, hoping to secure better repayment terms, since interest rates on short-term debt in Lebanese pounds were significantly higher than those offered for foreign currency debt from international financial markets.

Most of Lebanon's gross domestic public debt, which more than doubled during the period 1995-1999 (from LL 11,997.2 billion to LL 25,541.5 billion), was owed to commercial banks, which shared an average

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

of around 71 per cent of the total; most of the remainder (27 per cent) was owed to non-banking financial organizations such as insurance and investment companies.

(b) *Qatar*

Qatar's total public debt amounted to around US\$ 6.4 billion at the end of March 1999, constituting around 69.4 per cent of the country's GDP at current prices (see table 32). Of this total, around 53.7 per cent (US\$ 3,438.9 million) was domestic debt and 46.3 per cent (US\$ 2,960.5 million) was external debt.

TABLE 32. QATAR: PUBLIC DEBT, 1994 - MARCH 1999
(Millions of US dollars)

	1994	1995	1996	1997	1998	March 1999 ^{a/}
Domestic debt ^{b/}	2 488.9	2 575.7	2 664.1	2 720.3	2 980.1	3 438.9
Short-term debt ^{c/}	1 690.4	1 777.2	1 865.6	1 921.8	2 143.6	3 094.2
Medium-term debt ^{d/}	798.5	798.5	798.5	798.5	836.5	344.7
Domestic debt/GDP at current prices ^{e/} (percentage)	34.8	34.9	32.7	30.0	32.4	37.3
External debt ^{f/}	400.0	839.6	1 286.1	1 928.6	2 607.8	2 960.5
External debt/GDP at current prices ^{g/} (percentage)	5.6	11.4	15.8	21.3	28.4	32.1
Total public debt	2 888.9	3 415.3	3 950.2	4 648.9	5 587.9	6 399.4
Total public debt/GDP at current prices ^{g/} (percentage)	40.4	46.3	48.5	51.3	60.8	69.4

Source: *Middle East Economic Survey*, 24 May 1999, vol. XLII, No. 21.

a/ Figures for 1999 exclude aggregate indebtedness of US\$ 1,046.6 million incurred by the Government and repayable over a period of 15 years.

b/ Indicates short-term and medium-term credit provided by commercial banks in Qatar to the Government, regardless of the currency denomination.

c/ Indicates debt with a maturity of less than one year.

d/ Indicates debt with a maturity of between one year and seven years.

e/ The ratio is calculated using GDP figures on a calendar year basis and indebtedness for the fiscal year ending March 31.

f/ Indicates the direct indebtedness of the Government (debts incurred by the Government outside Qatar), regardless of the currency denomination.

g/ The ratio is calculated using GDP figures on a calendar year basis and indebtedness for the fiscal year ending March 31.

The rise in total public debt by around 122 per cent, from US\$ 2,888.9 million in 1994 to US\$ 6,399.4 million at the end of March 1999, resulted from increases in both its components; domestic debt rose from US\$ 2,488.9 million to US\$ 3,438.9 million, and external debt increased from US\$ 400 million to US\$ 2,960.5 million.

The ratio of each of these two components to GDP also increased. For domestic debt, the ratio rose from 34.8 to 37.3 per cent, and for external debt, it jumped from only 5.6 per cent to 32.1 per cent. The rise in domestic debt was caused mainly by the increase in short-term debt between 1994 and 1999, from US\$ 1,690.4 million to US\$ 3,094.2 million; the level of medium-term debt remained unchanged, at US\$ 798.5 million, during the period 1994-1997 increasing only slightly, to US\$ 836.5 million, in 1998, then dropping to US\$ 344.7 million at the end of March 1999.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

Both short-term and medium-term domestic debt reflect credit facilities from domestic commercial banks, though the public debt law of 1998 allowed the Qatar Central Bank to secure authorization for the issuance of Treasury bills and government bonds on behalf of the Government.

(c) Syrian Arab Republic

During the past few years, the Government of the Syrian Arab Republic resorted increasingly to the domestic market to finance its budget deficit. The country's domestic debt declined to 8.4 billion Syrian pounds (LS) in 1996 and LS 8.1 billion in 1997, then rose by around 26 per cent to LS 10.2 billion (US\$ 0.9 billion) in 1998 (see table 33). Domestic debt still remained significantly lower than in 1994, however, when it amounted to LS 13.1 billion (US\$ 1.2 billion). Domestic debt typically accrues through borrowing from public sector banks⁵⁹ and issuing investment certificates.

TABLE 33. SYRIAN ARAB REPUBLIC: PUBLIC DEBT PROFILE, 1994-1998

	1994	1995	1996	1997	1998
			Estimates		
Domestic debt (in billions of Syrian pounds)	13.1	12.3	8.4	8.1	10.2
External debt (in billions of US dollars)	20.6	21.3	21.4	20.9	21.1
Debt service ratio (percentage)	6.8	4.7	3.9	9.3	8.4

Sources: For domestic debt: for 1994, ESCWA, *Survey of Economic and Social Developments in the ESCWA Region, 1995* (E/ESCWA/ED/1996/3/Rev.1); for 1995-1998, Central Bank of Syria, Research, Planning and Statistics Department, *Quarterly Bulletin, 1998*, vol. 36, No. 3-4; and for external debt and debt service ratio: *Middle East Economic Survey*, 13 December 1999, vol. XLII, No. 50.

Notes: Exchange rate: LS 1 = US\$ 0.09; US\$ 1 = LS 11.225.

The "domestic financing" item in the budget of the Syrian Arab Republic usually refers to the country's domestic debt.

While the country's domestic debt went through significant ups and downs between 1994 and 1998, its external debt changed only slightly during this period, rising from US\$ 20.6 billion to US\$ 21.1 billion. The Syrian Arab Republic has made major strides in easing its external debt burden during the past few years. There has been some rescheduling and forgiveness of significant portions of the debt, particularly by the Russian Federation, to which almost half of the country's debt is owed. Progress is also reflected in the timely payments made by the Syrian Arab Republic in its debt to the World Bank, estimated at around US\$ 500 million; this debt should be totally discharged by the year 2002.

C. STOCK MARKETS

The performance of stock markets in the ESCWA region was mixed in 1999. Some markets benefited from higher oil prices and the return of investor confidence, while others were held back by low levels of economic growth and delays on the reform and privatization tracks. Overall, the market capitalization of stock markets in the ESCWA region increased by 8 per cent, from around US\$ 128 billion in 1998 to around US\$ 138 billion in 1999.

The Palestine Stock Exchange recorded the highest gains. The Al-Quds (Jerusalem) index, the official stock exchange index, rose by around 53 per cent owing to strong gains by the Palestine Telecommunications Company (PALTEL), improved market liquidity, and the entry of foreign funds into the market.

⁵⁹ No private sector banks exist in the Syrian Arab Republic.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

In Egypt, the positive investment outlook, the attractive valuation of stocks, and solid macroeconomic performance were considered the most significant factors behind the 44 per cent surge in the index of the Cairo Stock Exchange.

The Saudi Stock Market, the largest in the ESCWA region, recorded gains exceeding 43 per cent in 1999. This represented the second best annual performance of the Market since its establishment in 1985. Most of the gains were made during the second half of the year, as the upward trend in oil prices boosted the upside potential of the economy. Stock prices also rose following the announcement by the Government that foreign investors would be allowed to own shares in the Saudi Arabian market via mutual funds. However, owing to concerns over poor liquidity in the banking sector and lacklustre corporate results, stock prices decreased by around 10 per cent during the fourth quarter of 1999.

The Beirut Stock Exchange in Lebanon is believed to have fared the worst among the stock exchanges in the ESCWA region in 1999, with its market index dropping by around 21 per cent. With the appointment of a new stock market committee in November 1999, public confidence in trading on the Exchange was expected to improve, since one of the declared objectives of the committee was to increase the level of transparency and modernize the technology used in stock trading. However, average daily turnover figures continued to fall, averaging less than US\$ 0.5 million per day during the last two months of 1999, compared with around US\$ 0.8 million during the first half of the year and around US\$ 1.5 million in 1998.

In Jordan, the Amman Bourse (formerly known as the Amman Financial Market) also fared poorly in 1999, with the market index dropping by around 6.1 per cent. As a result of renewed foreign interest in a number of blue-chip Jordanian companies, stock market activity improved during November and December, with the index rising by around 2.5 and 3.2 per cent respectively. However, despite the easing of the monetary policy during the second half of 1999 and the lowering of interest rates on deposits in Jordanian dinars, the Bourse continued to suffer from liquidity shortages: between 1998 and 1999, turnover dropped by around 16 per cent, from JD 464.4 million (US\$ 653 million) to JD 390 million (US\$ 549 million); market capitalization decreased by 1.06 per cent, from JD 4,156 million to JD 4,098 million; and non-Jordanian net foreign investment fell from JD 124.3 million to a low of only JD 15.4 million.

Kuwait has the third largest exchange in the ESCWA region, after Saudi Arabia and Egypt. During most of 1999, equity prices at the Kuwait Stock Exchange maintained the downward correction that had started in the first quarter of 1998. However, the significant rise in oil prices during the second half of 1999 and the measures undertaken by the Government to open up the economy to foreign investors led to improved stock market performance, with the index rising by around 3 per cent during the last quarter of the year.

For the Bahrain Stock Exchange, the moderate but steady downward trend continued in 1999, with losses of around 8 per cent for the year as a whole. The poor performance, particularly in the last quarter, was due to the fact that most investors opted to remain on the sidelines as they pondered the losses on the Kuwait Stock Exchange, where some Bahraini companies were listed.

The performance of the Muscat Securities Market reflected a significant mixture of ups and downs in 1999. For the year as a whole, however, the Market managed to report gains of more than 18 per cent. Movements in the all-share index were matched to a large extent by parallel variations in trading patterns, although liquidity during the first three quarters of the year was still more than twice the corresponding level for 1998, with the average daily value of shares traded reaching RO 1.07 million.

A summary of stock market developments experienced by various ESCWA members is provided below.

(a) *Egypt*

The promulgation of a number of government decrees regulating activities on the Cairo Stock Exchange in 1999 smoothed the way for companies, particularly joint stock companies, to issue bonds with a total value exceeding their net assets. The issuance and trading of these bonds on the Exchange would remain subject to the companies presenting proof of a certain level of creditworthiness to the country's Capital Market Authority in conformity with the rules set by the latter. It was also decreed that companies should insure their trading activities against risks incurred by both their customers and their management.

In 1999 the Government continued its efforts to improve business transparency on the Exchange. Traders now wishing to purchase 15 per cent or more of a company's shares offered for public sale should notify both the Capital Market Authority and the management of the stock exchange. The notification should include data on the number and type of shares, the purchase rate offered, and the period of validity of the purchase offer (which should be more than one week). The data are to be published in two official dailies, of which one should be in Arabic.

Mutual funds have become the major trade promoter on the Cairo Stock Exchange during the past few years. At the end of 1998, a period for which data are available, there were a total of 19 funds with capitalization of LE 3.4 billion and a market value of 4.1 billion.⁶⁰

At the end of March 1999, there were 909 companies listed on the Exchange, or 48 more than at the end of December 1998 (see table 34). It should be noted that not all companies listed on the Exchange have been quoted. At the end of December 1998, only 16 were quoted on the official board and 145 on the non-official board, with the rest remaining only listed, awaiting the approval of the Capital Market Authority for quotation. Moreover, the number of listed companies on the Exchange is not necessarily an indicator of stock market capitalization levels. For example, from 1995 to 1996 the number of listed companies fell from 746 to 646, but market capitalization increased from LE 27.4 billion (US\$ 8 billion) to LE 48.1 billion (US\$ 14.2 billion).

TABLE 34. EGYPT: STOCK MARKET INDICATORS, 1994 - MARCH 1999

	1994	1995	1996	1997	1998	March 1999
Number of listed companies	700	746	646	650	861	909
Companies with traded securities	300	352	354	416	551	..
Market capitalization (in billions of Egyptian pounds)	14.5	27.4	48.1	70.9	83.1	92.5
Market capitalization/GDP (percentage)	8.3	13.4	21.0	27.7	29.9	33.2
Trading value of listed securities (in billions of Egyptian pounds)	2.6	3.8	11.0	24.2	23.3	8.9
Trading volume of listed securities (in millions of Egyptian pounds)	59.8	72.2	207.7	372.5	570.8	..

Source: National Bank of Egypt, *Economic Bulletin*, vol. XXXXII, No. 2 (1999).

(b) *Jordan*

The Amman Bourse did not fare well in 1999. Between 1998 and 1999 the index fell from 170.1 to 164 points, and the value of transactions declined by 16 per cent, from JD 464.4 million (US\$ 650 million) to

⁶⁰ Central Bank of Egypt, *Economic Review*, vol. XXXIX, No. 2 (1998/99).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

JD 390 million (US\$ 546 million). The most unfavourable development in Bourse trading, however, was the drop in net non-Jordanian investment, from JD 124.3 million (US\$ 174 million) in 1998 to only JD 15.4 million (US\$ 22 million) in 1999 (see table 35).

TABLE 35. JORDAN: AMMAN BOURSE* INDICATORS, 1994-1999
(Millions of Jordanian dinars)

	1994	1995	1996	1997	1998	1999
Value of transactions	495.1	419.0	248.6	355.2	464.4	390.0
Weighted index (points)	143.6	159.2	153.5	169.2	170.1	164.0
Net non-Jordanian investment	..	..	8.5	56.8	124.3	15.4
Price-earnings ratio (percentage)	18.1	17.4	13.5	14.7	16.3	13.5
Number of companies listed	116	126	132	139	150	153
Market capitalization of listed companies	3 409	3 465	3 461	3 862	4 156	4 098
Market capitalization to GDP (percentage)	80.8	75.7	72.7	77.3	79.4	73.2

Source: For 1994-1998, *Middle East Economic Survey*, 2 August 1999; for 1999, Middle East Capital Group, Research and Analysis Department, *Weekly Update*, "The Amman Stock Exchange," 17 January 2000.

* The Amman Financial Market was renamed the Amman Bourse in July 1999.

Despite the easing of the monetary policy and the lowering of rates on dinar deposits, the Bourse continued to suffer from thin liquidity. However, the average price-earnings ratio of 13.5 per cent, though lower than in most of the preceding five years, could still make market valuation attractive to investors.

The Government's policy of divesting itself of its holdings in companies listed on the Bourse is expected to boost activity in the market. In September 1999, the Government sold its entire stake in the Housing Bank and other firms to the Social Security Corporation, bringing the monthly turnover of the Bourse to around JD 40 million (US\$ 56 million)—around JD 10 million over the monthly average recorded for previous months during the year.

(c) *Oman*

The Muscat Securities Market started 1999 on a negative note, with a decline of around 16.5 per cent during the first quarter of the year, as several factors combined to depress market business sentiment. Institutional investors remained on the sidelines as oil prices stayed low and high local interest rates diverted funds away from the Market. Disappointing corporate results in 1998 also added to the downward pressure on stock prices. However, the market took an important turn at the beginning of the second quarter, following the start of a recovery in oil prices and consequently in corporate business. Stock prices increased by almost 14 per cent in April 1999 and continued rising by an average of over 10 per cent per month during most of the year.⁶¹

In spite of this improvement, the Market activity in 1999 continued to lag behind that of 1998. During the first 10 months of 1999 (the period for which statistics are available), only 5 million shares were traded, compared with 11.2 million shares in 1998. However, the most depressing development in the Market in 1999 was that the total value of shares traded amounted to only RO 95.4 million, or around 18 per cent of the 1998 level of RO 536 million (see table 36).

⁶¹ Middle East Capital Group, *Weekly Update*, "The Muscat Securities Market," 8 November 1999.

CHAPTER III. MONETARY AND FISCAL DEVELOPMENTS

TABLE 36. OMAN: MUSCAT SECURITIES MARKET INDICATORS, 1995 - OCTOBER 1999

	1995	1996	1997	1998	October 1999
Number of shares traded (millions)	1.9	5.3	18.6	11.2	5.0
Value of shares traded (in millions of rials Omani)	45.8	135.2	970.4	536.0	95.4
Number of transactions (in thousands)	11.6	22.7	83.8	72.9	50.9
Market capitalization (in billions of rials Omani)	1.3	1.6	3.4	2.3	2.3
Market index	158.1	199.4	480.6	228.5	260.0

Source: Union of Arab Banks, monthly magazine, December 1999 (in Arabic).

Notes: Figures are rounded.

Exchange rate: RO 1 = US\$ 2.598; US\$ 1 = RO 0.384.

The Market's inclusion in 1999 in the regional and global indices of the International Finance Corporation, an affiliate of the World Bank involved in private enterprise promotion and investment, and the new regulations on opening up the market to foreign investors are expected to enhance market activity.

The ratio of market capitalization (US\$ 6.0 billion) to GDP is one of the lowest in the ESCWA region; however, during 1999 there was a marked increase (from 0.01 to 0.05 per cent) in the ratio of average daily turnover to market capitalization. The Muscat Securities Market introduced a series of measures aimed at boosting its investor base. In November, it signed a cooperation pact with the London Stock Exchange that will facilitate information-sharing and allow prime Omani stocks to be listed on the London Stock Exchange during the first half of 2000.

In 1999 the Muscat Securities Market planned insurance coverage for the Capital Market Authority, the Market itself and all its participants; this blanket coverage would act as risk insurance. There were also plans to introduce an investor protection scheme through the Market itself and the Capital Market Authority. The scheme would start on a small scale but would follow international practice, whereby in the event that an investor is given bad market advice and has a warranted complaint, both the Market and the Authority can air it. Furthermore, the Muscat Securities Market was developing plans to institute a central stock payment system for the electronic transfer of funds from an account at the Market, similar to the system used in most developed stock markets. The new payment settlement process would make funds available to recipients on a T + 3 basis—three days after the execution of a transaction. With the current payment settlement process, payments may be settled on the third day, but recipients often have to wait for cheques to clear.

(d) *Qatar*

The Doha Securities Market, which started operating in 1999, planned to introduce a series of measures in 2000 aimed at increasing the Market's depth and attracting foreign investment. Towards this end, the companies listed on the Market will be open to foreign investors, though indirectly, through investment funds. The rise in oil prices and the new listings on the Doha Securities Market do not appear to have been sufficient to deliver the expected upturn, as was the case with some stock markets in the GCC countries. This was attributed to the newness of the market and the associated wait-and-see attitude of stock market traders.

In addition to opening up to foreign investors, the Market concluded an agreement with Reuters during the fourth quarter of 1999 for coverage of real-time share prices on the Reuters wire service. Moreover, Reuters will publish detailed Market announcements every day on gains and losses as well as movements in both the general and sectoral indices. There were also some plans by the Government to improve the transparency of the Market's operations. The measures were expected to include the tightening of

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

regulations related to the publication of financial statements and profit-and-loss accounts of listed companies.

(e) *Saudi Arabia*

The bond issue of SRIs 4 billion (US\$ 1.06 billion) by SAMA during the third quarter of 1999 injected much-needed liquidity into the Saudi Stock Market, which was experiencing a slump in the value of traded shares; such shares had dropped by around 17 per cent, from SRIs 62.1 billion in 1997 to SRIs 51.5 billion in 1998 (see table 37). As a result of the bond issue and the boost given to the economy by the rise in oil prices during the second half of 1999, the value of traded shares increased by around 10 per cent, to SRIs 56.6 billion at the end of the year. These developments also pushed the stock market index from 141.3 points in 1998 to 202.8 points in 1999—7 points higher than the peak of 195.8 recorded in 1997.

TABLE 37. SAUDI ARABIA: STOCK MARKET INDICATORS, 1995-1999

	1995	1996	1997	1998	1999
Value of traded shares (in billions of Saudi Arabian riyals)	23.2	25.4	62.1	51.5	56.6
Number of traded shares (millions)	116.6	137.8	314.0	294.6	527.5
Number of executed transactions (thousands)	291.7	283.8	460.1	376.6	438.2
Market capitalization (in billions of Saudi Arabian riyals)	153.4	172.0	222.7	160.0	228.6
Share index (1985 = 100)	136.8	153.1	195.8	141.3	202.8

Source: For 1995-1997, Saudi Arabian Monetary Agency, Research and Statistics Department, *Thirty-Fourth Annual Report*, 1419H (1998G); for 1998-1999, Middle East Capital Group, *Weekly Update*, various issues; and *Al Hayat* (Arabic daily), 31 December 1999.

Note: Exchange rate: SRIs 1 = US\$ 0.267; US\$ 1 = SRIs 3.745.

The Saudi Stock Market experienced significant fluctuations during 1999, with the market index increasing by around 43.5 per cent (following a drop of 27.8 per cent in 1998—one of the worst years in terms of performance since the Saudi Stock Market began operating in the mid-1980s). The number of traded shares increased by around 79 per cent, from 294.6 million in 1998 to 527.5 million in 1999. This development, together with the Market's new listings, resulted in a 43 per cent rise in market capitalization, from SRIs 160 billion (US\$ 42 billion) to SRIs 228.6 billion (US\$ 61 billion).

Trading in the Saudi Stock Market is usually carried out by the country's commercial banks through their investment funds, whose numbers have grown significantly during the past few years, reaching around 30 at the end of 1999. This development was due to a number of factors, including the growing interest of subscribers in these funds, the banks' acquisition of the required expertise and their efficient management of the funds, the growing awareness among investors of the diversity of financial instruments offered by the funds, and the varied and lower risks of these instruments.

SAMA is the official authority responsible for licensing and monitoring the investment funds in accordance with the rules and regulations it has established to safeguard the rights of all market participants. The most prominent development in the area of rules and regulations during the past few years has been allowing banks to establish closed-end funds that permit foreigners to invest indirectly in the stock market.

(f) *West Bank and Gaza Strip*

The two-and-a-half-year-old Palestine Stock Exchange performed better than any other exchange in the ESCWA region, with gains amounting to around 51 per cent between January and November 1998 and the corresponding period of 1999. The Exchange is expected to receive another significant boost once the proposed Securities and Capital Market Authority Law is passed by the Palestinian Authority. The law, which is aimed at improving and encouraging market participation and attracting foreign investment, was expected to be decreed in early 2000. During the first 11 months of 1999, market capitalization stood at around US\$ 828 million, up by around 40 per cent over the corresponding period of 1998 (see table 38). The most impressive development in the market was the more than 255 per cent increase in the number of traded shares, from 15.7 million to 55.8 million. Total market turnover amounted to around US\$ 108.7 million, translating into a monthly average of around US\$ 9.9 million, with the market's two leading companies, the Palestinian Development and Investment Company (PADICO) and PALTEL dominating trading on the Exchange. The two companies together represent about three quarters of the market's total capitalization. The extension of trading days from two to four per week in 1999 is believed to have boosted trading on the Exchange. The Palestine Stock Exchange is expected to reduce the settlement period from T + 3 to T + 2 in early 2000. The listing of Jordanian companies, particularly banks with branches in the West Bank and Gaza Strip, will deepen the Exchange and increase the benefits associated with trading there.

TABLE 38. WEST BANK AND GAZA STRIP: STOCK MARKET INDICATORS, 1998 AND 1999
(JANUARY-NOVEMBER)

	1998 ^{a/}	1999 ^{b/}	
	(January-November)		Percentage change
Number of trading sessions	91.0	129.0	41.8
Number of shares traded (millions)	15.7	55.8	255.4
Value of shares traded (in millions of US dollars)	63.7	108.7	70.6
Number of transactions executed (thousands)	7.1	9.4	32.4
Average value of each transaction (US dollars)	699.6	842.9	20.5
Market capitalization (in millions of US dollars)	592.9	827.6	39.6
Al-Quds (Jerusalem) index	158.6	239.4	50.9

Source: Middle East Economic Survey, vol. XLII, No. 52, 27 December 1999, and vol. XLIII, No. 1, 3 January 2000.

D. OUTLOOK

The reform of the monetary system is expected to continue in most ESCWA member countries during the next few years, either within the context of the economic reform programmes of these countries or as part of the plans of the monetary authorities aimed at improving the mobilization and allocation of financial resources for development. Membership in the WTO and the conclusion of Euro-Mediterranean Partnership agreements by ESCWA member countries are two additional reasons to continue with the reform of the monetary system.

During the past few years, the monetary policy in most ESCWA member countries was essentially targeted at maintaining exchange rate stability as an important anchor for the economy. This policy is believed to have helped maintain a relatively low and stable rate of inflation and private sector confidence in most of the ESCWA member countries. With the opening up of the economies of ESCWA member countries, the de facto pegging of their currencies to the United States dollar has also required that the domestic interest rates remain reasonably close to the dollar interest rates in the international financial markets. This is expected to become even more important during the next few years because of the ongoing monetary and financial reform programmes in ESCWA member countries.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

Over the short term, fiscal policy in most ESCWA member countries, particularly the GCC countries, is expected to focus on reducing the budget deficit as a step towards eliminating it completely by the year 2005. This policy is expected to be undertaken in a sustained manner in order to ensure a comfortable foreign reserve position and limit official external indebtedness. In 1998 and 1999, the budgets of member countries reflected intensified efforts to mobilize domestic revenues to cover as much as possible of their budget expenditures, as cuts in the latter of the magnitude required could prove difficult. If this process is to yield optimal results, ESCWA member countries need to further improve their tax collection methods, introduce new taxes and/or increase existing tax rates, and levy or increase fees and dues on public utilities and services. A significant cut in expenditures may be undesirable, both in the short run and the medium run, in view of the need to replenish the ageing fixed capital stock. In such an environment, it is expected that ESCWA member countries, particularly those with more diversified economies, will continue to improve their fiscal policies and make them more sustainable and credible in order to enhance macroeconomic stability, increase savings and promote capital accumulation.

The outlook for the ESCWA region's stock markets is considered to be slightly more positive for 2000. While prospects for economic growth are still subdued and the interest of international investors in the stocks of emerging markets remains low, stock markets in the ESCWA region are considered cheap in terms of valuation compared with most emerging markets. The current low price-earnings ratio, estimated at less than 12 per cent in most stock markets in the region, renders the region's stock markets attractive for international investors. Furthermore, the inclusion of most of the region's stock markets in the global index of the International Finance Corporation is expected to give added depth to the region's thin markets, which have often been driven by speculation rather than economic fundamentals. This, together with the improvement in regulation and supervision (more stock markets in the region are putting in place independent security exchange commissions) and the new rules requiring transparency and openness to foreign investors, are expected to enhance activity in the region's stock markets.

IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

The single most important external event that affected the ESCWA region in 1999 was the phenomenal increase in oil prices during the second half of the year, following the March 1999 agreement among OPEC members (and three non-OPEC members) to cut production. For GCC countries, four of which are members of OPEC, the decrease in oil production was more than offset by the rise in prices. Starting in the second quarter of 1999, the downward trend in the value of their exports witnessed over the previous few years began to reverse. As a result, GCC countries saw their trade balance improve substantially towards the end of 1999. The increase in oil prices is expected to have positive repercussions on the external accounts of the more diversified economies as well—either directly, for the oil exporters among them (Egypt, the Syrian Arab Republic and Yemen), or indirectly through increases in their exports to the region and in workers' remittances and financial aid from GCC countries, as such flows are usually positively correlated with oil revenue.

The remarkable rise in oil prices and its positive impact on the external accounts of ESCWA member countries highlight the unfortunate fact that the fundamental problems of the region on the external front remain largely the same. The region is still reliant on the vagaries of oil revenues, despite efforts to diversify exports. The export performance of the non-oil sector is still weak for all ESCWA member countries, and the region is lagging behind others in this respect. Most ESCWA member countries are also unable to attract much FDI. With its commitment to globalization, the ESCWA region will need to step up efforts to increase productivity and diversify its economies. Greater trade integration is the key to overcoming the region's many challenges in achieving faster and more sustainable growth. This would need to be accompanied by appropriate reforms at various levels, aimed at macroeconomic stabilization, improved education and institutional strengthening.

A. RECENT TRADE PERFORMANCE

1. Exports

Overall trade performance in the region in 1999 was largely determined by oil export levels. In the first half of the year, when oil prices were still depressed, GCC exports remained almost 11 per cent below the level recorded for the first half of 1998. During that period, the exports of Saudi Arabia and Kuwait were the hardest hit, declining by about 40 and 10 per cent respectively. Qatar's total exports declined by 1.5 per cent (the smallest reduction among GCC countries), Bahrain by about 4 per cent, and the United Arab Emirates by 5 per cent. Among the GCC countries, Oman was the only one to show an increase in exports (3.3 per cent). This may have been partly because Oman, a non-OPEC member but part of the March agreement to cut production, was able to benefit more quickly from increased oil prices starting in the second quarter of 1999 without incurring the same costs as OPEC members in reducing production. While Kuwait's oil production dropped by 3 per cent between the first and the second quarters of 1999, Oman's oil production during this period was maintained at the same level.

As the full impact of increased oil prices became apparent, the upward trend in exports accelerated, and the high rate of growth was maintained over the remainder of the year. In Kuwait, for example, oil exports rose by 24 per cent between the first and second quarters of 1999, after declining by 37 per cent between 1997 and 1998. In Oman, oil exports rose 41 per cent between the first and second quarters of 1999, after declining by 31 per cent in 1998 compared with 1997. By the end of 1999, total exports finally rose above their 1998 level for most GCC countries. For the year as a whole, exports for these countries are estimated to have increased by 21 per cent in 1999 compared to 1998 (see table 39).

In tandem with the GCC countries, the more diversified economies (excluding Iraq and the Syrian Arab Republic)⁶² registered a 2 per cent decrease in their combined exports in the first half of 1999 compared

⁶² Iraq is excluded owing to the lack of reliable data, and in the Syrian Arab Republic, export figures are currently being revised. The reported 14 per cent increase in the Syrian Arab Republic's exports between the first half of 1998 and the first half of 1999 is difficult to explain, given that oil prices had not yet recovered well, oil production was not up, and agriculture had suffered from a drought. This increase may have been caused by the exchange rate valuation, which is often revised by the authorities.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

with the first half of 1998. The drop was driven mainly by the negative performance of Egypt and Yemen (both being oil exporters) which suffered declines of 2 and 9 per cent respectively. In the latter part of 1999, exports of Egypt's major agricultural crop, cotton, came to a virtual standstill following a decree in October of that year to suspend sales of the popular export variety (Giza) so that sufficient long staple cotton would be available for local mills. For Jordan and Lebanon, both non-oil economies, exports increased by 2.2 and 5.5 per cent respectively in the first half of 1999. For the year as a whole, exports of diversified economies increased by an estimated average of 12 per cent in 1999 compared with 1998 (see table 39). This growth was largely stimulated by the export performance of Yemen, which as an oil exporter benefited from the oil price increase in the second half of 1999.

TABLE 39. TOTAL EXPORT FLOWS OF ESCWA MEMBERS, 1995-1999
(Millions of US dollars)

	1995-1996		1996-1997		1997-1998		1998-1999		
	1995	1996	growth rate (percentage)	1997	growth rate (percentage)	1998	growth rate (percentage)	1999 ^{a/}	growth rate (percentage)
ESCWA region	115 141	132 845	15.38	142 696	7.42	98 005	(31.32)	117 523	19.92
GCC countries	103 658	120 335	16.09	130 068	8.09	86 662	(33.37)	104 784	20.91
Bahrain	9 466	11 061	16.85	11 771	6.42	3 083	(73.81)	3 549	15.11
Kuwait	11 408	13 580	19.04	14 023	3.26	8 083	(42.36)	11 346	40.37
Oman	5 114	6 229	21.80	6 516	4.61	4 426	(32.07)	5 439	22.87
Qatar	3 651	4 448	21.83	5 568	25.18	4 914	(11.74)	7 525	53.13
Saudi Arabia	50 005	57 357	14.70	61 472	7.17	40 949	(33.39)	49 591	21.11
United Arab Emirates	24 014	27 660	15.18	30 718	11.06	25 207	(17.94)	27 333	8.43
More diversified economies ^{b/}	11 483	12 510	8.94	12 628	0.94	11 342	(10.18)	12 739	12.32
Egypt	3 441	3 534	2.70	3 908	10.58	4 900	25.38	5 100	4.09
Jordan	1 442	1 471	2.01	1 479	0.54	1 339	(9.43)	1 326	(1.00)
Lebanon	688	1 153	67.59	711	(38.33)	716	0.68	866	20.95
Syrian Arab Republic	3 970	3 939	(0.78)	4 051	2.84	2 890	(28.65)	3 063	6.00
Yemen	1 942	2 413	24.25	2 479	2.74	1 497	(39.61)	2 384	59.23

Source: IMF, *Direction of Trade Statistics*, various issues.

Note: () indicates negative.

a/ ESCWA estimates.

b/ Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

Many of the more diversified economies in the ESCWA region rely on the GCC market for their exports; for Lebanon and Jordan, this market accounts for more than 40 per cent of their total exports. However, as oil exports had not yet recovered at the beginning of 1999, intraregional exports for most of the more diversified economies declined between the first half of 1998 and the first half of 1999 (by about 2 per cent for Jordan, 13 per cent for Lebanon, 8 per cent for the Syrian Arab Republic, and 45 per cent for Yemen). Only Egypt was able to slightly increase its intraregional exports, by about 2 per cent over the same period (see table 40). However, with the rising oil prices, this situation likely improved during the second half of 1999. This was the case for Lebanon, for example, where exports were estimated to have risen by about 21 per cent for the full year compared with 1998, most of which were confined to the region.

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

TABLE 40. INTRAREGIONAL EXPORT FLOWS OF ESCWA MEMBERS, 1998-1999

	1998 (first and second quarter)			1999 (first and second quarter)			1998-1999 growth rate in intraregional exports (percentage)
	Millions of US dollars	Contribution to intraregional exports (percentage)	Share in country's exports	Millions of US dollars	Contribution to intraregional exports (percentage)	Share in country's exports	
ESCWA region	3 185	100.00	6.28	3 100	100.00	6.73	(2.66)
GCC countries	2 317	72.75	5.15	2 312	74.57	5.75	(0.23)
Bahrain	246	7.71	16.41	254	8.21	17.69	3.62
Kuwait	32	1.00	0.71	--	--	--	--
Oman	44	1.37	1.88	44	1.42	1.83	0.46
Qatar	109	3.43	4.33	110	3.54	4.41	0.55
Saudi Arabia	1 000	31.39	4.66	1 009	32.54	5.23	0.90
United Arab Emirates	887	27.85	6.99	895	28.87	7.43	0.90
More diversified economies ^{a/}	868	27.25	15.14	788	25.43	13.47	(9.16)
Egypt	159	4.99	6.11	162	5.22	6.35	1.89
Jordan	164	5.15	26.88	161	5.20	25.88	(1.59)
Lebanon	140	4.40	42.60	122	3.92	35.04	(13.20)
Syrian Arab Republic	331	10.41	22.56	303	9.79	18.17	(8.45)
Yemen	73	2.3	10.12	40	1.29	6.05	(45.50)

Source: IMF, *Direction of Trade Statistics*, various issues.

Note: () indicates negative.

a/ Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

2. Imports

The ESCWA region's total imports in the first half of 1999 dropped by about 6 per cent from the level recorded for the first half of 1998.⁶³ This decrease was caused mainly by a 12 per cent drop in the imports of GCC countries, which accounted for more than 65 per cent of the region's imports. All GCC countries experienced a decline in their imports during this period (17 per cent for Qatar, 11 per cent each for Saudi Arabia and Oman, 8 per cent for Bahrain and 6 per cent for the United Arab Emirates). This across-the-board decline in the imports of GCC countries is linked to their reduced economic activity in 1998 and the beginning of 1999, when oil revenues were still depressed. In the second half of the year, as export revenues rose, imports began to increase. Overall, imports of GCC countries rose by an estimated average of 4 per cent in 1999 as a whole compared with 1998 (see table 41). Because Bahrain, in addition to exporting oil, imports significant quantities of oil to feed its onshore refinery, the strengthening of oil prices pushed up the total import bill from US\$ 2.8 billion in 1998 to US\$ 3.3 billion in 1999, an increase of 16 per cent.

The more diversified economies achieved import growth of nearly 4 per cent between the first half of 1998 and the first half of 1999, owing primarily to the increase in the Syrian Arab Republic's imports⁶⁴ (if the Syrian Arab Republic were excluded, the rate of import growth would be only 2.5 per cent). Import figures for Lebanon, Jordan and the Syrian Arab Republic indicated negative growth during 1999 (by about 13, 5 and 2 per cent, respectively), mainly because of limited economic growth in those countries. For the year as a whole, the more diversified economies registered an estimated negative growth in imports of nearly 2 per cent over 1998 (see table 41). Egypt's import growth during 1999, at about 2 per cent, was the second

⁶³ This is based on the IMF *Direction of Trade Statistics*, which shows that Kuwait's imports dropped by 43 per cent between the first half of 1998 and the first half of 1999, while the more recent *International Financial Statistics* shows a drop of 12 per cent.

⁶⁴ The 15 per cent increase in the Syrian Arab Republic's imports between the first half of 1998 and the first half of 1999 may also be linked to exchange rate valuation problems, as authorities often revise their figures.

TABLE 41. TOTAL IMPORT FLOWS OF ESCWA MEMBERS, 1995-1999
(Millions of US dollars)

	1995-1996		1996-1997		1997-1998		1998-1999	
	1995	1996	1997	1998	1999 ^{a/}	1998	1999 ^{a/}	1998-1999 growth rate (percentage)
ESCWA region	95 719	103 515	125 049	133 996	137 297	133 996	137 297	2.46
GCC countries	67 466	70 412	92 693	94 814	98 780	94 814	98 780	4.18
Bahrain	4 033	4 352	4 893	2 831	3 298	2 831	3 298	16.51
Kuwait	7 683	8 170	6 919	7 542	7 943	7 542	7 943	5.32
Oman	4 248	4 579	4 947	5 119	4 610	5 119	4 610	(9.95)
Qatar	3 069	2 909	4 373	3 909	4 582	3 909	4 582	17.22
Saudi Arabia	27 449	27 764	40 626	42 434	43 360	42 434	43 360	2.18
United Arab Emirates	20 984	22 638	30 935	32 979	34 987	32 979	34 987	6.09
More diversified economies ^{b/}	28 253	33 103	32 356	39 182	38 517	39 182	38 517	(1.70)
Egypt	11 739	13 019	13 168	22 146	22 494	22 146	22 494	1.57
Jordan	3 660	4 310	3 866	3 914	3 719	3 914	3 719	(4.96)
Lebanon	6 567	7 560	7 457	7 060	6 164	7 060	6 164	(12.69)
Syrian Arab Republic	4 709	6 362	6 028	3 895	3 818	3 895	3 818	(2.00)
Yemen	1 578	1 852	1 837	2 167	2 322	2 167	2 322	7.13

Source: IMF, *Direction of Trade Statistics*, various issues.

Note: () indicates negative.

^{a/} ESCWA estimates.

^{b/} Excluding Iraq and the West Bank and Gaza Strip owing to lack of reliable data.

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

highest among the more diversified economies. However, this growth rate is low compared with the previous year, when imports grew by about 68 per cent between 1997 and 1998. The main reason for the decline in Egypt's import growth was the imposition of import restrictions in November 1998, including those based on the origin of imports, as part of the Government's attempt to halt a rising current account deficit driven by the widening trade deficit.

B. FOREIGN INVESTMENT

1. Foreign direct investment

Foreign direct investment (FDI) in the ESCWA region is still low. After a relatively sharp increase in 1997, FDI flows into ESCWA member countries stagnated in 1998 at around US\$ 4.3 billion (see table 42) and overall still lag behind other regions. Despite the temporary surge in FDI during the second half of the 1980s and the first half of the 1990s, net FDI flows into the ESCWA region have remained consistently lower than the average for developing countries as a share of GDP. The total net flow during the period 1995-1997 was 0.1 per cent of GDP, compared with an average of 2 per cent for all developing countries; this proportion represented the lowest among all regions (see chart 19). Moreover, the share of the ESCWA region in total FDI inflows to developing countries eroded, falling from an average of 3.6 per cent during 1987-1992 to 2.6 per cent in 1998, again lower than all other regions.

TABLE 42. FOREIGN DIRECT INVESTMENT INFLOW IN THE ESCWA REGION
(Millions of US dollars)

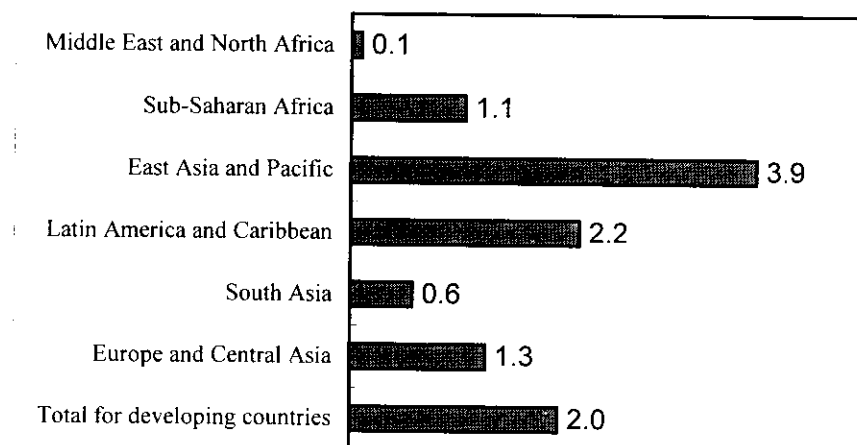
	1987-1992 (annual average)	1996	1997	1998	1998 share in GDP (percentage)
ESCWA region	1 289	250	4 169	4 349	
GCC countries					
Bahrain	58	47	26	10	0.16
Kuwait	7	347	20	(10)	(0.04)
Oman	103	75	49	50	0.35
Qatar	10	35	55	70	0.67
Saudi Arabia	(35)	(1 129)	2 575	2 400	1.86
United Arab Emirates	52	130	100	100	0.21
More diversified economies ^{a/}					
Egypt	806	636	891	1 076	1.30
Jordan	21	16	361	223	3.02
Lebanon	2	64	150	130	1.42
Syrian Arab Republic	67	89	80	100	0.43
Yemen	198	(60)	(138)	100	1.94
	Percentage share in FDI to less developed countries				
ESCWA region	3.6	0.0	2.4	2.6	
Africa	8.5	4.3	4.4	4.7	
Latin America	35.1	34.1	39.5	43.1	
Asia	55.5	60.6	55.3	51.1	
Central and Eastern Europe	4.4	9.1	10.0	10.5	

Source: UNCTAD, *World Investment Report 1999* (United Nations publication, Sales No. E.99.II.D.3).

Note: () indicates negative.

^{a/} Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

Chart 19. Foreign direct investment to GDP in the Middle East and North Africa: the lowest share among developing country groupings, 1995-1997
(Net FDI flows as a percentage of GDP)



Source: UNCTAD, *World Investment Report 1999* (United Nations publication, Sales No. E.99.II.D.3).

Note: The ESCWA region is included in the Middle East and North Africa.

Saudi Arabia and Egypt account for the bulk of FDI inflows to the ESCWA region, with 55 and 25 per cent respectively in 1998. Oil and oil-related activities still attract most FDI, although non-oil sectors such as tourism and industry (in particular, manufacturing companies involved in electronics and textiles) in non-oil exporting countries are also drawing foreign investors. Privatization efforts in Jordan and Lebanon in recent years have increased their FDI inflows. Oman and Yemen experienced the sharpest drop in FDI in recent years compared with the average for the mid-1980s; their FDI inflows in 1998 (US\$ 50 million and US\$ 100 million respectively) were half the average for the period 1987-1992. In 1998, FDI as a share of GDP was highest in Jordan (3 per cent), followed by Saudi Arabia and Yemen (around 2 per cent each), then Egypt and Lebanon (around 1.3 per cent each). In terms of consistently attracting FDI, Egypt and Jordan were the best performers; their FDI has continued to increase and constitutes a relatively large proportion of the GDP. For Saudi Arabia and Yemen, FDI is very much linked to the vagaries of the oil sector, and both countries have experienced large negative flows in recent years.

2. Portfolio investment

Portfolio investment remains limited. The stock markets of all ESCWA member countries except Iraq and Qatar are open to foreigners in some way. While the stock markets of Kuwait, Saudi Arabia and the United Arab Emirates are open only through portfolio funds, those of the remaining countries are open through both direct investment and equity funds. The limited inflow of portfolio investment to the region has been a mixed blessing. Because of the small volume of portfolio flows, the ESCWA region has been less exposed to vulnerabilities of the type experienced recently in East Asia, Mexico and the Russian Federation. The vulnerability indicators that have been used extensively to assess the risks of such crises—including the ratio of foreign liabilities to foreign assets of banks as a proxy for foreign currency exposure—remained low for the ESCWA member countries in comparison with the very large values recorded in Indonesia, the Republic of Korea, Malaysia, the Philippines and Thailand, as well as in the Czech Republic, before the onset of crisis. Financial integration involving the more volatile types of capital flow could lead to several

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

benefits, including increased access to lower-cost capital, risk diversification and improved domestic financial intermediation. The risks, however, are significant, especially when the domestic financial system is weak. The implications are not that developing countries such as those of ESCWA region should close their capital accounts; rather, they should consider the potential risks involved in the process and pace of capital account liberalization.

3. Reforms

Many ESCWA member countries are making political and economic adjustments to attract foreign investment and are instituting the necessary reforms. In Saudi Arabia, legislative reforms designed to remove obstacles to foreign investment are being put in place. A new stock market law drafted in late 1999 would allow foreigners to invest in Saudi stocks through mutual funds. At present, non-Saudis can only participate in the London-based Saudi Arabia Investment Fund. In Oman, the Government has tried to improve the country's foreign investment laws to attract new investors within and outside the oil sector. However, its small market and its bureaucratic hurdles, together with intense competition for FDI from Dubai, have had a negative impact on overall interest in investment. In Dubai, the Government has continued to ease restrictions on foreign investment in order to generate more non-oil revenue. The Government recently announced that it would allow investors in its planned US\$ 200-million Internet City to take up 50-year renewable land leases, and that it would lift restrictions on company ownership for nationals of other GCC States (outside the free trade zones). Abu Dhabi, however, still does not allow majority foreign ownership. In Kuwait, though the constitution forbids foreign ownership of state resources, including oil, production-sharing agreements with foreign companies are being considered.

C. OVERALL BALANCE OF PAYMENTS

In most ESCWA member countries, changes in the overall balance of payments are largely determined by changes in the price of oil, which affect not only the oil-exporting countries but also the more diversified countries that depend on them. Another element affecting movement in the balance of payments is the rising competition among some ESCWA member countries to attract FDI, institute a banking centre for the region, set up free trade zones for exports and establish a niche for re-exports. For example, while Abu Dhabi's re-exports have decreased in recent years because other countries have established direct links with emerging markets, Oman seems to have established a niche for re-exports. New free trade zones (in Kuwait, for example) are competing with existing ones, such as the one in Dubai. This competition is healthy, but ultimately there will be losers, and more diversification will be needed.

1. The current account balance

The current account balance deteriorated in 1998 compared with 1997 for all countries of the ESCWA region for which data are available⁶⁵ (see table 43). This is not surprising given the weak export performance of 1998, especially for oil-exporting countries, which witnessed a decline in oil prices to pre-1973 levels. Between 1997 and 1998, Saudi Arabia's current account balance as a share of GDP dropped from zero to a deficit of 10 per cent; Bahrain's current account deficit as a share of GDP widened from 4 per cent to about 17 per cent, and Kuwait's current account surplus shrank from 26 to 10 per cent of GDP. Among the more diversified economies in the ESCWA region, the oil-exporting countries also suffered a sharp deterioration in their respective current accounts. Indeed, Egypt's current account deficit widened from 1 per cent of GDP in 1997 to 3 per cent in 1998, and Yemen's current account went from a surplus of 1 per cent in 1997 to a deficit of about 4 per cent in 1998.

⁶⁵ This excludes Iraq, Lebanon, Oman, Qatar and the United Arab Emirates.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 43. BALANCE OF PAYMENTS FOR SELECTED ESCWA MEMBER COUNTRIES, 1997-1998
(Millions of US dollars)

	1997	1998	Percentage share in GDP	
			1997	1998
Current account				
Bahrain	(260)	(1 042)	(4.1)	(16.5)
Kuwait	7 935	2 526	26.2	10.0
Oman	(40)	(2 970)	0.0	(20.9)
Saudi Arabia	256	(12 879)	0.2	(10.0)
Egypt	(710)	(2 566)	(0.9)	(3.1)
Jordan	29	14	0.4	0.2
Syrian Arab Republic	483	59	2.9	0.3
Yemen	51	(228)	0.9	(4.4)
Capital and financial account				
Bahrain	140	226		
Kuwait	(6 308)	(2 841)		
Oman	92	1 464		
Saudi Arabia	395	12 983		
Egypt	1 959	1 901		
Jordan	406	(96)		
Syrian Arab Republic	88	457		
Yemen	(76)	(164)		
Net errors and omissions				
Bahrain	222	999		
Kuwait	(1 621)	571		
Oman	485	736		
Saudi Arabia	--	--		
Egypt	(1 882)	(722)		
Jordan	(161)	(454)		
Syrian Arab Republic	(117)	(115)		
Yemen	(104)	(44)		
Change in reserves^{a/}				
Bahrain	102	(16)		
Kuwait	6	256		
Oman	537	(770)		
Saudi Arabia	651	104		
Egypt	(633)	(1 387)		
Jordan	274	(536)		
Syrian Arab Republic	454	401		
Yemen	(128)	(436)		

Sources: IMF, *Balance of Payment Statistics Yearbook 1999*, for all countries except Oman; and IMF, *International Financial Statistics*, March 2000, for Oman.

Note: () indicates negative.

a/ A negative number indicates a decrease in reserves.

In 1999, as oil revenues rose, the current account balance improved for ESCWA member countries, although it remained negative for many of them (based on national and ESCWA estimates). The largest current account deficits as a share of GDP in 1999 were recorded in Bahrain and Oman, estimated at 12 and 8 per cent respectively. The large current account deficit in Bahrain mainly reflects the operations of its large

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

offshore banking sector,⁶⁶ which faced fierce competition from other countries, notably the United Arab Emirates (Dubai). In Kuwait, where oil and oil-related products account for around 95 per cent of export revenue, and where oil prices remain high, the current account surplus is believed to have recovered to about 24 per cent of GDP in 1999, after having fallen to 10 per cent of GDP in 1998.

2. International reserves

International reserves, minus gold, increased for most countries in the ESCWA region between 1998 and 1999—27 per cent in Bahrain, 22 per cent in Kuwait, 50 per cent in Oman, 20 per cent in Saudi Arabia, 12 per cent in the United Arab Emirates, 50 per cent in Jordan, 19 per cent in Lebanon, and 37 per cent in Yemen (see table 44). Only Egypt registered a decline; its international reserves dropped by 17 per cent between 1998 and 1999 but were nevertheless still sufficient to cover seven months of imports. The surge in Jordan's foreign currency reserves, despite weak current account performance, can be attributed to deposits made by various Arab countries in support of Jordan after the death of King Hussein in February 1999. At the end of 1999, import coverage was high in Lebanon and Jordan (15 months and 8 months, respectively); it was also high in Kuwait (7 months) but lower in other GCC countries (5 months in Bahrain, 4 months in Oman, 5 months in Saudi Arabia and 3 months in the United Arab Emirates).

TABLE 44. INTERNATIONAL RESERVES OF ESCWA MEMBERS, 1995-1999

	Total reserves minus gold (Millions of US dollars)					Import coverage of reserves (in months)		
	1995	1996	1997	1998	1999	1998-1999 growth rate (percentage)	1998	1999
GCC countries								
Bahrain	1 279	1 318	1 290	1 079	1 369	27	4.6	5.0
Kuwait	3 560	3 515	3 451	3 947	4 823	22	6.3	7.3
Oman	1 138	1 389	1 548	1 064	1 593	50	2.5	4.1
Qatar	..	..	..	..	..	..	..	..
Saudi Arabia	8 622	14 321	14 876	14 220	16 997	20	4.0	4.7
United Arab Emirates ^{a/}	7 470	8 055	8 372	9 077	10 150	12	3.3	3.2
More diversified economies^{b/}								
Egypt ^{a/}	16 181	17 398	18 665	18 124	15 036	(17)	9.8	7.4
Jordan	1 972	1 759	2 200	1 750	2 629	50	5.4	8.5
Lebanon	4 533	5 931	5 976	6 556	7 775	19	11.1	15.1
Syrian Arab Republic	..	..	..	..	..	..	..	..
Yemen ^{c/}	619	1 017	1 203	995	1 311	37	5.5	5.6

Source: IMF, *International Financial Statistics*, March 2000.

a/ November 1999.

b/ Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

c/ October 1999.

⁶⁶ The IMF now includes the operations of the offshore banking units in its national accounts for Bahrain; the banking units are based in Bahrain, but conduct their operations beyond its shores.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

3. External debts

The external debt situation in the ESCWA member countries saw no major changes in 1999. The highly indebted countries of the region include Jordan, Qatar, the Syrian Arab Republic and Yemen (see table 45). In Jordan, the debt-to-GDP ratio declined by about 3 per cent between 1997 and 1998 and continued to decline in 1999. The Syrian Arab Republic also reduced its debt-to-GDP ratio in 1998 compared with 1997. Qatar and Yemen, however, experienced higher debt-to-GDP ratios in 1998. Qatar's debt-to-GDP ratio reached 101 per cent in 1998, up from 79 per cent in 1996, and its debt service ratio, at over 12 per cent, was among the highest in the region. In order to better manage its external debt, Qatar has adopted the strategy of diversifying its sources of international financing by funding new projects from external loans and bonds rather than relying exclusively on volatile oil and gas income. The latter is used to reinforce the State's reserves and meet its external debt payments. Countries with relatively low external debt as a share of GDP include Bahrain, Egypt, Kuwait, Lebanon, Oman and the United Arab Emirates. All these countries registered a slight increase in their debt-to-GDP ratio in 1998 compared with 1997, except for Egypt.

TABLE 45. TOTAL EXTERNAL DEBT OF ESCWA MEMBERS, 1995-1999

	Total external debt (billions of US dollars)					Debt/GDP (percentage)		
	1995	1996	1997	1998	1999	1997	1998	1999
GCC countries	30.1	31.4	36.8	41.6	19.3			
Bahrain	2.9	2.4	2.4	2.8	..	38.1	44.4	..
Kuwait	10.0	7.5	9.4	9.4	..	31.1	37.3	..
Oman	3.2	3.4	3.6	4.1	4.7	23.2	29.1	32.4
Qatar	4.5	7.2	9.0	9.8	..	97.8	101.3	..
Saudi Arabia	..	..	..	..	..	..	..	..
United Arab Emirates	9.5	10.9	12.3	15.5	14.6	25.0	33.4	29.0
More diversified economies ^{a/}	71.9	71.1	67.9	70.8	51.9			
Egypt	33.3	31.3	29.9	30.4	30.3	39.5	36.8	34.1
Jordan	8.1	8.1	8.2	8.4	8.2	118.0	114.1	109.5
Lebanon	3.0	4.0	5.0	6.6	8.9	33.7	39.5	52.3
Syrian Arab Republic	21.3	21.4	20.9	21.2	..	126.8	123.3	..
Yemen	6.2	6.4	3.9	4.2	4.5	67.3	81.9	96.0

Sources: World Bank, *Global Development Finance*, 1999, and the Economist Intelligence Unit, country reports, various issues.

a/ Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

D. GLOBALIZATION AND REGIONAL INTEGRATION

1. Continued commitment to the World Trade Organization

ESCWA member countries remain committed to globalization and to the principles espoused by the WTO. Jordan was accepted into the WTO in December 1999 after it had passed a series of trade-related intellectual property rights laws, bringing to six the total number of ESCWA member countries that have joined the WTO (the others are Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates). Oman, Lebanon, Saudi Arabia and Yemen have observer status and are continuing negotiations. For Saudi Arabia, WTO membership poses particular challenges, as the country is resisting the reduction of its import tariffs to the requisite minimum and the opening of key sectors to foreign investment. To qualify for WTO membership, the country would have to reduce tariff barriers, withdraw subsidies from local firms, safeguard

intellectual property rights, and treat foreign and local investors equally. Four years after its initial application in May 1996, many of those requirements remain unresolved. In Jordan, although the reduction in customs duties and other protective measures will be gradual, local companies will face increasing competitive pressures as less expensive foreign products enter the market. They will thus need to improve their efficiency. Nevertheless, WTO membership and the increased intellectual property rights protection should make it easier to attract investment into Jordan, especially in the area of information technology. Overall, WTO membership will have important implications for the economies of the ESCWA region, particularly in the areas of agriculture, textiles and clothing, and crude petroleum and petrochemicals (see box 7).

Box 7. Implications of WTO Agreements for economies in the ESCWA region

Under the WTO, required changes in trade policies and institutions are expected to have significant implications for the ESCWA member countries. The most important changes for the region include agricultural liberalization, the elimination of quantitative restrictions on imports of textiles and clothing, and reduced tariffs for industrial products, in particular petroleum products.

The Agreement on Agriculture requires that quotas and non-tariff restrictions imposed on agricultural imports be replaced by tariffs that provide more or less equivalent levels of protection. Governments must then reduce tariff rates gradually according to specific targets (see the table below). Under this Agreement, domestic supports that have a direct effect on production and trade must also be cut back. In addition, export subsidies on agricultural products are prohibited unless they are specified in a member's lists of commitments. When they are listed, a WTO member is required to reduce both the amount of money spent on export subsidies and the quantities subsidized over a period of time (6 years for developed countries and 10 years for developing countries). The new rules and commitments are intended to make the agriculture sector more market-directed, resulting in an effective pricing mechanism, increased efficiency and productivity in the sector, and improved opportunities for exporter access to world agricultural markets. However, developing countries, including the ESCWA member countries, may suffer during the initial stage, as agriculture prices are likely to increase, thus adversely affecting consumers and the balance of payments.

The Agreement on Agriculture: required measures and implementation schedule

	Developed countries (over 6 years: 1995-2000)	Developing countries (over 10 years: 1990-2005)
<i>Tariff</i> : Average reduction for all	- 36 per cent	- 24 per cent
Minimum reduction per product	- 15 per cent	- 10 per cent
<i>Domestic support</i> : Total reductions for sector	- 20 per cent	- 13 per cent
<i>Export subsidies</i> : Value of subsidies	- 36 per cent	- 24 per cent
Subsidized quantities	- 21 per cent	- 14 per cent

The Agreement on Textiles and Clothing, which replaces the Multi-Fibre Arrangement (MFA), will eliminate by 2005 the web of bilateral quantitative restrictions or unilateral actions imposed under the MFA. Products under this category will have to be brought under GATT rules gradually—in four steps over 10 years (see the table below). As a result, importing countries will no longer be able to discriminate among exporters. The Agreement applies to all WTO members, whether they are MFA signatories or not; however, it does not apply to non-members of the WTO, even if they are MFA signatories. Most ESCWA member countries, including Bahrain, Egypt, Kuwait, Lebanon, Qatar, Oman, the Syrian Arab Republic and the United Arab Emirates, faced MFA and non-MFA restrictions in exporting their textiles and clothing to developed countries. As a result of the Agreement on Textiles and Clothing, efficient producers in textile and clothing will face increased trading opportunities, provided they improve their competitiveness. Non-members of the WTO may be at a disadvantage, as they would forego the benefits of the Agreement and face new restrictions imposed against their textile and clothing exports.

Box 7 (continued)

Agreement on Textiles and Clothing: required measures and implementation schedule

	Percentage of products to be brought under GATT ^{a/}	How fast remaining quotas should expand ^{b/}
Step 1 (1/1/1995 - 31/12/1997)	16 per cent	6.96 per cent per year
Step 2 (1/1/1998 - 31/12/2001)	17 per cent	8.70 per cent per year
Step 3 (1/1/2002 - 31/12/2004)	18 per cent	11.05 per cent per year
Step 4 (1/1/2005)	49 per cent	No quota left

^{a/} The percentage is applied to the importing country's textile and clothing trade levels in 1990.

^{b/} Based on the commonly used 6 per cent annual expansion rate of the MFA.

Crude oil and petrochemicals are subject to the GATT and WTO rules. Petrochemical products are subject to high tariff and non-tariff restrictions as well as local taxes within importing countries, although crude oil is exempt from high tariffs in most countries of the world. The abolition of these restrictions is expected to result in expanded trade opportunities for the ESCWA member countries. However, under WTO rules, these countries will have to forego the indirect subsidy they currently enjoy on the production of petrochemicals, as raw materials, namely crude oil, are supplied at nominal cost and far below world market prices. Petrochemical exporters in the ESCWA region are likely to face challenges in manufacturing and trade under the WTO Agreement and will need to improve their competitiveness.

Sources: ERAS Ltd., "Implications of the WTO of GCC Hydrocarbons", 1999; WTO, *Trading into the Future*, (Geneva, 1998); ESCWA, "Concerns of the ESCWA member States regarding the World Trade Organization: the related agreements and future trade negotiations," 1997 (E/ESCWA/19/6).

2. The Gulf Cooperation Council customs union at a standstill

In November 1999, after almost two decades of debate, the GCC countries approved the establishment of a customs union by 2005. The aim is to institute a common 5.5 per cent duty on industrial and agricultural goods and a 7.5 per cent tariff on automobiles and luxury items, and to allow basic foodstuffs duty-free entry. The implementation process, however, is likely to take some time owing to disagreements among the GCC members about the speed and extent of tariff reductions. Saudi Arabia has traditionally favoured protecting its industries, while the United Arab Emirates, which operates numerous free trade zones, has historically applied low customs duties. The decision to delay implementation underlines Saudi Arabia's difficulties in preparing for a more liberal trade regime. The Saudi Arabian authorities are extremely reluctant to lower import tariffs below 6-8 per cent, while the United Arab Emirates, in contrast, is not prepared at present to raise its tariffs from 1-4 per cent to the higher level agreed upon by the GCC as a whole. This deadlock may complicate GCC negotiations to establish a free trade area with the EU, as the latter continues to insist that GCC members unify their tariff system before a trade agreement can be reached.

3. Renewed interest in Arab regional trade integration

Members of the League of Arab States, including all the ESCWA member countries, agreed in 1997 to form a greater Arab free trade area over the next 10 years, starting 1 January 1998, by reducing tariffs at the rate of 10 per cent per year. Of the 22 members of the League, all except Algeria, Djibouti, the Comoros Islands and Mauritania have endorsed the agreement. Member countries agreed to bind their national tariff schedules as applied on 31 December 1997, but are allowed to draw up a list of economically justifiable exceptions. In March 1998, Bahrain, Egypt, Kuwait, Morocco and Tunisia reduced tariffs on trade among Arab countries, while the Libyan Arab Jamahiriya removed all tariff and non-tariff barriers. The remaining

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

ESCWA member States have expressed interest in complete implementation and some have initiated tariff reduction. For those countries that have not yet ratified the agreement, the bound tariffs will be those applied at the time they notify the League of Arab States of their ratification and endorsement of the programme.

Although past attempts at regional integration have not been successful, the potential for economic cooperation among the countries of the region has raised the interest of policy makers, as a result of both the ongoing Middle East peace process and economic globalization. It is important to find a balance between integration among the countries of the region and integration of the region within the multilateral system of exchange. While globalization has accelerated in recent years, bilateral and regional cooperation among the ESCWA member countries has flourished. It is important for that cooperation to be fully compatible with the multilateral exchange system. The emergence of an integrated market in the region may yield advantages that will substantially expand the current dimensions of intraregional trade.

4. Uncertainty about the Euro-Mediterranean Partnership

Some ESCWA member countries are part of the Euro-Mediterranean Partnership and have signed agreements to establish a free trade area between the EU and countries along the eastern and southern Mediterranean by the year 2010. Only Jordan and the Palestinian Authority have signed Partnership agreements; Egypt, Lebanon and the Syrian Arab Republic are still in negotiations. Within this context, tariff and non-tariff barriers to trade in manufactured products will be progressively eliminated in accordance with timetables to be negotiated with the partners, taking traditional trade flows as a starting point. The Partnership will involve the adoption of mutual tariff reductions on agricultural products and some liberalization of trade in services. The countries participating in the Partnership currently enjoy unrestricted access to EU markets for their industrial products, without being bound to any preferential treatment regarding EU industrial products, although the proposed free trade agreement is based on reciprocity. There are concerns among ESCWA member countries about excessive competition from EU products, while not enough liberalization has been provided to them in the agricultural market, in which they may have a comparative advantage (see box 8).

5. Expanding free trade zones

As the economies of the GCC open up to foreign investment and trade and commercial laws are liberalized, countries such as Bahrain, Oman, Saudi Arabia and the United Arab Emirates are rapidly establishing or expanding free trade zones at their major ports and airports. Kuwait inaugurated a free trade zone in late November 1999, covering the former port of Shuwaikh and offering a variety of incentives to investors, including 100 per cent foreign ownership, no company taxes and competitive insurance rates. This could become a hub for trade with the Islamic Republic of Iran and Central Asia. However, the Shuwaikh Free Trade Zone will face stiff competition from the numerous established zones in the region, most notably that of Dubai, which already has strong links to the Iranian market. A free trade zone was opened between Oman and Yemen in the border town of Al-Mazyouna in late November 1999. Jordan is also benefiting from its qualifying industrial zones (QIZs)—two close to Amman and one a joint Jordanian-Israeli venture. With a minimum amount of both Israeli and Jordanian raw inputs, products from those zones can be shipped to the United States duty-free and quota-free.

E. COMPETITIVENESS: WHERE DOES THE REGION STAND?

The globalization of economic activity throughout the world is having a profound impact on nations. Globalization—the widening and intensification of international linkages in trade and finance, underpinned by economic liberalization and technological change—is providing developing countries with opportunities to create wealth through export-led growth, to expand international trade in goods and services, and to gain access to new ideas, technologies and institutional designs. However, globalization also entails problems and tensions that must be appropriately managed, as was recently experienced in East Asia.

Box 8. A free trade agreement between the European Union and Lebanon: potential gains and losses

The new trade agreement proposed to Lebanon by the EU is based on the principle of reciprocity in the sense that Lebanon will have to grant EU commodities, although gradually, the same exemptions that are granted to Lebanese products by the EU. What are the potential gains and losses for Lebanon from such a free trade agreement? The answer is not easy to ascertain. On the one hand, there is likely to be a significant loss resulting from the decline in industrial output owing to increased competition from the EU countries. There is the provision that Lebanon would receive compensation from the EU for the losses incurred through trade diversion, or that the losses would be avoided through the gradual elimination of customs duties on imports not only from the EU countries but also from the rest of the world. On the other hand, there could be a gain, exceeding the possible loss, which would come mainly from an increase in exports (although this is uncertain, and projections range from negligible to high levels of gain). Gains of any magnitude would require large-scale investment in the industrial sector. This might be secured through collaboration with investors from the EU countries. If this happened, Lebanon could secure modern technology and gain increased access to foreign markets. These investments, however, would require an appropriate environment, including stable conditions and policies conducive to the lowering of domestic production costs. Without the required investments and an increase in industrial exports, Lebanon could incur considerable losses as a result of joining the proposed free trade area.

The free trade agreement would eventually enable the industrial sector (and probably at some point the agricultural and services sectors) to work in a duty-free environment with no tariff protection. This, in itself, is not inconsistent with Lebanese interests. On the contrary, Lebanon needs to restructure its economy, particularly the industrial sector, in order to secure greater access to foreign markets in general and the EU markets in particular. There is no contradiction, in the long run, between Lebanese interests and the trade liberalization scheme proposed by the EU. The problem for Lebanon is how to prepare its industrial sector to make the transition from working under protective conditions to working in a free trade situation without incurring serious economic and social problems. The solution should be found during the transition period, which is unilaterally set at 12 years by the EU and which should end by the year 2010, as decided at the Ministerial Conference in Barcelona (27 and 28 November, 1995). This solution does not depend only on the negotiating team; it also depends to a great extent on the Lebanese authorities. The challenge for Lebanon is not only to obtain better conditions from the EU, but also to design and implement appropriate domestic economic policies.

Lebanese public and private sector authorities have to be convinced that the future of Lebanese industry does not depend on protecting the domestic market, which is very small, but rather on lowering production costs. Appropriate policies and procedures should, therefore, be put in place without delay in order to modernize the industrial sector and make it export-oriented. Lebanon would then be able to benefit from joining the free trade area proposed by the EU.

It is of prime importance that Lebanon enter a regional free trade arrangement. It is hoped the conclusion of that will be facilitated by the new association agreements between the EU and the Mediterranean countries.

Source: Moukarbel Iskander, "The proposed free trade agreement between Lebanon and the European Union countries: evaluation and recommendations," *Proceedings of the Expert Group Meeting on the Impact of the Peace Process on Selected Sectors (E/ESCWA/ID/1998/7)*.

For ESCWA member countries, globalization offers both opportunities and challenges. The next decade will be critical for them in realizing their long-term potential. For too long, the countries in the region have relied heavily on oil revenues, which are highly volatile and are slowing down despite the recent increase in oil prices (which is likely to be temporary). A far-reaching economic reorientation is essential if the region is to reap the benefits of a changing global economy. This will entail diversifying exports to secure additional foreign currency, increasing competitiveness, fostering private sector activity, and providing an enabling environment to attract foreign investment.

Globalization also means an increasingly competitive world economy. Given its characteristics and endowments, the ESCWA region occupies an intermediate place on the ladder of comparative advantage and is being squeezed from above and below. The more advanced developing countries, such as those in East

CHAPTER IV. DEVELOPMENTS IN THE EXTERNAL SECTOR

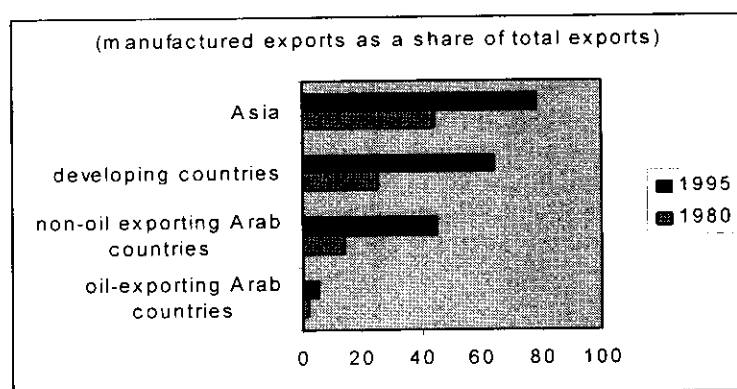
Asia have gone upscale in their production structure towards more skill- and capital-intensive activities. Large countries with abundant unskilled labour, such as China and India, are integrating swiftly into the world economy, putting strong pressure on countries such as Egypt that have specialized in low-skill-intensive manufactures. The Central European countries, which are comparable to the more diversified ESCWA member countries in terms of endowments, but are geographically closer to one of their main trading partners, the EU, are on track for accession to the EU and gaining a competitive edge. The ESCWA member countries will have to quickly position themselves within this globalization context to avoid becoming marginalized in international markets.

1. Competitiveness among ESCWA member countries

Competitiveness among ESCWA member countries is still low. The ESCWA region as a whole has lagged behind other regions in terms of trade integration into the world economy, despite the stronger level of integration achieved by a limited number of individual countries. The countries of the region as a whole appear relatively open, with a total trade-to-GDP ratio of 70 per cent, which is high by international standards. However, this indicator is influenced by the fact that the region is rich in oil and short of water, which translates into sizeable oil exports and basic food imports, resulting in a comparatively high traded goods ratio. This does not necessarily reflect competitiveness in global markets. The ratio of manufactured exports to total exports—a good indicator of competitiveness in foreign markets, technological progress and production diversification—is below average for developing countries (see chart 20). This ratio is on the rise for non-oil-producing ESCWA member countries but not for the major oil exporters in the region. For the GCC countries, the Syrian Arab Republic and Yemen, the bulk of foreign export earnings still comes from fuel exports. Only a limited number of countries (Egypt, Jordan, Lebanon and the United Arab Emirates) have a significant ratio of non-fuel exports to total exports. In the United Arab Emirates, and more recently in Oman, advances in integration are largely accounted for by a rising share in re-exports.

Aside from the lag in the extent of integration, there is also a lag in terms of speed. The largest gap in the ESCWA region's relative performance was evident in the 1990s, when most other developing countries witnessed a surge in trade integration. Bahrain, Egypt, Kuwait and the Syrian Arab Republic exhibited negative growth rates in their trade-to-GDP ratio (an indicator of trade integration) over a period of several years in the 1990s. Moreover, the share of exports in total world exports for the ESCWA region decreased by more than half—from about 5 per cent in 1985 to nearly 2 per cent in 1997 in real terms. In contrast, East Asia's export share increased from 4 per cent to almost 7 per cent over the same period. Similarly, the share of the ESCWA region's imports in total world imports dropped from 5.5 per cent in 1985 to less than 2 per cent in 1997 in real terms. This lag in integration and export competitiveness is becoming even wider as the technology composition of world exports and imports from developing countries changes (see box 9).

Chart 20. The competitiveness of ESCWA member countries in world markets



Source: Alonso-Gamo, A. Fedelino and S. Paris Horovitz. "Globalization and growth prospects in Arab countries", a working paper of the IMF, 1997.

Box 9. The changing technology composition of world exports and exports from developing countries

The share of technologically complex products in world merchandise trade has risen steadily in recent years. The higher the level of technological sophistication, the higher the export growth rate, with differences in dynamism rising over time. World exports of primary products grew by a modest 2.3 per cent per year during the period 1980-1990 and by only 1.4 per cent over the period 1990-1995. At the other end of the spectrum, high-technology products (fine chemicals and pharmaceuticals, advanced electronics, aircraft and precision instruments) grew at around 12 per cent per year (compound rates for both periods). Medium-technology products (most industrial machinery, automobiles, simple electronics and chemicals) grew at 8.4 and 6.9 per cent during these respective periods. Low-technology products (textiles, clothing, sporting goods, toys, simple metal and plastic products and footwear) grew at 7.7 and 5.6 per cent, and resource-based manufactures at 6.0 and 5.3 per cent respectively. When export growth rates generally declined after the 1980s, complex products maintained their growth better than simpler products.

Medium- and high-technology products accounted for a full 75 per cent of the value of the 50 most dynamic merchandise exports in the world during the period 1980-1995. Among these very dynamic exports, high-technology products grew the fastest, followed by medium-technology products. Low-technology products were the slowest growing category. This indicates the increasing importance of technological sophistication for trade growth.

During the period 1980-1995, developing economies experienced faster rates of export growth than developed economies in all categories of products (classified according to technology intensity). In line with accepted trade theory, the share of developing economies was highest (around 34 per cent) in low-technology products at the end of the period. However, contrary to expectations, their export growth rates were higher for technologically complex products. Consequently, their share in high-technology exports (30 per cent) was greater than for resource-based and medium-technology exports and may soon overtake their share of low-technology exports. In 1995, the value of their high-technology exports (US\$ 299 billion) was higher than that of their low-technology exports (US\$ 266 billion) and comprised the largest single category. This was partly due to the relocation of labour-intensive processes in high-technology production by transnational corporations (TNCs), and partly to the growth of indigenous capabilities in countries such as the Republic of Korea and Taiwan Province of China.

Export success in the developing world, however, was highly concentrated by region and country. Developing economies in Asia accounted for 78 per cent of total manufactured exports and 89 per cent of high-technology exports. Latin America accounted for 17 per cent of total, 28 per cent of resource-based, 12 per cent of low-technology, 28 per cent of medium-technology and 11 per cent of high-technology manufactures. Mexico dominated Latin American export activity after 1990, mainly because of the North American Free Trade Agreement (NAFTA); in 1995 alone it accounted for 90 per cent of the region's high-technology, 62 per cent of its medium-technology, and 50 per cent of its low-technology exports. Sub-Saharan Africa contributed 1.4 per cent of the developing world's exports in 1995; if South Africa and Mauritius are excluded, that share drops to 0.1 per cent.

Just 12 economies accounted for 92 per cent of total manufactured exports by developing countries in 1995. They include nine countries in Asia (the seven newly industrialized countries and India and China) and three in Latin America (Argentina, Brazil and Mexico). With increasing sophistication, their level of export concentration had risen over time, from 78 per cent in 1985. The shares of the top 10 exporters in total developing country exports in 1997 were as follows: high-technology products, 98 per cent; medium-technology products, 87 per cent; low-technology products, 84 per cent; and resource-based products, 72 per cent. The concentration level for total manufactured exports was 85 per cent.

Source: S. Lall, "Exports of manufactures by developing countries: emerging patterns of trade and location," *Oxford Review of Economic Policy*, vol. 14, No. 2, 1998.

2. Product and geographic diversification

Product and geographic diversification is also low, but efforts among GCC countries to diversify their economies are intensifying. There is more to be done, however. The need for these countries to diversify their exports away from oil is crucial; developing countries that concentrate on the export of primary commodities may face detrimental long-term results, since commodity prices are unstable and the consequent export earnings unpredictable. The recent improvement in oil prices does not diminish the vulnerability of these economies to future price fluctuations. Successful diversification depends on a number of factors, including improved education and training, a better business climate for private sector initiatives and exploitation of the country's existing natural resources, such as natural gas. Tourism can also play an important role in these diversification efforts, in view of the potential for increasing the share of tourists from within the region itself.

Oman, for example, has made great improvements in its diversification endeavour. In 1998, Oman's non-oil exports were dominated by food and live animals and manufactured goods, which accounted for well over 50 per cent of its total non-oil exports (see table 46). Some other categories, such as chemicals and electrical equipment and machinery, have increased in importance over the past few years. Overall, however, non-oil export goods produced in Oman remain a small percentage of total exports. Re-exports are gaining importance. In 1998, the value of re-exports was more than double that of non-oil exports. Oman's re-export activity is dominated by the sale of machinery and transport equipment; cars accounted for about 37 per cent of total re-exports in 1998, up from 33 per cent in 1997. The region constitutes Oman's main market for non-oil exports; four of Oman's neighbours accounted for about 64 per cent of its non-oil export trade in 1998 (mainly the United Arab Emirates, which receives 40 per cent of non-oil exports, followed by the Islamic Republic of Iran, Saudi Arabia and Yemen).

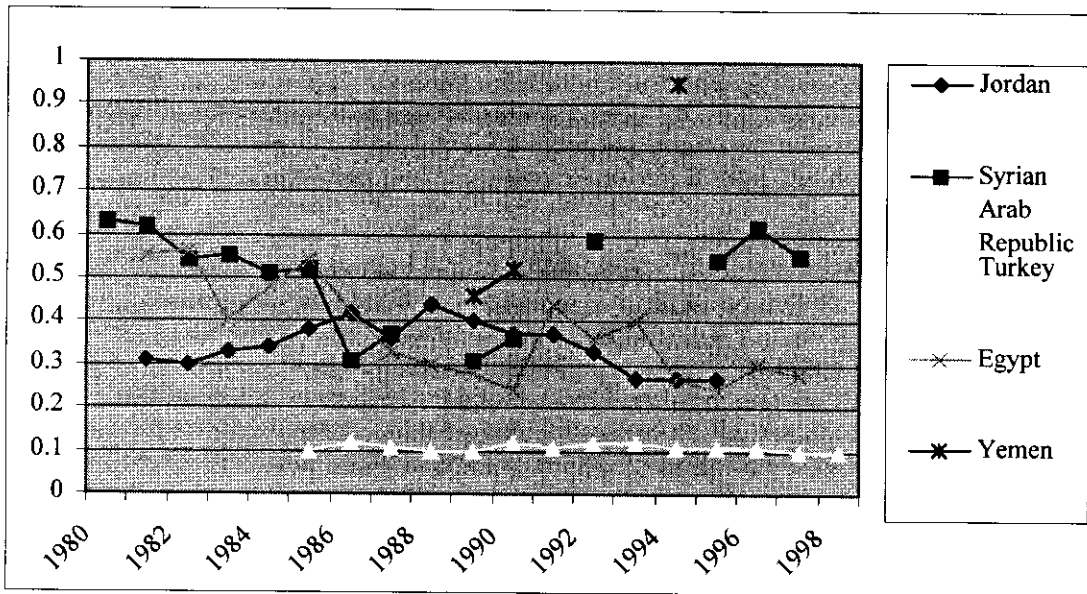
The export concentration index, which shows the sum of the squared shares of various export commodities to total exports, is still very high for all GCC countries except the United Arab Emirates, which has greatly increased its share of re-exports (now accounting for more than its oil exports). This index has improved for Oman and Qatar in recent years (see chart 21). In comparison, Indonesia—a large oil-rich country with diversified resources—was able to greatly diversify its exports over the past two decades.

Among the more diversified economies of the ESCWA region, export concentration indices in the Syrian Arab Republic and Yemen—both oil exporters—are still high. Egypt and Jordan have been able to diversify their exports, especially during the past few years. However, their export concentration ratio remains higher than that of comparable countries, such as Turkey.

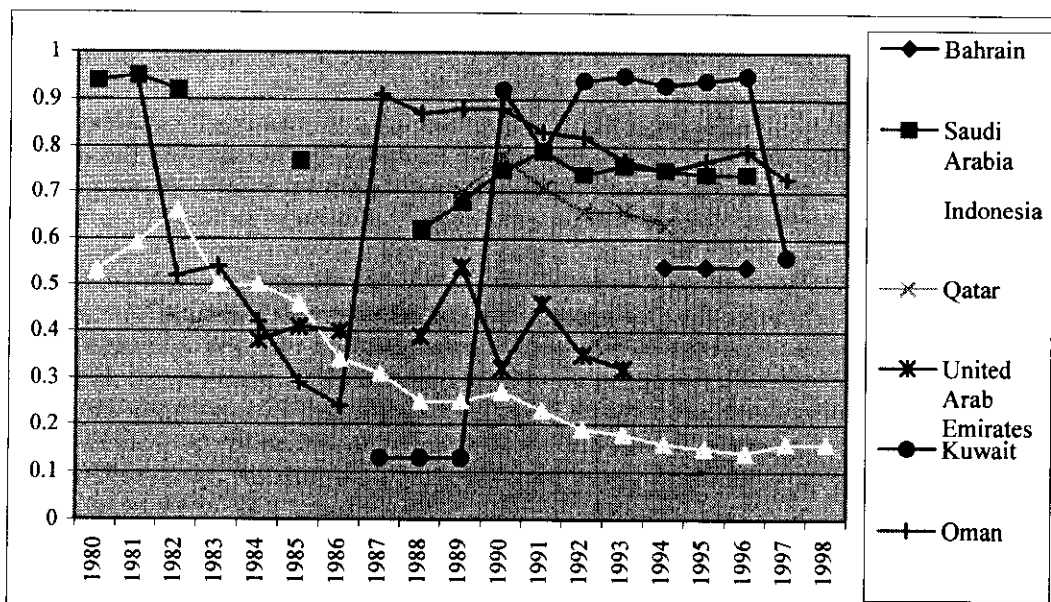
In terms of geographic diversification, the question is: Where are the primary outlets for the exports of ESCWA member countries, and what factors in these markets might affect their level of import demand? More than half of all the region's exports go to industrialized countries (see table 47), but three distinct trade patterns can be discerned for individual countries. First, countries such as the Syrian Arab Republic are primarily dependent on European markets and may be negatively affected by integration efforts such as the extension of the EU or the new EU regional trade arrangements. Second, countries such as Saudi Arabia and the United Arab Emirates have a larger share of their exports destined for North America and may be affected by the potential trade-diverting effects of NAFTA. Third, several ESCWA member countries rely heavily on non-industrialized-country markets, most of which are within the region or in Asia. Over 60 per cent of the exports of Bahrain, Jordan, Lebanon, Oman and Yemen go to developing countries, most of which are in the Middle East and Asia. These exports are potentially vulnerable to adverse developments in those markets, as was the case during the East Asian crisis.

Chart 21. Export concentration

A. Export concentration indices for the more diversified economies and Turkey



B. Export concentration indices for the GCC countries and Indonesia



Source: UNCTAD, *Handbook of Statistics*, 2000.

Note: The export concentration index shows the sum of the squared shares of various export commodities to total exports. The index varies between zero (low concentration) and 1 (high concentration).

TABLE 46. THE ESCWA REGION: COMPOSITION OF EXPORTS, 1995 AND 1998

Year	Percentage share									
	Food and live animals	Beverages and tobacco	Crude minerals	Mineral fuels	Animal and vegetable oils and fats	Chemicals	Manufactured goods by materials	Machinery and transport equipment	Miscellaneous manufacturing	
Bahrain	1995	0.7	—	0.5	62.9	1.1	5.1	26.4	0.3	2.9
	1998	0.5	1.0	—	54.0	1.4	3.2	36.8	2.6	0.5
Egypt	1995	9.3	0.1	7.0	37.2	0.1	5.9	3.7	0.6	9.8
	1998	10.4	1.1	—	31.6	0.2	8.3	44.9	2.3	1.0
Jordan	1995	10.1	0.5	15.3	—	14.8	42.7	13.1	3.1	0.3
	1998	15.7	0.6	25.8	—	5.7	30.8	9.5	4.2	7.5
Kuwait	1995	0.1	—	0.3	96.4	—	1.9	0.8	0.2	0.1
	1998	0.3	0.1	0.4	90.7	—	6.9	0.9	0.4	0.2
Lebanon	1995	9.3	7.1	1.4	—	1.1	7.5	51.4	19.4	2.8
	1998	9.3	10.1	0.8	—	0.9	14.8	36.5	22.5	5.0
Oman	1995	2.8	1.9	0.4	78.7	0.4	0.3	2.7	9.6	2.6
	1998	2.3	2.3	0.9	67.4	—	0.6	0.5	16.4	6.0
Qatar	1995	0.3	—	0.2	82.0	—	11.3	4.6	—	1.5
	1998	..	..	..	..	..	..	..	..	..
Saudi Arabia	1995	0.8	—	0.4	87.0	0.1	8.2	2.2	1.0	0.2
	1998	..	..	..	..	..	..	..	..	..
Syrian Arab Republic	1995	11.0	0.2	7.0	62.5	0.3	0.6	5.5	0.8	11.3
	1998	19.6	0.1	12.4	55.5	0.3	1.6	4.6	0.3	5.6
Yemen	1995	2.5	0.2	1.2	95.3	0.1	0.1	0.4	—	0.2
	1998	3.7	0.3	1.8	92.9	0.5	0.3	0.2	—	0.1

Source: National sources.

Note: For most countries, national sources do not exactly match Standard International Trade Classification (SITC) groupings.

TABLE 47. GEOGRAPHIC DESTINATIONS OF ESCWA MEMBERS' EXPORTS, 1998
(Percentage of total exports)

	World (millions of US dollars)	Industrialized countries					Developing countries						
		Total for industrial countries		United States	Japan	Europe	Total for developing countries		Africa	Asia	Europe	Middle East	Western hemisphere
GCC countries													
Bahrain	3 082	24.6	5.0	7.3	12.3	73.7	2.7	45.3	6.9	18.7	—	—	
Kuwait	8 083	59.2	16.5	26.4	16.3	40.7	0.1	38.3	0.9	0.9	0.4	0.4	
Oman	4 426	33.4	4.7	22.8	5.9	66.5	2.1	62.1	—	2.1	—	—	
Qatar	4 914	60.3	4.3	51.5	4.4	36.8	1.1	29.6	1.1	4.7	—	—	
Saudi Arabia	40 949	53.3	15.9	15.9	21.5	46.4	3.1	34.1	1.5	5.4	2.0	2.0	
United Arab Emirates	25 207	40.1	2.5	30.0	7.4	42.2	2.7	28.2	1.4	9.7	0.1	0.1	
More diversified economies^{a/}													
Egypt	4 900	63.1	12.9	1.5	48.6	31.9	2.7	8.3	10.6	9.4	—	—	
Jordan	1 339	20.0	1.1	4.3	14.5	68.9	3.0	23.4	2.8	39.3	0.1	0.1	
Lebanon	715	37.6	6.5	0.5	30.5	61.5	5.9	1.7	7.0	46.3	0.4	0.4	
Syrian Arab Republic	2 890	52.0	0.5	0.3	51.1	42.9	4.1	1.2	13.7	23.7	0.1	0.1	
Yemen	1 497	18.5	2.7	3.6	12.1	80.7	3.8	67	—	9.7	—	—	

Source: IMF, *Direction of Trade Statistics*, various issues.

^{a/} Excluding Iraq and the West Bank and Gaza Strip owing to the lack of reliable data.

3. Trade restrictions

Trade restrictions could be reduced further. Although they have been reduced in recent years, they remain relatively high for many non-GCC countries. While most GCC countries, including Bahrain, Oman and the United Arab Emirates, have open trade regimes with average tariff levels below 15 per cent, most non-GCC countries have tariff levels close to or above 30 per cent (compared with 14 per cent in Latin America and 9 per cent in Central Europe in 1996). A number of ESCWA member countries, including Jordan and Egypt, have pursued greater trade liberalization by dismantling their systems of quantitative controls, cutting tariff levels and streamlining tariff systems, and introducing export promotion schemes and current account convertibility. For many countries in the region, tariffs are an important source of government revenue; tariff policy is often linked to the budget situation and is not determined independently within a well-defined export growth strategy. The Government of Oman reduced customs tariffs in 1998, but raised them again for a large variety of goods in 1999 in an effort to raise revenues in the wake of lower oil prices. With higher oil prices now, the Government may decide to lower tariffs to their previous levels. In Lebanon, customs duties were also raised on a wide range of goods in April 1999, mainly for budgetary reasons, but revenues from customs duties were negatively affected by reduced import demand.

In Egypt, as mentioned above, import restrictions were imposed towards the end of 1998, whereby imports would be accepted only if they were shipped from their country of origin. This was done in an attempt to halt the alarming rise in the current account deficit linked to the jump in the trade deficit. Towards the end of 1999, the Government relaxed the restrictions; although a certificate of origin is still necessary, goods can now be imported from the main centre of the producing company, its branches or distribution centres. The authorities have also relaxed the requirement of a 100 per cent cash cover for letters of credit for imports of intermediate and capital goods. The Government must abide by its international commitments, notably those to the WTO, while maintaining the current account deficit within safe limits and ensuring that local industry is reformed but not destroyed by foreign competition. The usual reduction in import tariffs did not take place in 1999/2000. However, the EU Partnership agreement will push for trade liberalization and, under WTO rules, Egypt's import restrictions on ready-made garments is to be lifted by 2001 (although heavy duties will then be imposed). Moreover, the focus on export growth will lead to a greater emphasis on removing obstacles to trade, including promoting an improved trade infrastructure, providing full tax relief for exporters, and opening new export markets. Egypt's exports of its major agricultural crop, cotton, have come to a virtual standstill following a decree in October 1999 to suspend sales of the popular export varieties, Giza 85, 86 and 89, so that sufficient long staple cotton will be available for local mills. These varieties account for about 85 per cent of Egypt's export sales commitment for the 1999/2000 season (September-August), and the decision to sacrifice export growth for the sake of the struggling textile producers of the country has proved highly controversial. Authorities hope that the change in policy will boost textile exports by 20 per cent.

F. OUTLOOK

The recent trade performance and export prospects of the ESCWA member countries reveal both the negative and positive aspects of the external sector in the region. On the negative side, perhaps the most important aspect is the region's very high trade concentration in petroleum exports. Over the last decade, international prices for petroleum fell substantially below their level in the early 1980s. Although the prices increased in 1999, the rise is likely to be temporary, and future regional economic prospects will clearly depend on the success of the region in diversifying its economies. On the positive side, most countries of the region are liberalizing their economies in an effort to better integrate with the world markets. As this process continues, the region will be better able to benefit from the new opportunities of globalization.

Regional integration is also important. The scope for increased regional integration among ESCWA member countries is wide, especially in the areas of trade and investment. Although the majority will

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

continue to trade mainly with countries outside the region—primarily with Europe, the United States and Asia—the volume and share of regional trade could rise significantly with greater regional integration, leading to substantial economic gains. Increased regional interaction among ESCWA member countries could also stimulate growth and employment. In a world market characterized by increasingly stiff competition from regions such as Eastern Europe and Asia, further integration would allow many ESCWA member countries to compete more efficiently, thus acting as a building block towards the globalization of the region. Such integration should be outward-oriented rather than inward-oriented if the region is to reap the advantages associated with a world economy.

V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

The acquisition, adaptation and implementation of technology, the cardinal functions of a national system of science and technology (NSST) have been decisive throughout history in determining the competitive edge and social welfare of nations. The wide range, intensive nature and tremendous rate of technological progress, in particular during the past two to three decades, have rapidly transformed the bases of competitive advantage and forced radical change in national policies and practices. Governments and the private sector alike will need to respond by accessing, developing and utilizing scientific and technological knowledge to achieve enhanced productivity and environmental compatibility.

In general, a viable NSST should encompass core institutions with well-defined tasks and clear modes of mutual interaction. These would include a variety of training, educational and research centres, standards and calibration facilities and other support structures. A viable NSST would also have to maintain mutually reinforcing links between its components, and operate within the framework of overall socioeconomic development. It would have to pursue policies and strategies specifically designed for capacity-building in the field of science and technology (S and T) that would allow the optimal input of resources and serve as a means of influencing the quality of those resources, as well as provide effective modalities for the optimal end-use of the output.

With these functions in mind, it is apparent that viable NSSTs exist in few, if any, of the ESCWA member countries.

The following brief characterization of efforts aimed at S and T capacity-building in the ESCWA member countries is conducted within the framework of the above systemic perspective. S and T policy issues are reviewed first. Next is an examination of the resources devoted to research and development (R and D) activity and its output, followed by a brief review of S and T human resource development efforts, with emphasis on the status of women. Because of the prominent role of information and communications technologies in facilitating technological development, a special section is devoted to outlining the status of those technologies in the member countries. The final section in this chapter is devoted to a review of the distribution and orientation of contracts concluded by the ESCWA member countries, including the provision of embodied and disembodied scientific and technological inputs.

A. SCIENCE AND TECHNOLOGY POLICIES*

Comprehensive policies dedicated to advancing national S and T capabilities are still largely absent in the ESCWA member countries. Isolated pieces of legislation and a variety of laws, rules and regulations have given rise to implicit, de facto S and T policy regimes that are often fragmented and, at times, inconsistent and contradictory.

In the majority of cases, the fact that the legislation governing S and T development activities has been neither integrated nor publicly debated has made it difficult to harmonize those activities with national development policies and plans. In many ESCWA member countries, further efforts are needed to formulate explicit sectoral development policies. This adds to the difficulties confronting the S and T policy maker and understandably contributes to reduced effectiveness and efficiency in the use of scarce resources.

The following paragraphs provide a summary of efforts aimed at S and T policy formulation in the ESCWA member countries and note some of the more important features of the existing policy regimes, whether declared or implicit. Boxes 10, 11, 12 and 13 present, in more detail, the specific features of selected national S and T policy arrangements.

* Material presented in this section is based in part on a study conducted by ESCWA entitled *Science and Technology Policies in the Twenty-first Century* (E/ESCWA/TECH/1999/4).

1. Policy orientations

Past attempts to formulate S and T policies and related strategies have invariably been made by government ministries and government-sponsored institutions, mainly those related to higher education and research. Actual participation by public and private sector enterprises has been minimal. As a result, the concerns and needs of those enterprises, as perceived by them, are only partly taken into account. Emphasis on the supply side, in terms of S and T inputs, has weakened the links between supply and demand. Few ties, if any, appear to link the production and services sectors to R and D institutions and universities in the ESCWA region. Consequently, those sectors have maintained closer links to outside sources of technology and technical expertise than to national sources. Such links may clearly be beneficial in the initial stages of building national S and T capabilities, but they may also persist in selected areas where it is difficult to achieve critical mass. Reliance on overseas technology inputs becomes detrimental when it constitutes an all-encompassing modality for accessing, modifying and disseminating S and T knowledge in the service of national development.

A high level of commitment to R and D activities is apparent in the S and T policy documents drawn up by Egypt, Jordan, Lebanon, Saudi Arabia and the Syrian Arab Republic. It should be remembered that those policy documents are often produced by R and D professionals and university professors with little help from private or public sector concerns. Other sources of innovation are also bypassed.

The role of the private sector in supporting national R and D activity and the requirements of small and medium-sized enterprises (SMEs) are addressed in national policy documents, and the need to encourage innovative changes in those enterprises is universally recognized. There is, however, little evidence that in-depth consideration has been given to the practical measures required to enhance local technology inputs to SMEs. Appropriate investment climates and regulatory instruments conducive to innovation have yet to be established. Nevertheless, in Egypt and Jordan, SMEs needs have been accorded a prominent position. It is worth noting that, in S and T policy documents, private enterprise is mostly referred to as a contributor to R and D funds. Little or no reference is made to possible contributions in other directions—for example, towards standardization, calibration and quality assurance institutions.

Emphasis on human resources is also apparent in almost all S and T policy pronouncements. This is particularly the case in documents developed by Jordan and Lebanon. Statements made by high-ranking Kuwaiti officials also indicate a similar direction in the future S and T policies of Kuwait.

Agriculture, agro-food industries and health services are among the priorities listed in the various policy statements and decrees issued by a number of ESCWA member countries. New technology, particularly in information and communications is indicated as a priority area in a number of more recent official statements.

2. Technology transfer policies and strategies

It should be noted that very few policy pronouncements made in the ESCWA member countries directly address the issue of technology transfer. It is only in Egypt's policy document that explicit mention is made of involving research centres in activities aimed at the acquisition, adaptation and dissemination of technologies.

Kuwait, Saudi Arabia and the United Arab Emirates operate "offset schemes" aimed at ploughing back a percentage of investments, mainly in defence contracts, into technology-based production enterprises. This has entailed setting up advanced technology facilities for the manufacture of components and subsystems incorporating testing and quality control laboratories. It is doubtful whether these facilities comprise full-fledged R and D facilities. In any case, only limited information is available as yet on those schemes.

Box 10. Features of national science and technology policy arrangements in Egypt

Egypt's S and T policy document was finalized in May 1996. A major objective of this policy is to "transform Egypt to the level of the newly industrialized countries by the year 2017." Issues briefly elaborated in the policy document include:

- (a) Institutional reform of national science and technology;
- (b) Manpower and financial resources for science and technology;
- (c) Enhancing returns on contributions made by R and D institutions;
- (d) Innovation and competitiveness as the basis for an export strategy;
- (e) Technology transfer;
- (f) High technology and "big science" projects;
- (g) International cooperation;
- (h) Complementarity with the fabric of Egyptian life;
- (i) Harmonization of relevant legislation.

Principles adopted as bases for Egypt's national S and T policy include:

- (a) Responding to domestic changes and adapting to changes from without;
- (b) Relying on scientific research that is linked to the needs of production and services sectors;
- (c) Fostering technology development in Egypt at large and instituting capabilities for the constant improvement and restructuring of the S and T sector;
- (d) Instituting fresh coordination and cooperation modalities between university research institutions and research centres;
- (e) Integrating a science culture within the culture of Egyptian society;
- (f) Adapting and assimilating technologies acquired from abroad in a manner that ensures compatibility with national development priorities;
- (g) Enhancing public financial allocations for scientific research activities and taking into account that funding national research is a responsibility that has to be shared by both the private and the public sector;
- (h) Activating scientific and cultural links with other nations, particularly with centres of excellence in priority areas;
- (i) Enhancing human resource capabilities;
- (j) Improving infrastructure in research institutions continually.

On a more practical level, in 1997, the Academy of Scientific Research and Technology contracted studies in several domains, including:

- (a) The formulation of S and T policies and strategies and related generic activities;
- (b) S and T support for specific industries, including the pharmaceuticals industry;
- (c) Inventions and patenting;
- (d) S and T networking;
- (e) Human resources training and institutional reform;
- (f) Enhancing R and D funding;
- (g) Improving legislation concerned with technology development.

Source: ESCWA, "Towards a national science and technology policy for Egypt: current dialogues and future prospects" (in Arabic), a study prepared by Y. Hussein.

Box 11. Features of national science and technology policy arrangements in Jordan

The Higher Council for Science and Technology took the lead in formulating Jordan's national science and technology policy, which was finalized in 1995 following extensive discussions within the framework of the Second Jordanian Science Week, held in Amman in 1994. In order to facilitate the implementation of the national S and T policy, the Higher Council prepared a study entitled "National scientific and technological potential," and provided a list of recommendations aimed at further developing Jordan's S and T capabilities. The study also highlighted specific objectives for future action and placed emphasis on the following:

- (a) Information resources and networks;
- (b) Human resource development, including expansion of post-graduate programmes in Jordanian universities and establishing incentives for scientists and engineers;
- (c) Setting up science parks within Jordan universities;
- (d) Increasing spending on R and D;
- (e) Establishing a number of institutions, including a unit for technology transfer studies and a steering committee to oversee calibration, maintenance and spare parts manufacturing activities.

Box 12. Features of national science and technology policy arrangements in Kuwait

In the late 1980s, the Kuwait Institute for Scientific Research became involved in producing a series of five-year R and D plans and several policy studies concerning the development of Kuwait's S and T capabilities. A second effort, concluded in June 1998, was confined to R and D policies and was undertaken by professionals of the Institute for consideration by the Kuwaiti authorities.

A more recent and more comprehensive effort aimed at formulating a full-fledged S and T policy was initiated in 1999. Both the Institute and Kuwait's Ministry of Planning are involved. The Institute is seeking technical assistance from concerned international organizations, including ESCWA, and a project document has been prepared with this in mind. The document proposes that a project comprising three main stages be implemented, with a view to formulating S and T policies and strategies covering the period 2000-2020.

The Institute is also engaged, in cooperation with private sector enterprises, in formulating a strategy for setting up a network of technology incubators aimed at creating employment in new technology areas.

Comprehensive national security considerations occupy centre stage. Making optimal use of natural resources, diversifying national sources of revenue, reducing dependence upon foreign labour and enhancing the capabilities of human resources are other important features outlined in the project document.

3. Policy implementation

Even in countries where S and T policy documents have been produced, little progress appears to have been made towards finalizing a comprehensive strategic framework that includes executive plans for policy implementation. Egypt, Jordan and Saudi Arabia are exceptions; in all three countries, steps have recently been taken towards launching S and T initiatives with relatively well-defined objectives.

In Egypt, it is not policy documents and pronouncements as much as it is established measures and cumulative practices that spell out the outlines of strategic initiatives and implementation modalities. This is the result of Egypt's many years of S and T activity, which exceed those of any other ESCWA member

country. Focused efforts were made in the late 1990s through cooperative projects implemented by the Ministry of State for Scientific Research and involving donor organizations such as the World Bank. The target of one such project was improving the policy and management of science and technology in Egypt.

Box 13. Features of national science and technology policy arrangements in Saudi Arabia

A major national project aimed at the formulation of a Comprehensive National Plan for the Development of Science and Technology was launched by the King Abdulaziz City for Science and Technology and the Saudi Arabian Ministry of Planning in 1996. The project included a major survey of S and T human resources, legislation and institutional arrangements. It also included a large number of studies aimed at forecasting the S and T future, both globally and nationally, with emphasis on technologies considered crucial for national socioeconomic development (particularly those used in fields such as petrochemicals and water). Around US\$ 3 million was allocated to the project, with a sizeable part of that amount dedicated to collecting the data needed to characterize the status of S and T in Saudi Arabia. An important feature of the project was the fact that it elicited the attention and participation of a relatively large contingent of Saudi Arabian scientists and engineers. The Kingdom's comprehensive S and T plan is intended as an umbrella for four consecutive five-year S and T plans, to be incorporated within the Kingdom's national development plans covering the period 2000-2020. A strategy document based on the work carried out within the framework of the Comprehensive National Plan will be incorporated in the country's seventh five-year development plan. The strategy document will highlight principles to be adhered to in developing S and T competitiveness in Saudi Arabia and outline modalities for implementation. The fact that this strategy document was circulated to obtain feedback from concerned parties, including members of the Kingdom's Majlis al-Shoura, is noteworthy.

4. National science and technology initiatives

National initiatives designed to address particular issues through focused R and D, technology transfer, specialized technical training and other means are a recent development in the ESCWA member countries. Thus far, it appears that only Egypt and Jordan have launched such initiatives (both in the mid-1990s); Egypt's initiative deals with environmental issues and Jordan's with upgrading the earth's resources. The Syrian Arab Republic's R and D initiative, launched in the early 1990s, is aimed primarily at revitalizing links between university research facilities and the country's public sector enterprises and includes a broad set of targets and implementation modalities.

More recently, high-level declarations and, in some cases, initial practical steps have been taken to launch national projects aimed at the promotion of new technologies. Countries in which such initiatives have been undertaken include Egypt, Jordan and the United Arab Emirates.

5. Science and technology networking, technology alliances and international cooperation

Reducing duplication and conserving resources through streamlining S and T activities and enhancing coordination among national institutions are the aims espoused in nearly all policy documents and related pronouncements. Committees and other coordination mechanisms have been set up for this purpose in a number of countries, including Egypt, Jordan and the Syrian Arab Republic. Little else has been done. Given the constraints under which S and T institutions operate, it is unlikely that committees, on their own, are the ideal solution. Linking the efforts of concerned parties through well-designed national and regional initiatives with clear objectives and a clear division of labour might stand a far better chance of success.

Alliances with technology-holders from outside the region are evident in some member countries, but they have remained the exclusive preserve of larger enterprises. Several industrial concerns in GCC countries have concluded technology alliances, particularly in the petrochemical industry and, more recently, in the pharmaceuticals industry. In most instances, these alliances do not stipulate the supply of modified or renovated manufacturing technologies as they become available to the original technology-holder. Further, there is little evidence to suggest that these alliances have generated spin-off benefits for NSST.

Policy documents generally underline the need to make good use of international and regional initiatives aimed at enhancing local S and T capabilities, but they allocate little space to practical measures.

Box 14 takes a brief look at international S and T ventures in which ESCWA member countries are involved, focusing on cooperation between research laboratories in those countries and corresponding EU laboratories.

Box 14. Science and technology cooperation between ESCWA member countries and regional/international institutions

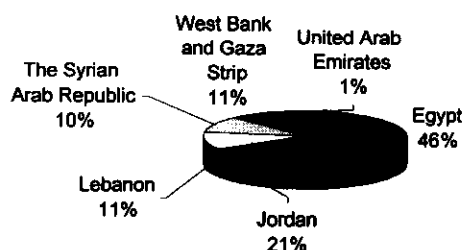
Several examples may be cited of cooperative ventures between certain S and T institutions and universities in ESCWA member countries and their counterparts in the developed countries. Only a limited number of those ventures, however, have developed into long-term associations resulting in something more than joint publications and memorandums of understanding. Such long-standing associations are found in Egypt, Jordan, Saudi Arabia and the Syrian Arab Republic. The principal causes of the failure to form long-term linkages are the disparities between the objectives of R and D institutions in the region and those of their counterparts in the developed countries, and the lack of a sufficient number of suitably qualified researchers.

In general, Jordan appears to stand out among other ESCWA member countries as making the best use of international and regional S and T development programmes. Nevertheless, the general picture leaves much to be desired.

A report of the European Commission, published in 1998, lists joint research projects involving participants from the EU and the Euro-Mediterranean Partnership, including several from the ESCWA region (Egypt, Jordan, Lebanon, the Palestinian Authority and the Syrian Arab Republic).

A review of these projects shows that Egypt participated in 46 per cent of them, followed by Jordan (21 per cent) and Lebanon (11 per cent) (see box figure I). In terms of research topics, natural resources and agriculture have the highest share; biotechnology, new materials and modern production technologies received little attention (see box figure II).

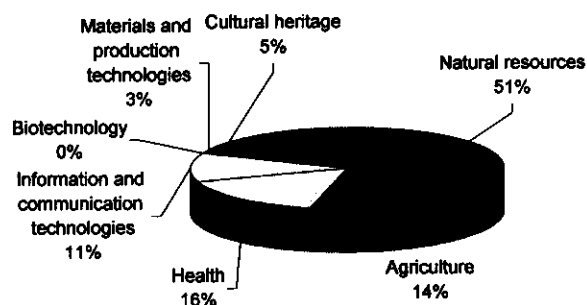
Box figure I. Country distribution of Euro-Mediterranean Partnership projects involving partners from the ESCWA region



Source: European Commission, *Euro-Mediterranean S&T Cooperation*, Project Reports, Edition 1998.

Box 14 (continued)

Box figure II. Topic distribution of Euro-Mediterranean Partnership projects involving partners from the ESCWA region



Source: European Commission, *Euro-Mediterranean S&T Cooperation, Project Reports, Edition 1998.*

B. RESEARCH AND DEVELOPMENT ACTIVITY IN THE ESCWA MEMBER COUNTRIES

1. *Research and development institutions*

Research and development centres and institutions of higher learning are two of the best developed types of NSST institutions in the ESCWA member countries. Much greater effort needs to be channelled towards creating instruments that complement traditional institutional forms of R and D. Particular attention should be given to setting up standards, quality and calibration establishments; outreach and extension services; and institutional and regulatory arrangements for making venture capital available for S and T capacity-building.

R and D institutions in the ESCWA region often have fragmented and unstable organizational structures, suffer from poor management practices, and operate under severe financial constraints; as a consequence, their contributions to priority socioeconomic development issues tend to be limited.

2. *Research and development spending*

On the input side of research efforts, the ESCWA member countries possess strong similarities, manifested in low levels of R and D expenditure, a dearth of human resources and inadequate infrastructural arrangements. R and D expenditure as a proportion of GNP stands at around 0.2 per cent in many member countries and is below 0.05 per cent in some. The higher percentages are a mere one tenth of what many developed countries spend on R and D as a percentage of GNP. The low level of research expenditure in countries such as Kuwait, Qatar and the Syrian Arab Republic is of interest when contrasted with the considerably higher figures for Jordan.

Table 48 presents the values of selected R and D indicators for some ESCWA member countries in comparison with corresponding values for other countries.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 48. RESEARCH AND DEVELOPMENT INDICATORS IN SELECTED ESCWA MEMBER COUNTRIES IN COMPARISON WITH CORRESPONDING VALUES FOR OTHER COUNTRIES

Country	Year	Researchers per million inhabitants	Technicians per million inhabitants	Number of technicians per researcher	R and D expenditure as a percentage of GNP
ESCWA member countries					
Jordan	1989	94	10	0.11	0.26
Kuwait	1997	230	71	0.31	0.16
Qatar	1986	594	159	0.27	0.04 ^{a/}
Syrian Arab Republic	1997	30	25	0.83	0.2
Egypt	1991	459	341	0.74	0.22 ^{b/}
Other countries and country groupings					
United States	1993	3 676	..	..	2.61
European Union	1991-1998 ^{c/}	2 203	1 355	0.62	2.1
Republic of Korea ^{d/}	1994	2 637	318	0.12	2.6
Israel	1997	..	..	..	2.35

Source: UNESCO Statistical Yearbook 1999.

a/ Not including social sciences and humanities in the higher education sector.

b/ Value for 1996.

c/ Calculated from data for the last available years.

d/ Data refer to full-time plus part-time personnel; not including data for social sciences and humanities.

R and D indicators in the ESCWA member countries are difficult to assess, owing to the lack of specialized national institutions concerned with relevant statistics. Nevertheless, the data presented depict a grim picture of R and D spending.

3. Human resources in research and development

A similar situation exists with regard to human resources devoted to R and D. Available figures for the number of research personnel per 1 million inhabitants in 1997 ranged between 30 for the Syrian Arab Republic and 230 for Kuwait, while comparable figures for the developed countries were generally in the range of a few thousand per million.⁶⁷ The situation with respect to technical personnel is even less encouraging, with the ratio of technicians per 1 million inhabitants in 1997 ranging from 25 in the Syrian Arab Republic to around 70 in Kuwait, as opposed to figures that exceed 1,000 in developed countries.⁶⁸

The ratio of researchers and technicians devoted to R and D per million inhabitants in some ESCWA member countries falls to between one tenth and nearly one hundredth of the corresponding values for developed countries. This scarcity of human resources could limit or negate the effectiveness of rapid increases in R and D spending, owing to the limited absorptive capacity of those resources. This weakness underlines the extreme importance of expanded networking and the promotion of selective research and technology alliances and cooperation with international R and D partners.

⁶⁷ This ratio was around 2,200 in a number of EU countries in various years during the period 1991-1998, while the figure for the United States was reported as approaching 3,700 researchers per million in 1993.

⁶⁸ For example, the ratio of technicians to the total number of inhabitants is around 1,360 in a number of EU countries for various years during the period 1991-1998.

CHAPTER V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

The high rate of women's participation in research institutions in Egypt as compared with other ESCWA member countries should be noted. However, new employment opportunities made available by the creation of new standards, quality testing and allied institutions are being pursued by many more women than before in a number of member countries, notably Jordan and the Syrian Arab Republic.

4. Research and development output

Output produced by science and technology systems essentially finds expression in new and adapted knowledge that is sometimes contained within patents and often finds its way into specialized scientific publications. Considering the shortcomings in local R and D activity, it is hardly surprising that the output of such activities in the ESCWA member countries tends to lag behind that of other countries. This is illustrated by the level of patent activity in those countries (see table 49).

TABLE 49. NUMBER OF REGISTERED UNITED STATES PATENTS* ORIGINATING FROM SELECTED ESCWA MEMBER COUNTRIES IN COMPARISON WITH THOSE ORIGINATING FROM THE REPUBLIC OF KOREA, ISRAEL AND CHILE

Year	Bahrain	Egypt	Jordan	Kuwait	Oman	Saudi Arabia	Syrian	United	Yemen	ESCWA region	Republic of		
							Arab Republic	Arab Emirates			Korea	Israel	Chile
1991	-	4	-	1	-	6	-	3	-	14	455	356	9
1992	-	3	1	1	1	10	2	1	-	19	601	392	5
1993	1	3	-	2	-	6	-	1	1	14	857	396	12
1994	-	6	-	1	-	14	-	2	-	23	1 035	439	12
1995	-	7	-	2	-	11	-	2	-	22	1 265	489	9
1996	-	6	2	3	-	12	-	1	-	24	1 603	591	5
1997	1	2	5	2	-	14	-	2	-	26	2 027	653	9
1998	-	3	4	6	1	20	-	2	1	37	3 431	920	29
1999-2000 ^{a/}	2	9	1	14	3	23	4	4	-	60	4 114	1 034	18
Total	4	43	13	32	5	116	6	18	2	239	15 388	5 270	108

Source: United States Patent and Trademark Office web site: www.uspto.gov.

* Query of the United States patent database is according to the country in which the inventor of the patent resides.

^{a/} Up to and including 21 March 2000.

The total number of patents registered in the United States by all the ESCWA member countries throughout the period 1991-1999 is less than the number registered by Malaysia⁶⁹ alone during the same period. Among the member countries, Saudi Arabia is the leader in patent registration. Since 1991, it has produced 116 patents, or more than 48 per cent of the total number of patents registered by the ESCWA member countries combined.

C. HUMAN RESOURCES IN SCIENCE AND TECHNOLOGY

The future of NSST in the ESCWA region is highly dependent upon the output of higher learning and technical and vocational training institutions in terms of orientation, quantity and quality.

Enrolment in institutions of higher education has steadily increased over the years. Table 50 presents data on university graduate and post-graduate student populations in the ESCWA member countries. Although considerable in number, they still fall short of the figures achieved in some other developing

⁶⁹ Malaysia had a GNP per capita of US\$ 4,530 in 1997, which is less than the GNP per capita in most GCC countries for that year.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

countries. The table also reveals the structural inadequacies in the region's S and T human resources. The ratios of doctoral candidates and technicians to total S and T student populations are far lower than required for the creation of a balanced, qualified workforce. A number of member countries, in particular Saudi Arabia and the Syrian Arab Republic, are devoting greater attention to training intermediate S and T human resources, which remains an area of weakness throughout the region.

TABLE 50. NUMBER OF STUDENTS IN HIGHER STUDIES, BY LEVEL, AND PERCENTAGE OF STUDENTS MAJORING IN SCIENCE AND TECHNOLOGY DISCIPLINES IN THE ESCWA REGION, 1996

ESCWA member	Bachelor's degree	Master's degree	Ph.D.	Higher diploma	Technical institute	Total
Bahrain	5 250 53.5	273 56.8	46 67.4	358 1.1	2 938 46.7	8 507 51.3
Egypt	836 055 18.2	43 204 65.3	20 522 71.9	44 709 17.8	70 730 41.8	970 511 23.1
Iraq	154 960 31.1	4 958 52.4	3 546 68.4	-	80 965 42	244 429 35.6
Jordan	81 057 42.3	5 731 34.2	2 043 39.4	934 1.4	23 090 40.6	111 921 41.5
Kuwait	26 004 27.5	849 58.8	140 39.3	-	7 935 37.6	34 928 30.6
Lebanon	71 220 33.7	2 506 49.6	590 44.4	273 24.9	12 542 61.4	86 858 38.2
Oman	6 414 34.4	86 31.4	152 52	-	2 437 100	9 089 52.2
Qatar	7 477 24.8	78 44.9	57 64.9	701 62.1	367 49.6	7 979 26.4
Saudi Arabia	222 999 16.5	5 570 34.3	2 226 39.8	575 25.2	13 438 48.5	244 233 18.9
Syrian Arab Republic	168 475 38	2 653 91.1	495 68.1	2685 38	42 708 52.2	214 331 41.6
United Arab Emirates	14 691 33.3	213 54.5	294 55.4	-	2 952 59.4	18 150 38.1
Palestine (West Bank and Gaza Strip)	49 780 36	2 792 54.2	421 59.9	191	4 468 57.6	57 461 38.7
Yemen	112 205 11.3	147 33.3	159 56.6	118	9 124 8.3	121 635 11.1
Total	1 756 587 23	69 060 59	30 691 66	50 544 19	273 694 44	2 130 032 28

Source: ESCWA and UNESCO, adapted from *Higher Education Systems in the Arab States: Development of Science and Technology Indicators*, 1998 (E/ESCWA/TECH/1998/1/Rev.1).

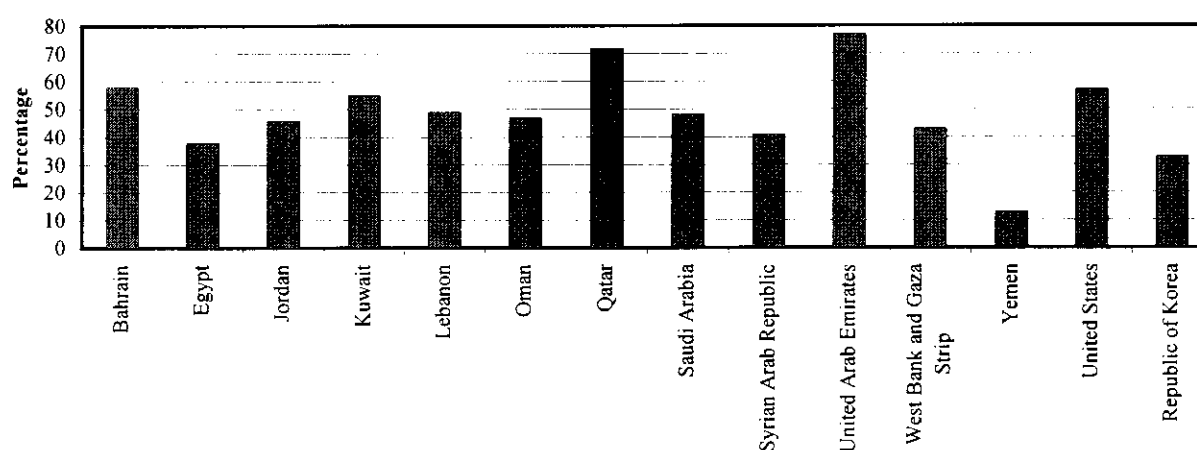
Note: Shaded areas indicate percentage in S and T studies.

The statistics that make up the university student profile reveal several significant trends. To start with, they indicate that a large proportion of students have been opting for the humanities, the social sciences, law and Islamic studies. This proportion was around 75 per cent in Kuwait, for example, during 1997/98, which left only 25 per cent of the students majoring in S and T disciplines, including engineering, medicine and related courses of study.

CHAPTER V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

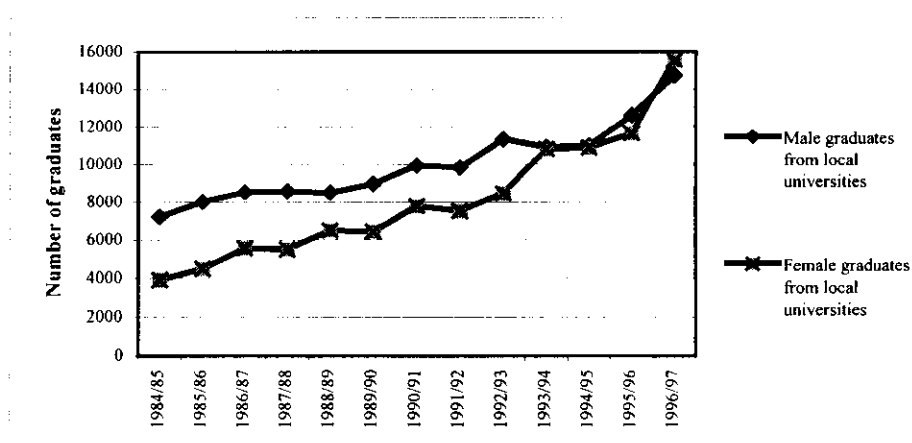
One positive trend emerging in S and T human resource development in the region is that many more women are now graduating with university degrees than at any time in the past. This is a general tendency that extends throughout the area and includes the GCC countries (see chart 22). In fact, the proportion of female university students in some of the GCC countries exceeds that of male students; in Saudi Arabia, women make up close to one half of the university student population. Chart 23 indicates the growth in both male and female university student populations in Saudi Arabia. In Kuwait, the gender composition of bachelor of science graduates reveals the preponderance of women in almost all disciplines. The number of Kuwaiti women graduating from S and T faculties was around 64 per cent of the total number of all S and T graduates during the academic year 1997/98. A similar picture pertains for post-graduate students; during 1997/98, 62 per cent of master of science graduates in S and T disciplines in Kuwait were women.

Chart 22. Female enrolment in higher education: comparisons between selected ESCWA member countries, the United States and the Republic of Korea, 1995



Source: Nader Fergany, "Human development and the acquisition of advanced knowledge in the Arab countries: role of higher education, research and development," (1999), (in Arabic).

Chart 23. Number of male and female graduates of universities in Saudi Arabia, 1985-1997



Source: ESCWA, *Science and Technology Policies in the Twenty-first Century* (E/ESCWA/TECH/1999/4).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

In contrast to the situation in Kuwait, many more women in Saudi Arabia favour the humanities and social sciences to the various S and T courses of study offered by the country's universities. Statistics on Saudi Arabia's undergraduate student population, both in the country and abroad during the 1995/96 academic year, reveal that only 23 per cent of the women students opted for S and T studies, while the humanities attracted 82 per cent of the total.

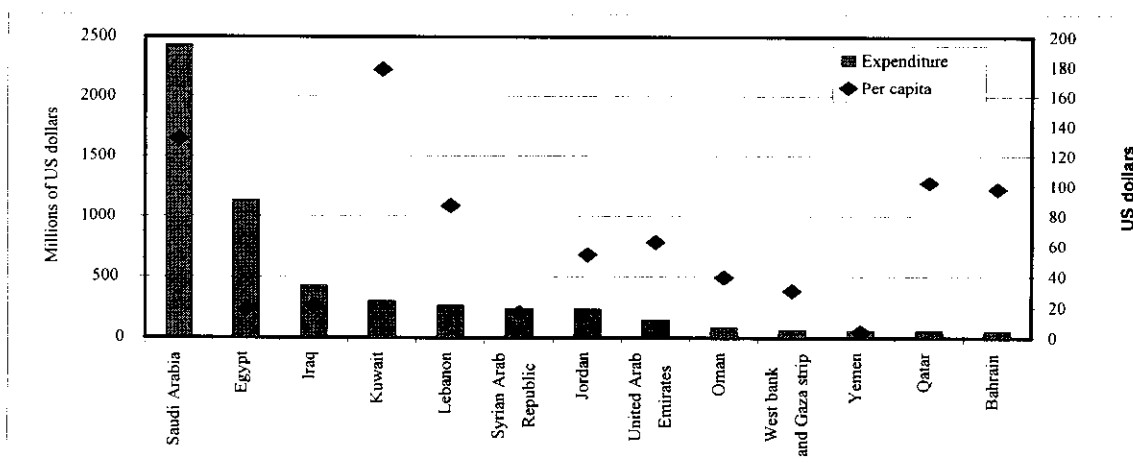
Similarly, in the Syrian Arab Republic, more men than women students graduated in 1996/97 in the sciences, with the exception of pharmacy. The number of women enrolled in S and T courses in the country's universities is far less than the corresponding number of men, particularly in engineering and agriculture.

The participation of women scientists and engineers in research and in teaching at institutions of higher education will focus more attention on the S-and-T-related problems faced by women in fulfilling their role within the context of overall socioeconomic development. Their participation should, however, act as an impetus in harnessing the potential of S and T endeavour to improve the lot of women in general. The number of women staff and faculty members engaged by universities in the region is still far below the corresponding number of men. For example, the ratio of men to women employed by universities in the Syrian Arab Republic is roughly 2 to 1. In the case of the science faculties, this ratio becomes even worse, reaching the 5 to 1 mark.

Prevailing employment and socio-cultural patterns in some of the member countries could mean that a sizeable proportion of qualified women scientists, engineers and technical workers may find it difficult to enter the national labour force.

Chart 24 presents the distribution of total and per capita expenditure on higher education in the ESCWA member countries. In general, the financial resources being allocated to higher education are inadequate. This is particularly detrimental in the areas of science and technology, which require specialized and expensive equipment and materials, as well as continuous innovation in university teaching and research facilities. As a consequence, the qualification of science and technology graduates suffers.

Chart 24. Total and per capita higher education expenditures in the ESCWA member countries, 1996



Source: ESCWA and UNESCO, adapted from *Higher Education Systems in the Arab States: Development of Science and Technology Indicators*, 1998 (E/ESCWA/TECH/1998/1/Rev.1).

CHAPTER V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

D. INFORMATION AND COMMUNICATIONS TECHNOLOGIES

National capacity-building in information and communications technologies takes on added importance in today's knowledge-based global economy. It is universally acknowledged that a good deal of the competitive edge enjoyed by the enterprises of developed countries comes from their easy and rapid access to information resources. A review of the state of affairs in the ESCWA member countries provides a rather discouraging picture concerning access to information through both traditional and more modern media, including the Internet (see table 51). Figures on the consumption of printing and writing paper effectively denote the extent of information exchange in print; the figure recorded for the ESCWA region in 1997 is much lower than the world annual average of 21 kilogrammes per inhabitant. In fact, it is around one tenth of that average in several member countries, including Egypt and Oman, and falls well below that ratio in Iraq and Yemen.

The number of personal computers per 1,000 of the population is an indicator of the degree of new technology dissemination, with important implications for a country's human resource development potential and its ability to tap sources of information on the Internet and take advantage of opportunities offered by electronic commerce (e-commerce). The average for the countries in the ESCWA region in relation to this indicator was less than the average for developing countries and around one seventh of the world average in 1995. It did, however, rise more than twofold in 1997, from around 6 to 15 personal computers per 1,000 inhabitants. The number of computers varies widely among the member countries; figures for 1997 place Yemen, the region's least developed country, at the bottom, with 1.2 computers per 1,000 inhabitants, compared with the high of 82.9 computers per 1,000 in Kuwait.

A number of yardsticks have been devised to measure access to the Internet. One of the most telling indicators of this kind is the number of top-level domain names (TLDN). The countries of the ESCWA region, whose population constitutes 2.7 per cent of the global population, possess only around 0.05 per cent of the world's TLDNs. Here again, wide variation pertains among ESCWA member countries; by January 2000, the Syrian Arab Republic was in possession of just one TLDN, while the United Arab Emirates had more than 19,700. The GCC countries appear to have the largest proportion, with around 74 per cent of the region's TLDNs. This figure represents a decline; only six months earlier, in July 1999, the TLDNs in those countries constituted around 80 per cent of the total for the region.

It should be mentioned that the large share of TLDNs held by the GCC countries is in large measure owing to the proliferation of TLDNs in the United Arab Emirates, where there is a preponderance of firms specializing in various aspects of international trade, transportation and service activities. In January 2000, TLDNs in the United Arab Emirates exceeded half the total for the whole ESCWA region and constituted around 70 per cent of the total number of TLDNs set up by the GCC countries.

Growth in the number of TLDNs in the region was considerable in the mid-1990s; an annual growth rate approaching 650 per cent, or more than three times the world average during that period, was recorded. It has since fallen to rates of around 120 per cent during 1999 and the early part of 2000, which is slightly below the world average of around 170 per cent.

Telecommunications infrastructures in the ESCWA member countries, essential for maintaining internal connectivity as well as access to information resources outside the region, remain largely inadequate in comparison with those in the developed countries and even with world averages. This is reflected by a basic indicator, namely, the number of telephone lines per 1,000 inhabitants. In 1996, the national averages for the ESCWA member countries were generally below the world average of around 135 lines per 1,000 inhabitants. They ranged from around 13 for Yemen to around 350 for the United Arab Emirates. Bahrain, Kuwait, Qatar and the United Arab Emirates are among the GCC countries that enjoy national averages exceeding the world average. Outside the Gulf region, only Lebanon surpasses this average. None of the figures for the ESCWA member countries exceeds those for Israel (around 450 lines) or the Republic of Korea (around 445 lines).

TABLE 51. ACCESS TO INFORMATION AND COMMUNICATIONS

Country	Internet subscribers ^{a/} (per 1,000 people)		Internet users ^{a/} (per 1,000 people)		Hosts ^{b/} (per 1,000 people)		Number of top-level domain names ^{c/}				Personal computers (per 1,000 people)		Printing and writing paper consumed ^{d/} (kilogrammes per person)		Main telephone lines (per 1,000 people) ^{e/}		Television sets (per 1,000 people)		Radio sets (per 1,000 people)		
	2000	2000	2000	2000	1998	1999	January 1999	July 1999	January 2000	1995 ^{d/}	1996 ^{d/}	1997 ^{e/}	1995	1996	1997 ^{f/}	1997	1997	1997	1997	1997	
GCC countries																					
Bahrain	24.7	61.8	0.62	1 110	577	1 110	1 117	50.3	66.8	66.8	66.8	7.6	13.2	17	245.7	429	..	..	..	..
Kuwait	21.1	52.7	3.98	4 573	6 231	4 573	4 069	56.2	74.1	82.9	82.9	6.7	14.6	14.3	231.2	491	688	688	688	688	
Oman	8.1	20.3	0.3	673	664	673	678	12.7	10.9	15.1	15.1	1	0.8	2.1	85.6	591	..	..	..	..
Qatar	30.6	76.4	0.09	32	13	32	31	0	62.7	62.7	62.7	2.2	3	4.6	249.4	538	..	..	..	..
Saudi Arabia	4.8	14.4	0.01	2 508	319	2 508	2 828	2.5	37.2	43.6	43.6	4.6	4	6.1	117.2	260	319	319	319	319	
United Arab Emirates	66.8	166.9	6.07	11 103	17 904	11 103	19 718	48.4	66.7	84	84	38.4	19.1	18.7	350.9	282	..	..	..	..
Aggregate for GCC countries	12.3	32.4	0.9	19 999	25 708	19 999	28 441	12.2	41.2	48.0	48.0	7.4	6.0	7.6	147.4	314.5	348.6	348.6	348.6	348.6	
More diversified economies																					
Egypt	0.8	6.5	0.05	1 746	1 908	1 746	4 640	..	5.8	7.3	7.3	3.2	2.7	3.2	54.6	127	316	316	316	316	
Iraq	..	..	..	..	..	..	5	1.7	..	..	..	2.7	4.3	0.3	31.9	78	..	..	..	..
Jordan	3.9	13.5	0.1	551	370	551	612	8	7.2	8.7	8.7	7.4	7.2	5.9	72.1	43	287	287	287	287	
Lebanon	20.1	70.3	0.46	2 997	2 358	2 997	4 729	12.5	24.3	31.8	31.8	4.1	13.2	18.3	178.6	354	892	892	892	892	
Syrian Arab Republic	0.3	1.3	..	1	1	1	1	0.1	1.4	1.7	1.7	2.7	1	1	87.8	68	274	274	274	274	
Yemen	0.2	0.7	..	27	20	27	28	..	..	1.2	1.2	-	0.1	0.6	13.4	273	64	64	64	64
Aggregate for the more diversified economies	1.4	7.1	0.1	5 322	4 657	5 322	10 015	2.7	5.8	6.4	6.4	2.9	2.9	3.5	53.3	132.2	286.3	286.3	286.3	286.3	

TABLE 51 (continued)

Country	Internet subscribers ^{a/} (per 1,000 people)		Internet users ^{a/} (per 1,000 people)		Hosts ^{b/} (per 1,000 people)		Number of top-level domain names ^{c/}		Personal computers (per 1,000 people)		Printing and writing paper consumed ^{d/} (kilogrammes per person)		Main telephone lines (per 1,000 people) ^{e/}		Television sets (per 1,000 people)		Radio sets (per 1,000 people)	
	2000	2000	2000	2000	1998	1998	January 1999	July 1999	January 2000	1995 ^{d/}	1996 ^{d/}	1997 ^{d/}	1995	1996	1997	1997	1997	1997
Regional aggregates and figures for other countries																		
ESCWA member countries	3.6	12.4	0.3	30 365	25 321	38 456	6.2	14.3	14.9	3.7	3.5	3.5	69.9	164.3	296.7			
Arab countries	2.6	9.0	0.2	31 022	26 210	39 649	5.7	8.8	10.0	2.9	2.9	3.1	55.0	168.6	271.3			
World	..	24 ^{b/}	..	43 229 694	56 218 330	72 398 092	43.6	46.5 ^{h/}	58.4	20.9	20.1	21.2	135.9	280	380			
Least developed countries	..	..	..	..	..	..	..	..	..	0.4	0.4	0.4	3.2 ^{i/}	32.4 ^{i/}	113.2 ^{i/}			
Developing countries	..	..	..	..	..	..	6.5	..	..	5.2	5.5	6	38.7 ^{i/}	145.3 ^{i/}	185.1 ^{i/}			
Chile	..	9.7 ^{i/}	2.07	30 103	32 208	40 190	37.8	45.1	54.1	16.1	16.1	-	184.2	233	354			
Republic of Korea	..	13.2 ^{i/}	4.27	186 414	260 146	283 459	108.3	131.7	150.7	51.3	58.6	56.5	444.0	341	1037			
Israel	..	22.7 ^{i/}	14.2	97 765	114 192	139 946	116.3	-	186.1	-	52	49.5	449.8	321	530			

Sources: g/ Based on data in *Internet Arab World* magazine and 1999 population estimates by the United Nations.

b/ UNDP, *Human Development Report 1999*.

c/ According to the Internet Software Consortium domain surveys of January and July 1999 and January 2000 (see <http://www.isc.org>).

d/ UNDP, *Human Development Report* for the years 1995 to 1999.

e/ World Bank, *World Development Report 1999/2000*.

f/ UNESCO, *Statistical Yearbook 1999*.

g/ ITU, *World Telecommunication Development Report: Universal Access*, fourth edition, 1998.

h/ Value for 1998. UNDP, *Human Development Report 1999*.

i/ Value for 1995.

j/ Values for 1996. ITU *Statistical Yearbook 1998*.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

It is only through modern information and telecommunications infrastructures that developing countries will be able to compete in the knowledge-based global economy of the future. In the ESCWA region, the quality of associated services and the sophistication of the existing information and communications infrastructures varies widely from one country to another. Many of them are outdated and warrant much improvement.

E. TECHNOLOGY TRANSFER ACTIVITY

Technology transfer, adaptation and dissemination are core NSST functions. In particular, obtaining reliable and up-to-date information on how to handle the first task, technology transfer, is an onerous undertaking anywhere in the world. It is even more difficult in the case of the ESCWA member countries, since only a few of them periodically publish detailed information on the technology transfer contracts they conclude.

Published information on contracts concluded with foreign suppliers, although lacking in detail, nevertheless remain a rich source of data on the volume, rate and orientation of technology transfer. An analysis of technology transfer activities based upon such information affords insight into the resources allocated to improving the technological level of the various economic sectors in the ESCWA member countries (see tables 52 and 53). It is also useful in charting the possible directions to follow in developing NSST structures or complementing their capabilities.⁷⁰

TABLE 52. NUMBER AND VALUE OF REPORTED CONTRACTS CONCLUDED BY ESCWA MEMBERS, 1992-1999

ESCWA member	Number of contracts	Contract value (millions of US dollars)	Percentage of total value
Saudi Arabia	899	44 052.62	29.9
United Arab Emirates	649	37 227.89	25.2
Egypt	456	19 526.03	13.2
Qatar	241	12 241.57	8.3
Kuwait	317	10 409.97	7.1
Oman	285	5 387.16	3.7
Bahrain	192	4 718.03	3.2
Syrian Arab Republic	113	4 498.71	3.1
Lebanon	117	4 256.58	2.9
Jordan	261	3 302.68	2.2
Yemen	106	1 554.58	1.1
Palestine (West Bank and Gaza Strip)	53	227.61	0.2
Iraq	11	80.00	0.1
Total	3 700	147 483.43	100

Source: *Middle East Economic Digest*, various issues covering the years 1992-1999.

⁷⁰ The figures quoted do not reflect the full extent of expenditure in the sectors indicated. Not all contracts concluded by ESCWA member countries are listed in the *Middle East Economic Digest* (MEED) and several of those listed do not have their contract value stated; thus, total contract values given in related tables and figures are understated.

CHAPTER V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

It is useful to keep in mind that in the ESCWA region, particularly in the countries with more diversified economies, technology transfer activities are undertaken mainly by government departments and public sector enterprises through direct contracts with foreign technology suppliers. Generally, there is little or no involvement on the part of national S and T institutions. This leads to limited adaptation and dissemination of technology inputs through local scientific capabilities.

The contracts concluded during the period 1992-1999 by the member countries with suppliers providing technology embodied in equipment and services, as well as know-how in disembodied form, reveal a somewhat consistent pattern in technology transfer activity. The GCC countries, in particular Saudi Arabia and the United Arab Emirates, occupied a leading position in spending on technology transfer contracts. Combined, these two countries were responsible for as much as 56 per cent of the US\$ 147 billion in contracts concluded by all the ESCWA member countries during the period under review.

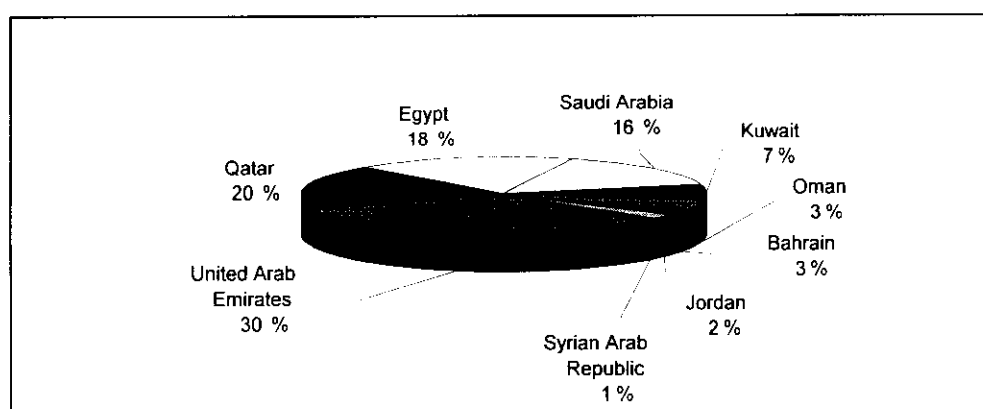
Contracts involving infrastructure-building, with particular emphasis on telecommunications facilities and industrial development, appear to account for most of the expenditure between 1992 and 1999—around 62 per cent of the total value of all contracts concluded during this period. The total amount spent on building communications infrastructures exceeded US\$ 5.2 billion. Table 53 shows the distribution of contracts across the various sectors and areas of application. Charts 25 and 26 present similar information for 1999.

TABLE 53. SECTORAL DISTRIBUTION OF CONTRACTS CONCLUDED
BY ESCWA MEMBERS, 1992-1999

Sector	Number of contracts	Contract value (\$)	Percentage of total value
Infrastructure and transport systems	1 579	58 379.43	39.6
Industry	1123	53 294.35	36.1
Defence	141	17 614.26	11.9
Services	638	14 755.66	10.0
Tourism	174	2 906.95	2.0
Agriculture and fishing	45	532.77	0.4
Total	3 700	147 483.42	100

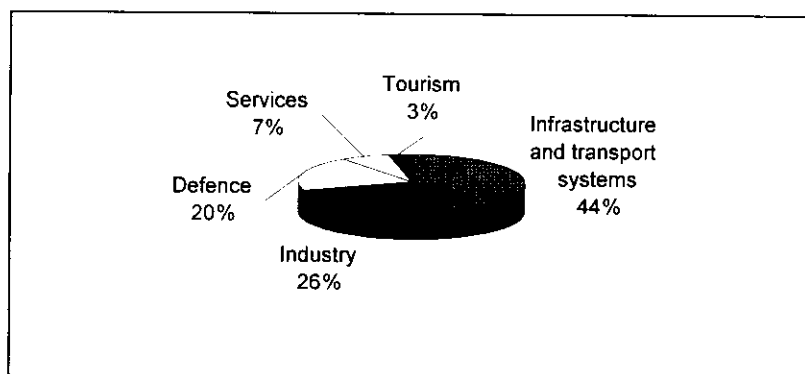
Source: Middle East Economic Digest, various issues covering the years 1992-1999.

**Chart 25. Selective country distribution of reported contracts concluded
in the ESCWA member countries, 1999**



Source: Middle East Economic Digest, various issues in 1999.

Chart 26. Sectoral distribution of reported contracts concluded in the ESCWA region, 1999



Source: *Middle East Economic Digest*, various issues in 1999.

F. OUTLOOK

Allowing that the state of science and technology in the ESCWA member countries leaves a lot to be desired, a number of recent and ongoing developments promise considerable hope for the future.

To start with, there is much greater awareness at many levels of Government as well as in private enterprise and non-governmental organizations of the importance of devoting greater attention at the policy and resource levels to capacity-building in science and technology. The fact that enterprises in a variety of fields are preparing for trade liberalization by giving increased attention to improved quality and continued innovation bodes well for the future of local S and T capacity-building in the ESCWA region.

National initiatives designed to tackle particular priority issues through focused R and D activity, technology transfer, specialized technical training and other means are beginning to take shape in several member countries. In addition to recent efforts aimed at the formulation of comprehensive national S and T policies in Egypt, Kuwait, Lebanon and Saudi Arabia, initiatives are being launched in several other countries with the aim of linking S and T capacity-building to the needs of the private sector. The fact that foreign technology-holders have set up production facilities in ESCWA member countries, such as Egypt and some GCC countries (including Saudi Arabia) in the automotive, pharmaceutical, petrochemical and various services industries, should contribute positively to the future of local S and T capabilities in a number of respects.

A number of universities, training institutions, R and D centres and calibration and standards facilities have been established during the past few decades. Technology transfer activities have been undertaken or maintained with varying degrees of vigour in a range of sectors, with emphasis on infrastructure and industrial facilities. Nevertheless, considerable improvements are still needed. Ultimately, it is at the level of national S and T policies, closely integrated with careful socioeconomic planning and backed by effective worldwide technological alliances, that a satisfactory future may be assured for S and T, and hence lead to truly sustainable development in the region.

Factors that the ESCWA member countries will have to consider in charting future S and T capacity-building include:

(a) The quickened tempo and extent of technological innovation in the intensely competitive global economy;

CHAPTER V. SCIENCE AND TECHNOLOGY IN THE ESCWA MEMBER COUNTRIES

- (b) Changes in production patterns caused by the opening up of national markets and the emergence of regional and subregional groupings;
- (c) The limited benefits of import substitution and competition through lower wage levels;
- (d) The increased importance of quality and environmental compatibility, including adherence to new international standards such as ISO 9000 and ISO 14000, as a prerequisite for entering international markets;
- (e) Stronger regulations for the protection of intellectual property rights.

Meeting the above challenges will require the acquisition of technological knowledge, training and innovation within the production and services sectors, with particular focus on those enterprises still operating along traditional lines. There will be a strong need to assign knowledge accumulation and technological innovation a central role, in contrast with the secondary roles they have occupied under secluded market conditions.

Globalization has led to the recognition that the more intricate notion of national systems of innovation might constitute a better model for characterizing and monitoring technological capacity-building and its implications for socioeconomic development. According to this notion, NSSTs represent but one component, albeit an essential one, within a network of vigorously interacting public and private sector institutions whose tasks constantly revolve around initiating, importing, adapting and disseminating new technologies.

It would seem, therefore, that the ESCWA member countries will have to address the two main tasks faced by many other developing countries around the world: first, they must complement the structural and resource aspects of their NSSTs; and second, they must forge and review their policy and regulatory instruments in order to integrate innovative capabilities into the technological system.

VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

Experience over the past few decades has shown that the previously held supposition about the “trickle down” effect in economic development is a myth. It has been demonstrated that for the process to be sustainable, the economic, social and political dimensions of development should be synchronized as well as gender-sensitive and participatory. The quality, supply and gender distribution of human resources in a given country should be factored into the development process. In terms of social policy, it is necessary to examine alternatives to top-down social development strategies. An innovative approach is needed in order to stimulate socioeconomic, political and cultural growth at the grass-roots level and instil self-reliance and democratic practices in society.

There is a direct relationship between the process of gender mainstreaming and that of sustainable development. Recognition of the dynamic, socially constructed role that women and men can play in the development process has led to a paradigm shift from the “women in development” to the “gender and development” approach—from the integration of women into the development process to the mainstreaming of a gender perspective into the policies, plans, programmes and projects of international, regional, national and non-government organizations. In the ESCWA region and worldwide, the marginalization of women and other new forms of social exclusion persist, affecting poor and vulnerable women in particular.

A. GENDER AND POPULATION DYNAMICS

At the International Conference on Population and Development (ICPD) in 1994, the tripartite interrelationship between population, gender and development was clearly addressed. While the ICPD Programme of Action does not quantify goals for population growth, structure and distribution, it reflects the view that an early stabilization of the population over a 20-year period would make a critical contribution to realizing the objective of sustainable development.

Empowering women through education and productive employment and institutionalizing family planning within the context of reproductive health care are key goals for sustainability. The role of women is considered crucial in determining the future demographic structure of society (given their reproductive function) and in harmonizing the interrelationship between population and sustainable development. Women are essential elements in the participatory development process because of their direct involvement in the development of human resources.

1. *Population size*

The population of the ESCWA region has increased from 141 million in 1995 to about 167 million in 2000. It is estimated to be 2.8 per cent of the world population and around 60 per cent of the total population of the Arab region. According to the United Nations medium-fertility variant population projections, which assume that fertility will stabilize at replacement levels of slightly above two children per woman, the population of the ESCWA region is projected to increase to 231 million in 2015. For more than two decades, the population has been growing at an estimated rate of 2.9 per cent per year.

The average annual rate of population growth in the region is projected to decline from 2.9 to 2.2 per cent by 2015. The total increment will reach 85 million between 1995 and 2015 with an average increment of 4.25 million people per year. It is expected that Egypt will account for 26 per cent of the total increment, followed by Iraq, Saudi Arabia and Yemen at 17 per cent each (see table 54).

2. *Life expectancy at birth*

In 1998, average life expectancy at birth for the ESCWA region as a whole was 69.9 years (71.0 years for women and 68.2 years for men), which is quite an improvement in comparison with two decades ago. Today, women live 8.9 years longer and men 9.2 years longer than they did 20 years ago. The average

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

difference in life expectancy between women and men in the ESCWA region was 2.9 years in 1998. The comparable difference in the EU was approximately 6.5 years.

The ICPD Programme of Action calls for efforts to increase life expectancy at birth to 70 years or more by 2005 in countries that have moderate or low mortality levels, and for an increase to at least 65 years in countries with the highest mortality levels. Projections for 2005 indicate that life expectancy would be still lower than the targets set in the Programme for at least four of the ESCWA members, namely Egypt, Iraq, Palestine (Gaza Strip only) and Yemen (see table 55).

TABLE 54. ESCWA REGION: ANNUAL POPULATION INCREMENT, 1995-2015
(Thousands)

ESCWA member	1995-2000	2000-2005	2005-2010	2010-2015	Total increment
Bahrain	59	50	46	49	204
Egypt	6 188	6 065	5 528	5 161	22 942
Iraq	3 020	3 534	3 690	3 723	13 967
Jordan	935	1 037	1 092	1 111	4 175
Kuwait	282	236	212	202	932
Lebanon	273	232	209	219	933
Palestine (Gaza Strip)	215	249	286	332	1 082
Oman	387	451	524	586	1 948
Qatar	51	48	45	40	184
Saudi Arabia	3 354	3 457	3 714	3 845	14 370
Syrian Arab Republic	1 925	2 111	2 228	2 182	8 446
United Arab Emirates	231	211	199	175	816
Yemen	3 090	3 433	3 821	4 203	14 547
ESCWA region	20 010	21 114	21 594	21 828	84 546

Source: Calculated by ESCWA from United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8).

TABLE 55. ESCWA REGION: PROJECTED LIFE EXPECTANCY AT BIRTH, 2000-2015

ESCWA member	2000-2005	2005-2010	2010-2015
Bahrain	73.8	74.8	75.5
Egypt	68.1	69.8	71.2
Iraq	69.4	70.7	72.1
Jordan	71.0	72.7	73.3
Kuwait	76.7	77.5	78.0
Lebanon	71.0	72.0	73.0
Palestine (Gaza Strip)	69.3	70.4	71.5
Oman	72.9	73.1	74.0
Qatar	72.7	73.6	74.6
Saudi Arabia	72.9	74.1	75.2
Syrian Arab Republic	70.2	71.4	72.7
United Arab Emirates	75.9	76.9	77.7
Yemen	60.5	63.0	65.4
ESCWA region	71.1	72.3	73.4

Source: Calculated by ESCWA from United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision*. (United Nations publication, Sales No. E.99.XIII.8).

3. *Total fertility rate*

Over the past two decades, the ESCWA region has experienced moderate declines in fertility. Since 1978, the total fertility rate (TFR) in the region has declined by an annual average of 1.6 per cent, with women currently having two fewer children than they did two decades ago. The average number of births per woman fell from 6.7 in 1978 to 4.9 in 1998. Although the fertility rate reached a relatively moderate level in most of the ESCWA region, no country managed to reach the replacement level of 2.1 births per woman during the last decade of the twentieth century. However, the TFR regional average (derived from the United Nations medium-fertility projection variant) is projected to decline from 4.1 children per woman during the period 2000-2005 to 3.3 children per woman in 2015. It is projected that in four countries (Bahrain, Egypt, Kuwait and Lebanon) the TFR will reach the replacement level by that time (see table 56).

TABLE 56. ESCWA REGION: TOTAL FERTILITY RATE PROJECTIONS, 2000-2015

ESCWA member	2000-2005	2005-2010	2010-2015
Bahrain	2.4	2.1	2.1
Egypt	2.9	2.4	2.1
Iraq	4.8	4.3	3.8
Jordan	4.4	4.0	3.6
Kuwait	2.5	2.3	2.1
Lebanon	2.3	2.1	2.1
Palestine (Gaza Strip)	6.8	6.2	5.7
Oman	5.4	5.0	4.5
Qatar	3.4	3.0	2.7
Saudi Arabia	5.2	4.7	4.1
Syrian Arab Republic	3.6	3.2	2.7
United Arab Emirates	3.0	2.7	2.3
Yemen	7.0	6.3	5.7
ESCWA region	4.1	3.7	3.3

Source: Calculated by ESCWA from the United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8).

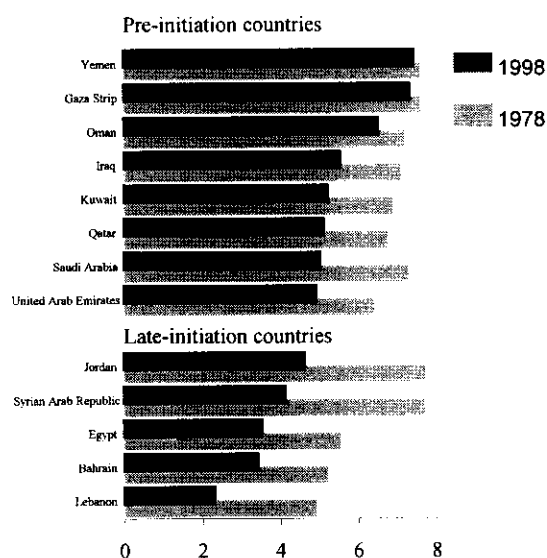
4. *Fertility transition and the dynamics of change*

In general, the process of transition in the region is described as a slow decline in fertility associated with a rapid decline in mortality. This disequilibrium in the magnitude of fertility and mortality decline has increased the working-age group disproportionately in comparison with other age groups.

The United Nations has defined a TFR of 5.0 children per woman as the threshold in classifying countries according to fertility initiations.⁷¹ Three groups are identified: pre-initiation countries, late-initiation countries, and early-initiation countries. Demographic profiles indicate that the countries in the ESCWA region fall into two of those categories, namely, pre-initiation and late-initiation. In 1998, eight countries were at the pre-initiation stage and the remainder at the late-initiation stage (below 5 children per woman) (see chart 27). With regard to age distribution according to the stage of fertility transition, table 57 shows that it has changed direction during the past two decades. In the pre-initiation countries, the proportion under age 15 declined from 41.8 per cent in 1980 to 39.2 per cent in 2000, and in the late-initiation countries, it declined from 42.4 to 35.8 per cent.

⁷¹ United Nations, Department of Economic and Social Affairs, *Population Growth and Demographic Structure, 1999* (ST/ESA/SER.R/132) (United Nations publication, Sales No. E.XIII.7).

Chart 27. ESCWA region: stages of fertility transition



Source: Calculated by ESCWA from United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8).

With respect to the pace of fertility decline in the region, three types of patterns can be discerned: a sharp decline (over 3 per cent per year) in Lebanon and the Syrian Arab Republic; a relatively moderate decline (1 to 3 per cent per year) in Bahrain, Egypt, Iraq, Jordan, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates; and a slow decline (less than 1 per cent per year) in the Gaza Strip, Oman and Yemen. The sharpest reduction occurred in Lebanon, where fertility was the lowest among all ESCWA members in 1978. A slow decline occurred in the GCC countries and Iraq, where fertility levels were high in 1978. The slowest decline during the period 1978-1998 can be discerned in the Gaza Strip, Oman and Yemen, where fertility levels were highest in 1978 (see table 58). However, it should be mentioned that in Iraq and in Oman and most of the other GCC countries, there exists a conscious policy to increase the population, while in Egypt, the Gaza Strip and Yemen, efforts are aimed at reducing population growth. Some countries, including Egypt and the Syrian Arab Republic, have achieved their objectives, while others, such as Yemen, have not.

As indicated in table 58, the decline in infant mortality rates in the region has been dramatic. These declines, however, are not comparable in magnitude nor commensurate with fertility declines. The only exception is Iraq, where fertility declined by only 1.2 per cent and infant mortality increased by 0.5 per cent owing to the negative impact of the sanctions imposed on that country. In 1998, data on infant mortality by country singled out Iraq as having the highest infant mortality rate in the region. Yemen was close behind, with an annual average decline of 3.5 per cent. Oman, classified among those countries with slow fertility declines, experienced a sharp drop in its infant mortality rate, estimated at 7.4 per cent. In both Lebanon and the Syrian Arab Republic, the decline in infant mortality corresponds in magnitude with that of fertility. Infant mortality rates fell substantially in Egypt, from 131 deaths per 1,000 live births in 1978 to 46 in 1998. This pattern of infant mortality decline exceeding fertility decline is the main factor triggering the process of demographic transition in the ESCWA region. The rapid decrease in child mortality, accompanied by increasing life expectancy, has interrupted the traditional demographic balance of high fertility associated with high mortality, resulting in an imbalance in the age structure skewed towards the working-age group (15-65).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 57. ESCWA REGION: ESTIMATES OF AGE DISTRIBUTION BY FERTILITY TRANSITION STAGE

Timing of fertility decline	1980	2000
	<i>Percentage aged under 15</i>	
Pre-initiation countries	41.8	39.2
Late-initiation countries	42.4	35.8
	<i>Percentage aged 15-64</i>	
Pre-initiation countries	56.1	58.2
Late-initiation countries	54.0	60.4
	<i>Percentage aged 65 and over</i>	
Pre-initiation countries	2.2	2.6
Late-initiation countries	3.6	3.8

Source: Derived from United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8).

TABLE 58. ESCWA REGION: TRENDS IN FERTILITY AND INFANT MORTALITY RATES, 1978 AND 1998

ESCWA member	Total fertility rate*			Infant mortality rate		
	1978	1998	Percentage decline	1978	1998	Percentage decline
Bahrain	5.2	3.4	2.1	43	17	4.5
Egypt	5.5	3.5	2.2	131	46	5.1
Iraq	7.1	5.5	1.3	84	92	(0.5) ^{a/}
Jordan	7.7	4.6	2.5	65	27	4.3
Kuwait	6.9	5.2	1.4	34	12	5.1
Lebanon	4.9	2.3	3.7	48	20	4.3
Oman	7.2	6.5	0.5	95	20	7.4
Palestine (Gaza Strip)	7.6	7.3	0.2	71	32	3.9
Qatar	6.8	5.1	1.4	46	23	3.4
Saudi Arabia	7.3	5.0	1.9	75	22	5.9
Syrian Arab Republic	7.7	4.1	3.1	67	28	4.3
United Arab Emirates	6.4	4.9	1.3	38	14	4.9
Yemen	7.6	6.7	0.6	158	77	3.5
ESCWA region	6.7	4.9	1.6	74	33	4.0

Source: Calculated from ESCWA, *Demographic and Related Socio-Economic Data Sheets*, No. 10-1999 (United Nations publication, Sales No. 99.II.L.13).

* TFR measured for nationals only.

a/ Indicates increase.

The combination of high fertility and low mortality rates has shifted the age structure in the population pyramid and created a population momentum phenomenon. There are two implications here: first, the youthful age structure will guarantee that the absolute number of births will remain high, even if the total fertility rate declines; second, the increase in the working-age population will exert high pressure on the absorptive capacity of the labour market. Therefore, early population stabilization (over a 20-year period) will contribute significantly to realize the objective of sustainable socioeconomic development. Unless comprehensive macro-level measures targeting women and gender issues are undertaken at the national and regional levels, the TFR will remain well above the stabilization level of 2.1 children per mother until 2015. For women, high fertility rates are often associated with low levels of education and labour force participation.

5. Factors associated with fertility decline

Fertility is determined by three factors: the biological supply of children, the demand for children, and the ability to regulate fertility. The biological supply of children depends on factors such as age at marriage.⁷² Female education can affect the biological supply negatively and directly by raising the age of women at marriage. The effect of fertility on labour force participation, meanwhile, is determined by the demand for children. The status of women is critical in determining the extent of their reproductive role during a specific time span and in harmonizing the interrelationship between population and sustainable development. At the International Conference on Population Development, the relationship between population and development was established and the gender dimension of that interrelationship was recognized and addressed. Women are essential partners and players in the sustainable development process, since they are the ones most closely connected with the reproduction, maintenance and care of human resources.

Existing inequalities within the family and conflicts and discrimination between women and men form a barrier to promoting a specific reproductive outcome. This has led the international community to emphasize that gender equality, social equity and the empowerment of women so that they may become self-reliant and share in the decision-making process, are strategic goals with regard to population and development. Education and employment are seen as the most effective tools for empowering women, as they provide the knowledge and skills women need to become self-reliant and equal partners with men in the process of economic and social growth. Achieving the objective of population stabilization while maintaining sustainable development will require the formulation and implementation of policies; the empowerment of women; and the integration of family planning within the context of reproductive health care.

6. Education and total fertility rate

The education of girls and women contributes directly to their empowerment and to changing their reproductive behaviour. As their level of education increases, women become better informed about their reproductive lives and are able to look at the world more critically and gain better control over their biological supply of children. Education enhances women's self-confidence and allows them to make more informed choices regarding the number of children they want to have. Education increases the employment opportunities of women, helping them to secure productive employment and achieve economic independence.

In most countries of the ESCWA region, with the exception of Iraq and Yemen, the gender gap has narrowed considerably. As table 59 shows, the gender gap in secondary school enrolment in 1996 ranged from 39 percentage points (in favor of boys) in Yemen to 7 percentage points (in favour of girls) in Lebanon and Bahrain. The regional average rate for female secondary school enrolment was 61 per cent, compared with 67 per cent for males, indicating a gender gap of only 6 per cent. This is associated with the regional TFR of 4.9 children per mother in 1998. Secondary school enrolment was highest in Bahrain, at 98 per cent for females and 91 per cent for males. In five countries (Iraq, Jordan, Saudi Arabia, the Syrian Arab Republic and Yemen), the enrolment rate was below the ESCWA regional average of 61 per cent (see table 59). In those countries, the negative association between the enrolment and fertility variables is visible. A high TFR is expected with a low female secondary school enrolment rate. Similarly, for the group of countries with female enrolment rates above the ESCWA regional average, a strong association between the two variables is depicted, as is the case in Bahrain, Egypt and Lebanon, where high enrolment rates for women are associated with lower fertility rates. However, a limited association is found in labour-receiving GCC countries such as Kuwait, Oman, Qatar and the United Arab Emirates. This may be attributed to the

⁷² Susan Cochrane and E. Massiah, "Human capital development and operations policy", HCO working paper (Washington, D.C., World Bank, 1999).

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

statistical coverage, which includes non-nationals, as well as to population policies that encourage childbearing and population growth. Although a relatively high secondary school enrolment rate is recorded for women, fertility rates there remain quite high. Therefore, generalizations regarding the association between the level of female educational attainments and TFR should in Qatar (79 per cent) and the United Arab Emirates (82 per cent), factor in the goals and effectiveness of population policies in the countries under consideration. This situation suggests that while education is a prerequisite for stabilizing population growth, it is not sufficient for achieving a marked decline in total fertility. The levels of female employment and education are two inseparable, interrelated variables that play a large role in determining the number of children women will decide to have.

TABLE 59. ESCWA REGION: TOTAL FERTILITY RATES AND SECONDARY SCHOOL ENROLMENT

ESCWA member	Total fertility rate	Secondary level enrolment		
	1998	Women	Men	Gender gap
Bahrain	3.4	98	91	7
Egypt	3.5	70	80	-10
Iraq	5.5	32	51	-19
Jordan	4.6	54	52	2
Kuwait	5.2	65	65	0
Lebanon	2.3	85	78	7
Oman	6.5	65	68	-3
Palestine (Gaza Strip)	7.3	..	..	..
Qatar	5.1	79	81	-2
Saudi Arabia	5.0	57	65	-8
Syrian Arab Republic	4.1	40	45	-5
United Arab Emirates	4.9	82	77	5
Yemen	6.7	14	53	-39
ESCWA region	4.9	61	67	-6

Source: UNESCO, World Education Report: Teachers and Teaching in a Changing World, 1998.

7. Employment and total fertility rate

In the ESCWA region and the Arab world as a whole, the rates of female participation in the labour force are among the lowest in the world. The gender gap between women's and men's participation in the labour market is very wide. This may be attributed to a number of factors, including the economic recession and the absorptive capacity of the labour market, the impact of globalization and structural adjustment and, most critically, the cultural and political framework within which economic activity takes place and which determines the status of women, including their level of education. National population policies also affect the extent of women's participation in economic activities.

Notwithstanding the fact that higher fertility rates are often associated with lower rates of participation in the labour market, a different pattern emerges upon examination of the relationship between the two variables in some of the ESCWA member countries. In Bahrain, Kuwait, Qatar and the United Arab Emirates, for example, high fertility is associated with high female labour force participation, in comparison with the more diversified economies in the same category. Three explanations can be given for this phenomenon. First, the high number of non-national women working in those countries has distorted the statistical data; the female labour force participation among GCC nationals is not as high as it appears at first glance. Second, the high per capita income enjoyed in those countries encourages people to have more

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

children, whether the women are employed or not. Since the income of Gulf countries invariably originates from external revenues accrued from oil exportation rather than from an internal rise in economic productivity, the assumption of a positive association between socioeconomic factors and fertility may not be pertinent (see table 60). Third, because the GCC countries are characterized by sparse population, population policies encourage people to have more children.

TABLE 60. ESCWA REGION: TOTAL FERTILITY AND LABOUR FORCE PARTICIPATION RATES, 1978 AND 1998

ESCWA member	Total fertility rate		Labour force participation rate	
	1998	Women	Men	Gender gap
Bahrain	3.4	31.0	87.0	56.0
Egypt	3.5	21.6	73.4	51.8
Iraq	5.5	16.6	74.7	58.1
Jordan	4.6	21.9	76.2	54.3
Kuwait	5.2	39.0	78.8	39.8
Lebanon	2.3	27.2	76.0	48.8
Oman	6.5	16.0	79.4	63.4
Palestine (Gaza Strip)	7.3	7.7	68.2	60.5
Qatar	5.1	35.3	91.6	56.3
Saudi Arabia	5.0	17.7	82.1	64.4
Syrian Arab Republic	4.1	26.1	78.1	52.0
United Arab Emirates	4.9	31.2	89.4	58.2
Yemen	6.7	29.2	82.2	53.0

Source: ILO, Key Indicators of the Labour Market, 1999.

In the Gaza Strip, Oman, Saudi Arabia and Yemen, the expected association between the two variables is apparent. All these countries have female labour force participation rates below 20 per cent and fertility rates of more than 5 children per woman. The more diversified economies, including Egypt, Jordan, Lebanon and the Syrian Arab Republic, have participation rates below 30 per cent and fertility rates of between 2.5 and 4 children per woman. The association between female participation in the labour force and fertility rates appears to be conclusive, therefore, for almost all the countries and more so for the non-GCC countries.

8. Fertility and family

In general, rising ages at first marriage imply that women are postponing motherhood and opting for other choices, such as continuing their education. The mean age at first marriage for females for the latest available year ranged between 19.1 years in Yemen and 25.1 years in Qatar. Assessment of the mean age at first marriage for females indicates a regional gender differential of 3.7 years (the regional mean for males is 26.2 years and for females is 22.5 years). Two groups in the region can be identified in table 61. The members of the first group, comprising the Gaza Strip, Oman, Saudi Arabia, the Syrian Arab Republic and Yemen, record a mean age at first marriage below the regional average of 22.5 years. In Oman and Yemen, women are marrying before reaching their twenties, and in the Gaza Strip, the average age is 20.8 years. In this group, the TFR ranges between 4.1 and 7.3 children per woman. The second group, which includes Bahrain, Egypt, Jordan, Kuwait, Lebanon, Qatar and United Arab Emirates, recorded mean ages of marriages above the regional average of 22.5 years. It is expected that women in this group will have fewer children during their reproductive life. However, fertility rates are low only in Bahrain, Egypt and Lebanon. In the Gulf countries of the second group, both the mean age at first marriage and fertility rates are high. This reproductive pattern might have been influenced by the mean age at first marriage of the non-national women living in those countries.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 61. ESCWA REGION: MEAN AGE AT FIRST MARRIAGE
(*Latest available year*)

ESCWA member	Total fertility rate	Female	Male
	1998	1990s	
Bahrain	3.4	24.3	27.8
Egypt	3.5	22.6	27.8
Iraq	5.5	21.8	25.2
Jordan	4.6	24.5	27.8
Kuwait	5.2	24.2	25.8
Lebanon	2.3	24.6	28.1
Oman	6.5	19.2	25.6
Palestine (Gaza Strip)	7.3	20.8	23.9
Palestine (West Bank)	5.9	22.7	26.1
Qatar	5.1	25.1	28.4
Saudi Arabia	5.0	21.7	25.6
Syrian Arab Republic	4.1	21.4	25.6
United Arab Emirates	4.9	23.1	25.6
Yemen	6.7	19.1	25.9
ESCWA region	4.9	22.5	26.2

Source: ESCWA, *Women and Men in the Arab Countries*, wall chart, 1996.

In the ESCWA region, the mean age at first marriage may conceal rural-urban differences. In Egypt, where the average mean age at first marriage is almost 23 years, women in rural areas marry at about 18 years of age. In those countries where early marriage (especially in rural areas) is not uncommon, such as in Egypt and Jordan, about one third of women have four or more children by the time they are 30 years old. In Yemen, about 60 per cent of women in the 25-29 age group have four or more children. In the West Bank and Gaza Strip, women have about 70 per cent of their children while they are still in their twenties. This behaviour suggests a very long reproductive span, and because birth spacing is a recent practice in many countries of the region, it is expected that fertility rates will remain high for a considerable number of years to come.

Low fertility rates are generally associated with an older mean age at first marriage for women. This is arithmetically correct, since older women have fewer years than younger women in which to conceive before reaching menopause, provided the conception cycle is not interrupted. This is not the case, however, in this age of family planning and contraceptives. If the countries were to be arranged in descending order of mean age at marriage, this association of age to fertility, or the lack of it, would become apparent. In other words, one cannot generalize an established indirect relationship between the two variables, since both variables have been engineered. Efforts to raise the age of women at first marriage were successful in a few countries; simultaneously, efforts were made to change (raise or reduce) the TFR to match desired population targets.

9. Fertility and family planning

In general, lower TFRs can be attributed to the increase in the use of contraceptives. Many women, in particular those in urban areas, where access to contraceptives is easier, have indicated a preference for fewer children. Table 62 shows that in 1985 only 28 per cent of married women in the ESCWA region were using contraceptives, but this percentage grew to 40 per cent by 1997, the latest year for which data were available. Disparities and differences exist among the member countries. Bahrain and Lebanon recorded contraceptive prevalence rates of above 60 per cent, which is close to the percentage recorded for East Asia. Lower rates of contraceptive use were found in Iraq and Yemen (18 and 21 per cent respectively), followed by several

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

GCC countries (Kuwait, Qatar and the United Arab Emirates, with averages of around 30 per cent). In Iraq and the GCC countries, a pro-natalist stand and lack of support for the use of contraceptives accounts for the low prevalence rate. In Yemen, family planning and the use of contraceptives have not been sufficient to reduce population growth. This may be attributed to the low level of female education in Yemen.

The pace of change in contraceptive use over time has been significant. Most of the ESCWA member countries for which data were available reveal a considerable increase in contraceptive use during the past two decades, as shown in table 62. Rapid rates of annual increase have been most common for countries that had low prevalence levels in 1985. In some countries, poor access to or deficient knowledge of contraceptive methods often results in unwanted and/or unplanned pregnancies. In a patriarchal society, reproductive decisions at the family level are still taken by men. However, in some countries, such as Oman and Yemen, efforts are being made to adapt a comprehensive population policy based on the use of contraceptives, family planning and gender-sharing in decision-making. For these measures to succeed, women's illiteracy has to be reduced and incentives have to be offered (such as the provision of contraceptives free of charge, in particular to the women of poverty-stricken families unable to afford the additional burden of purchasing contraceptives).

TABLE 62. ESCWA REGION: CONTRACEPTIVE PREVALENCE, 1985 AND 1997

ESCWA member	Total fertility rate	Contraceptive prevalence rate		Average annual increase
	1998	1985	1997	1985-1997
Bahrain	3.4	53	62	1.3
Egypt	3.5	30	55	5.2
Iraq	5.5	14	18	2.1
Jordan	4.6	27	53	5.8
Kuwait	5.2	30	32	0.5
Lebanon	2.3	53	63	1.4
Oman	6.5	9	40	13.2
Qatar	5.1	32	32	-
Saudi Arabia	5.0	..	..	..
Syrian Arab Republic	4.1	20	36	5.0
United Arab Emirates	4.9	..	28	..
Yemen	6.7	7	21	9.5
ESCWA region	4.9	28	40	3.2

Source: Calculated from United Nations, Department of Economic and Social Affairs, "Levels and trends of contraceptive use as assessed in 1998", 1999 (ESA/P/WP.155).

Family planning has been incorporated into the basic reproductive services in several countries in the ESCWA region, resulting in a strong association between fertility and contraceptive use in some. For instance, in Lebanon the TFR was only 2.3 in 1998 and the contraceptive prevalence rate was 63 per cent in 1997 (the latest year for which data were available). In Egypt, which has the oldest family planning programme in the region, the contraceptive prevalence rate has increased by 5.2 per cent annually since 1985, reducing the fertility level from 4.5 in 1988 to 3.5 in 1998. While the drop is notable, the country has not yet met its target. Egypt's family planning programme faces major problems that include poor quality of services and inadequate prescription, both of which contribute to a high rate of failure of contraceptive use and result in unwanted pregnancies. For instance, 17 per cent of the women who experienced unwanted

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

pregnancies in Egypt were using the contraceptive pill, reflecting deficiencies in knowledge and poor counselling services.⁷³

In other countries in the region, the association between contraceptive use and fertility remains feeble. In some cases this is due to the lack of knowledge, information and services, as well as to possible changes in population policies based on national interests. Thus, at the macro-level, a Government's direct and indirect policies influencing fertility levels are vital. In 1986, Egypt and Yemen viewed the fertility rate as too high, while Iraq and Kuwait considered the rate too low; the remaining ESCWA member countries considered their total fertility rates satisfactory.

By 1997, Bahrain, Egypt, Lebanon, the Syrian Arab Republic and Yemen were choosing to support the use of contraceptives directly in order to reduce their respective fertility levels; Jordan and Lebanon had shifted their position from indirect to direct support to reduce the fertility rate and curb population growth; Kuwait was satisfied with the level of growth attained; and Iraq continued to pursue pro-natalist policies, joining Saudi Arabia in shifting from encouraging limits to entirely lifting support for the use of contraceptives (see table 63).

TABLE 63. ESCWA REGION: GOVERNMENT VIEWS AND POLICIES ON FERTILITY LEVELS AND CONTRACEPTIVE USE, 1986 AND 1997

ESCWA member ^{a/}	Government views on fertility level		Government policy on contraceptive use	
	1986	1997	1986	1997
Yemen	..	Too high	Direct support	Direct support
Syrian Arab Republic	Satisfactory	Satisfactory	Direct support	Direct support
Jordan	Satisfactory	Too high	Indirect support	Direct support
Egypt	Too high	Too high	Direct support	Direct support
Bahrain	Satisfactory	Satisfactory	Direct support	Direct support
Lebanon	Satisfactory	Satisfactory	Indirect support	Direct support
Iraq	Too low	Too low	Limits	No support
United Arab Emirates	Satisfactory	Satisfactory	No support	No support
Kuwait	Too low	Satisfactory	No support	No support
Qatar	Satisfactory	Satisfactory	No support	No support
Oman	Satisfactory	Satisfactory	No support	No support
Saudi Arabia	Satisfactory	Satisfactory	Limits	No support

Source: United Nations, Department of Economic and Social Affairs, *Global Population Policy Database 1997* (ST/ESA/SER.R/149) (United Nations publication, Sales No. E.98.XIII.11).

^{a/} The order of the countries is in accordance with 1997 government policy on contraceptive use.

B. CONSEQUENCES OF POPULATION DYNAMICS

1. Age structure

The decades of high fertility rates in the ESCWA region meant ever-increasing numbers of young people, illustrated by the visible imbalance in the age structure of the population. Even though the share of children under age 15 in the region declined from 41 per cent in 1990 to 40 per cent in 1995 and stands at 38.1 per cent in 2000, the absolute number of children under age 15 has continued to increase, rising from 45.6 million in 1995 to 63.5 million in 2000, and is projected to increase by a gross increment of 29.6 million

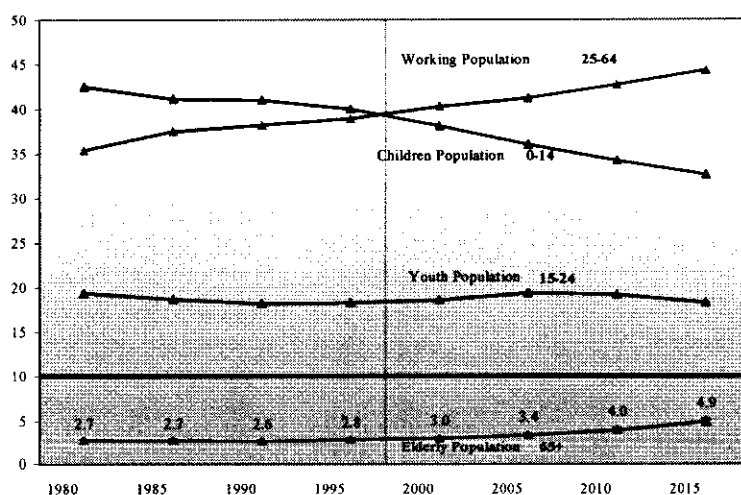
⁷³ ESCWA, *Arab Women, 1995: Trends, Statistics and Indicators* (E/ESCWA/STAT/1997/3) (United Nations publication, Sales No. 97.II.L.12).

to reach 75.3 million by 2015. According to United Nations medium-fertility variant population projections, the share of children under age 15 in the total population of the ESCWA region is projected to decline from 40 to 32.6 per cent, or by an average annual rate of 1.1 per cent, between 1995 and 2015.

The 15-24 age group represents a transition from childhood to adulthood in most societies. Three areas of concern are associated with the process of this transition. One is the imbalances in the labour market that result from a situation in which the newcomers entering the labour force create a larger supply than there is demand. While contributing to the growth of the labour supply, this age group will also increase the potential for low economic performance. Therefore, a high rate of investment will be required to maintain and improve economic efficiency alongside the growth of the labour force. The second source of concern is the cumulative effect of the increased number of people in this age group with regard to early marriage and high fertility. Third, a rapid increase in the number of young people will be accompanied by an equally rapid increase in the demand for secondary and higher education.

The youth population (aged 15-24) in the ESCWA region numbered 24.1 million in 1995 and is projected to total 42.3 million in 2015, representing an increment of 18.2 million young people. Between 1995 and 2015, the share of youth (currently constituting 18.6 per cent of the total population of the ESCWA region) will remain almost constant at 18.3 per cent (see chart 28).

Chart 28. ESCWA region: population distribution by age group, 1980-2015



Source: Calculated by ESCWA from United Nations, Department of Economic and Social Affairs, *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8).

The older population constitutes a considerably smaller group than the youth population and is growing at a pace slower than that of other regions. Persons aged 60 or over currently make up 19 per cent of the more developed countries, 5 per cent in the less developed regions, and only 3.0 per cent of the total population of the ESCWA region.

2. Labour supply and demand

The imbalance in the age structure, whereby the working-age group has increased in number and created a large supply of labour, may lead to a situation of unsustainable economic growth. Even when the

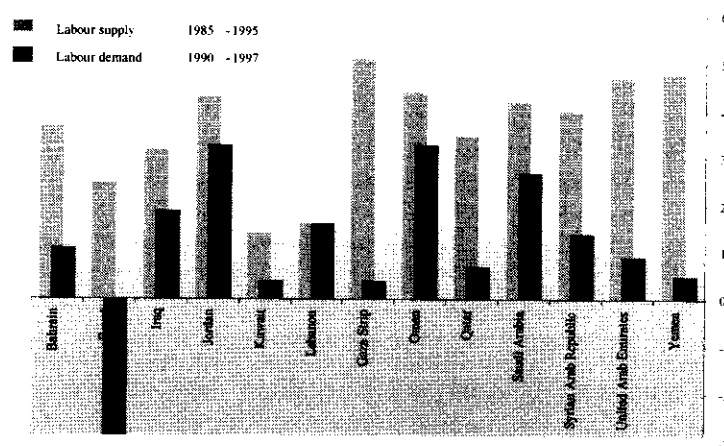
SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

fertility rate eventually falls from its peak level, the absolute number of working-age people will continue to increase for a long time. The component of population growth may affect the working-age population either immediately (mortality and migration) or after a time lag (fertility). Therefore, the labour supply will continue to grow at a rate higher than the region's annual population growth until the year 2015, owing to a delayed response (or lag structure) that can last from 10 to 20 years.

In the ESCWA region, the size of the working-age group (15-64) increased from 46.1 million in 1985 to 64.3 million in 1995, and is projected to reach 144.7 million in 2015. The potential impact of the high population growth rate in the region may be assessed by examining the difference between the supply of and demand for an economically active female labour force. This provides an indicator for the rate of women's unemployment. A comparison between the female labour supply and the absorptive capacity of the labour market in the ESCWA region shows that while the demand for the female labour was growing at an annual average of 1.3 per cent between 1985 and 1995, growth in the female labour supply averaged 3.0 per cent between 1990 and 1997. Seven countries were experiencing an average annual labour supply growth exceeding the regional average for these years.

The overwhelming gap between the supply of and demand for female labour can be attributed to several factors. First, is the mismatch between women's educational level and skills and the requirements of the labour market. Second is the low opportunity cost incurred by women as a consequence of low wages in the labour market; this makes a woman more inclined to stay at home, when comparing her earnings with child-rearing costs. Third is the tendency of the labour market to favour the employment of men. Throughout the region, the rates of growth of the female labour supply have exceeded the female labour absorption growth rate by as little as 1.1 per cent in Oman and as much as of 4.7 per cent in the Gaza Strip. In Egypt, where the demand for female labour stood at a negative rate of 2.5 per cent, the female labour supply grew at a positive annual rate of 2.5 per cent (see chart 29).

Chart 29. ESCWA region: female labour force, supply and demand



Sources: Calculated by ESCWA from *World Population Prospects, 1998 Revision* (United Nations publication, Sales No. E.99.XIII.8); and ILO, *Key Indicators of the Labour Force Market, 1999*.

C. SUSTAINABLE HUMAN RESOURCES DEVELOPMENT

The concept of human development advocated by the United Nations Development Programme (UNDP) is based on the development of human capital as a factor of production. As such, it becomes an end as well as a means of development. Sacrificing long-term investment in social and human development for the sake of the immediate satisfaction of social needs does not lead to the sustainable development of human

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

resources; this is a short-sighted, self-defeating approach. What is needed is not a trade-off between investment in economic development and social equity and human resources development, but rather an optimum balance between the economic and social dimensions of development.

Human resources development is an integral component of the process of participatory development and has quantifiable economic returns. In economic terms, it is defined as investment in human capital through ensuring good nutrition, health, education and training as opposed to investment in capital and technology. Returns from such investment are calculated on the basis of a cost-benefit analysis. In a number of ESCWA member countries where the supply of labour is abundant, investment in higher education becomes difficult to justify on purely economic grounds. The rate of return on investment in human capital should be examined in terms of both its long-term gains and its spillover benefits for overall development. This would by necessity include the basic elements of creating a competitive edge for the ESCWA member countries in the emerging global market. Moreover, to calculate investment returns on the basis of a cost-benefit analysis, the social cost that must otherwise be paid (including human security and safety, social cohesion and political stability) must be factored into the formula to ensure human resources sustainability and a development that is participatory in the long run—a development that is essentially holistic, gender-sensitive and participatory.

A gender-mainstreaming development paradigm is a prerequisite for sustainable human resources development, as the latter cannot be achieved without gender equality. As long as women (50 per cent of the population) are marginalized and disempowered and do not share in decision-making, and as long as their contribution to the economy is far below its potential, development will not be sustained and will remain lopsided. Similarly, the process must encompass not only women and men but also youth (aged 15 to 24)⁷⁴ as a human resource with enormous potential for contributing to development.

At the dawn of a new millennium, the imbalance between social and economic development that was initially created by the sudden upsurge in oil revenues in the early 1970s has become less pronounced, owing to the drop in oil prices, economic recession and the increased attention to investing in human resources and improving the quality of life. Although the lack of synchronization between the two aspects of development has not yet been totally eliminated in the region, improvement during the past few decades has been significant.

1. *Human development index,* gender development index** and gender empowerment measure****

As indicated earlier, a relatively visible socioeconomic gap still exists in the development patterns of ESCWA member countries. This gap is accentuated in a gender-disaggregated situation. Table 64 shows the

⁷⁴ According to the definition adopted by United Nations, youth are those in the age group 15-24; those in the age group 15-19 are defined as the younger segment of youth and those in the age group 20-24 are defined as the older segment of youth.

* The human development index (HDI) is a composite indicator of life expectancy at birth, adult literacy and education, in addition to GDP per capita. See the UNDP *Human Development Report 1999* (New York, Oxford University Press, 1999), "Technical note: Computing the indices".

** The gender-related development index (GDI) is a composite indicator of the same variables as the HDI. The difference is that the GDI adjusts the average achievement of each country in life expectancy, literacy, educational attainment and income in accordance with the disparity in achievement between women and men and is considered to be more gender-sensitive. See the UNDP *Human Development Report 1999*, "Technical note: Computing the indices".

*** The gender empowerment measure (GEM) uses variables constructed explicitly to measure the relative empowerment of women and men in political and economic spheres of activity. See the UNDP *Human Development Report 1999*, "Technical note: computing the indices".

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

ranking of ESCWA member countries in the world in terms of GDP per capita, adjusted for purchasing power parity (PPP) and in terms of the human development index (HDI) for 1997. The middle column in the table shows the difference between the two rankings (the GDP per capita rank minus the HDI rank). In almost all cases, the difference is negative, indicating that the rank of the ESCWA member countries in terms of GDP per capita is higher than their rank in terms of HDI. In other words, despite the economic growth achieved in the past few decades, the ranking of these countries in terms of HDI (social development) is still much lower than in terms of their per capita income (economic development) Jordan and Yemen are exceptions; Yemen's very low GDP per capita and Jordan's relatively high level of education and lagging per capita income may account for their positive balance. The imbalance between social and economic development requires attention. What is needed is more balanced and sustainable development through investments in health and education, the formation of a qualified labour force, and the development of human resources including women and youth as well as men.

TABLE 64. GDP PER CAPITA* RANKING MINUS HUMAN DEVELOPMENT INDEX AND GENDER-RELATED DEVELOPMENT INDEX RANKINGS FOR SELECTED ESCWA MEMBERS, 1997

	GDP per capita rank among 174 countries	HDI rank among 174 countries	GDP per capita rank less HDI rank among 174 countries	GDI rank among 174 countries	HDI rank less GDI rank among 174 countries	GEM rank among 102 countries
Bahrain	29	37	(8)	39	(2)	..
Egypt	106	120	(14)	122	(2)	86
Iraq	103	125	(22)	..	..	..
Jordan	96	94	2	..	..	98
Kuwait	5	35	(30)	36	(1)	72
Lebanon	65	69	(4)	73	(4)	..
Qatar	18	41	(23)	43	(2)	..
Oman	42	89	(47)	97	(8)	..
Saudi Arabia	41	78	(37)	87	(9)	..
Syrian Arab Republic	100	111	(11)	112	(1)	..
United Arab Emirates	25	43	(18)	47	(4)	96
Yemen	166	148	18	154	(6)	..

Source: UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999).

Note: () indicates negative figures.

* Purchasing power parity.

The shortfalls in social development are more pronounced for females, a fact made clear when the data are presented for each gender separately. The GDI is defined by UNDP as a gender-sensitive composite index of human development. When the ESCWA member countries are ranked according to their GDI, it becomes apparent that they do not fare well in comparison with other countries in the world. When the HDI rank is subtracted from the GDI rank, the difference is negative for all ESCWA member countries, indicating limited awareness and consideration for gender issues and concerns—even less than in the HDI. This is further confirmed through the GEM, in which the ESCWA member countries rank low on the world scale.

2. Adult and youth illiteracy

Adult illiteracy rates improved significantly in most countries of the ESCWA region during the past few decades, largely owing to positive policies that led to the spread of education and high rates of primary school enrolment. Despite this improvement, the gender gap is still wide in some ESCWA member countries

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

and illiteracy is still relatively high in comparison with other regions, particularly in Egypt, Iraq and Yemen. (see table 65).

TABLE 65. ADULT* LITERACY RATES FOR MEN AND WOMEN IN THE ESCWA REGION, 1995 (Percentage)

	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen
Men	89	64	71	91	82	91	75	79	80	85	79	62
Women	79	38	45	80	76	77	51	80	59	54	80	18

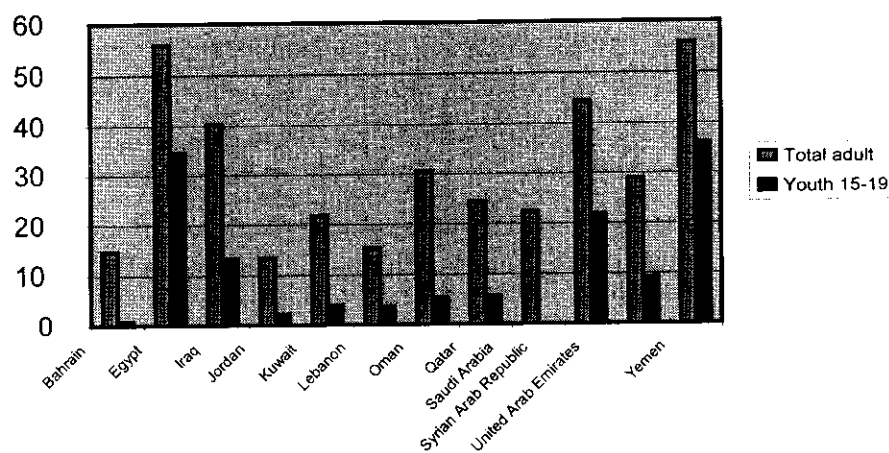
Source: UNICEF, *The State of the World's Children 2000*.

* Above 15 years of age.

High illiteracy may be largely attributed to the fact that the illiteracy elimination campaigns undertaken encouraged the school enrolment of children and youth but included few measures to erase adult illiteracy, which means it may take a few more generations before illiteracy is completely eliminated. The high illiteracy rates also derive from relatively high female illiteracy, since the spread of female education lagged far behind that of male education and still persists in some ESCWA member countries. Finally, primary school dropout rates are still high in some countries and more so for girls. The gender gap for adult literacy was still wide in 1995 in some ESCWA countries, such as Egypt, Iraq, Oman, Saudi Arabia, the Syrian Arab Republic and Yemen.

In the 1990s,⁷⁵ youth illiteracy in all countries of the ESCWA region was much lower than total adult illiteracy, indicating a much higher level of education among Arab youth than among their parents on average (see chart 30). This is considered an indicator of success in human resources development in that it targets future generations.

Chart 30. Youth and total adult illiteracy rates in selected ESCWA member countries



Source: ESCWA, *Compendium of Social Statistics and Indicators*, fourth issue (E/ESCWA/STAT/1997/6) (United Nations publication, Sales No. 97.II.L.11) for the latest year available. The youth literacy rate for Saudi Arabia is not available.

⁷⁵ In the absence of comparable data for a single year, data for the 1990s were used for this analysis.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

The lower youth illiteracy rates in the 1990s derived from the earlier policy of "education for all". In Yemen, for instance, the illiteracy rate was 36.2 per cent for the younger segment of youth (15-19), compared with the overall adult illiteracy rate of 55.8 per cent in 1994. In Oman, youth illiteracy was only 2.3 per cent, compared with 30.5 per cent for adults in 1993. Even in Lebanon, adult illiteracy was 15.2 per cent, compared with 3.6 per cent for youth during the period 1994-1996.

The gender gap for youth has narrowed in most ESCWA member countries, except for Egypt and Yemen. For example, in Lebanon, the illiteracy rate for youth aged 15-19 was the same (3.6 per cent) for both boys and girls during the period 1994-1996. In contrast, Yemen's illiteracy rate for youths in this age group was 59.9 per cent for girls and 15 per cent for boys in 1994, and in Egypt, it was 43.9 per cent for girls and 26.1 per cent for boys for the latest year available.⁷⁶

Concurrently, a significant increase was recorded in primary school enrolment for both sexes in most of the countries in the ESCWA region and the gender gap was minimized, except in Yemen, where the gross enrolment rate (GER) was 118 per cent for boys and 47 per cent for girls during the 1992-1993 school year.⁷⁷

3. School dropouts

Primary school dropout rates are still relatively high in some ESCWA member countries. For instance, in 1998, the dropout rate was 53 per cent in Yemen and 28 per cent in Iraq.⁷⁸ Reasons for the dropout phenomenon include difficulties in or lack of accessibility to school facilities in remote, rural and Bedouin areas. Poverty and financial justifications for sending children to work to increase family income is another reason. In some villages of Yemen, children have to walk more than 30 minutes to reach the nearest school. In Iraq, parents often cannot afford school expenses such as clothing, notebooks and textbooks, with the United Nations sanctions still being imposed on the country. Concerted efforts are being made, however, to reduce the dropout rates in schools. The dropout rate for girls is higher than for boys, on average. For example, in Yemen during 1998-99, about 2,000 women teachers were trained in rural areas under the umbrella of a "community school project". The project began in 1994 with about 1,000 girls in 120 villages and now benefits more than 11,000 girls who otherwise would never have received a primary school education. While in most cases the communities provide classroom space, in some villages the classes meet outdoors under trees. Under the project, more than 50 new classrooms have been constructed and another 25 classrooms repaired for the girls' schooling.⁷⁹ This mobilizing of community and parent support to create schools where children, teachers and parents work together, employing a holistic approach to education, can do much to reduce the number of dropouts.

In 1997, net enrolment rates at the secondary school level ranged between 23 per cent in Yemen and 87 per cent in Bahrain. The GCC countries, Egypt, Jordan and Lebanon recorded enrolments above 60 per cent, while in Iraq and the Syrian Arab Republic enrolment stood at around 43 per cent.⁸⁰ The world average was 65.4 per cent, and the average for industrialized countries was 96.2 per cent.

⁷⁶ ESCWA, *Compendium of Social Statistics and Indicators*, fourth issue, (E/ESCWA/STAT/1997/6) (United Nations publication, Sales No. 97.II.L.11).

⁷⁷ Ibid.

⁷⁸ ESCWA, *Survey of Economic and Social Developments in the ESCWA Region, 1998-1999* (E/ESCWA/ED/1999/5) (United Nations publication, Sales No. E.99.II.L.9).

⁷⁹ UNICEF, *The State of the World's Children 2000*.

⁸⁰ UNDP, *Human Development Report 1999* for net enrolment rates; the data for Lebanon, Jordan and Yemen are gross enrolment rates for 1995 (UNDP, *Human Development Report 1998*).

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

Table 66 shows that at the level of tertiary education, university enrolment was highest in Lebanon, Kuwait and Qatar, at around 27 per cent, and lowest in Oman, at 6 per cent. Enrolment at the higher level of education in most GCC countries and in Egypt, Jordan and Lebanon was above the world average of 16.7 per cent. It is worth noting that while in the early 1970s the ESCWA region had less than 30 universities (mainly in Egypt, Iraq, Lebanon and Saudi Arabia), there are now a total of more than 80 universities; every country of the ESCWA region has at least one university.⁸¹ Total university enrolment for both sexes has increased significantly in recent years, and in certain ESCWA member countries (namely, the GCC countries), women's enrolment at the university level surpasses that of men.

TABLE 66. GROSS ENROLMENT RATES FOR BOTH SEXES AT THE TERTIARY LEVEL (1996) AND FEMALE TERTIARY ENROLMENT AS A PERCENTAGE OF MALE ENROLMENT (1990) IN SELECTED ESCWA MEMBER COUNTRIES

	Year	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Arab region	World average
Female enrolment as a percentage of male enrolment	1990	126	59	55	94	130	64	79	245	76	68	238	NA	NA
Tertiary enrolment rate for both sexes	1996	19.3	22.6	10.9	19.4	26.7	27.1	6.4	26.6	16.3	15.1	11.9	14.0	16.7

Sources: UNESCO, *Statistical Yearbook 1996* for enrolment rate; and United Nations, *The World's Women 1995, Trends and Statistics* (ST/ESA/STAT/SER.K/12) (United Nations publication, Sales No. E.95.XVII.2).

* The Arab region comprises all Arab countries, including the North African countries, as defined by the League of Arab States.

Chart 31 shows the positive correlation established between GDP per capita and gross enrolment rates (GER) for both sexes for 174 countries ($r=0.61$, $p<0.001$) in 1997 (calculated by ESCWA based on the UNDP *Human Development Report 1999*).⁸² The chart indicates that the majority of ESCWA member countries, in particular the GCC countries, are still clearly below the normal trend observed for the rest of the world and that, statistically speaking, they belong to a different "population" (a few standard deviations below the trend line). Despite improvements in the GER at the regional level, especially in the GCC countries with high per capita income, the rates remain significantly lower than those recorded in countries with comparable per capita income levels.

4. Gender distribution in education

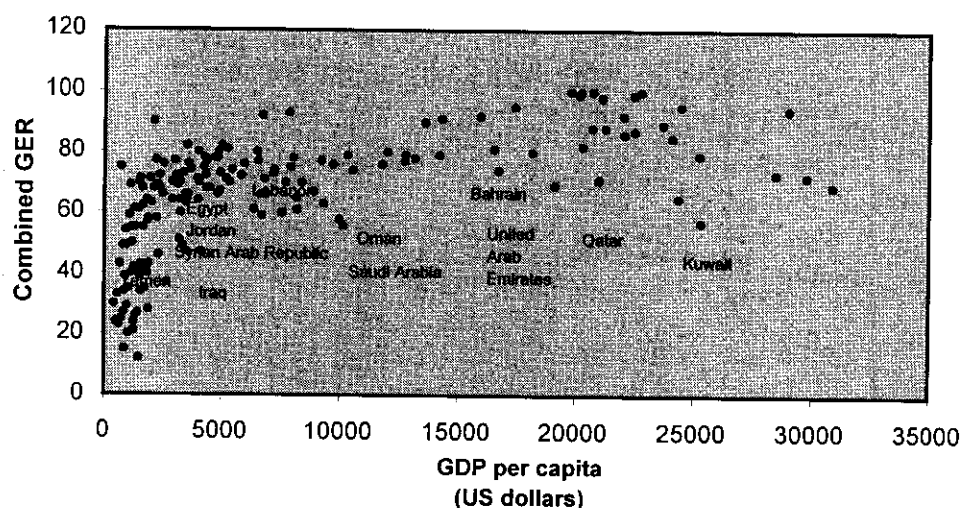
A visible phenomenon with regard to education relates to the gender distribution of enrolment. At all levels of education, the female-to-male ratio has increased consistently during the past few decades. According to the ESCWA secretariat's estimation, this ratio exceeded 100 per cent in a few GCC countries at the university level in the 1990s, indicating that more women than men are enrolled in universities. For instance, this ratio reached 249 per cent in Qatar, 234 per cent in the United Arab Emirates, 138 per cent in Bahrain and 130 per cent in Kuwait. In other countries, parity was close; this was the case in Oman (96 per cent), Jordan (92 per cent), and the areas under the jurisdiction of the Palestinian Authority (92 per cent). In

⁸¹ ESCWA, *The ESCWA Region: Twenty-Five Years 1974-1999. Political, Economic and Social Developments*, (E/ESCWA/1999/4). See chapter III on "Social development in the ESCWA region".

⁸² The r value indicates the positive correlation of "the higher the GDP/capita, the higher the GER".

Egypt, Iraq and the Syrian Arab Republic, however, the ratio ranged between 55 and 62 per cent.⁸³ In Jordan, the female to male graduation rate was 123 per cent. The higher ratio of women's enrolment at the university level in some GCC countries may be partially attributed to the fact that more men than women are allowed to travel abroad to pursue higher degrees. This stems more from combination of traditional and cultural constraints than from gender discrimination in education.

Chart 31. GDP per capita and combined gross enrolment ratios



Source: UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999).

Note: Both GER and GDP per capita data are for 1997.

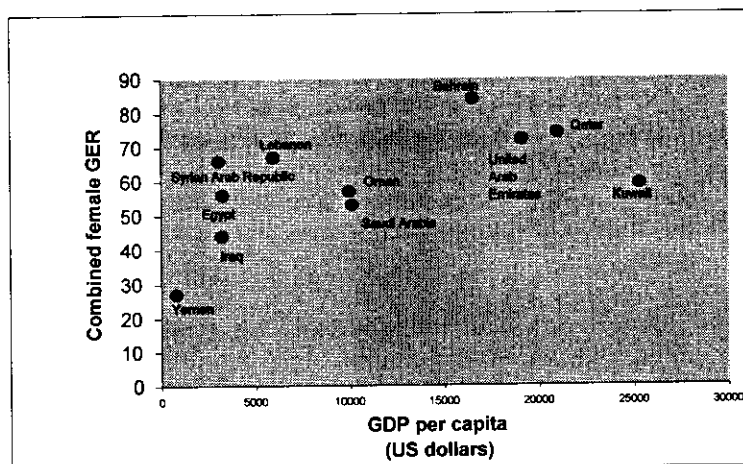
Using the same correlation coefficient, the relationship between GDP per capita and the GER for women (the combined first, second and third level of gross enrolment rates) in 1997 was calculated by ESCWA for 159 countries ($r=0.63$, $p<0.001$), based on the UNDP *Human Development Report 1999*. The same trend was found. ESCWA member countries have female enrolment rates (all levels combined) that are significantly lower than those obtained in countries with similar GDP per capita, such as the Asian Tigers and the members of the Association of South-East Asian Nations (ASEAN). For instance, Kuwait's GDP per capita was close to US\$ 25,314 in 1997, and the combined GER for females was 59 per cent that year. The GDP per capita of France is close to that of Kuwait, but France has a gross female enrolment rate of close to 94 per cent. Conversely, a female enrolment rate of 59 per cent is generally associated with a GDP per capita of only US\$ 5,311—close to that of Suriname or Estonia.⁸⁴

Nevertheless, a similar but slightly lower positive correlation is established between GDP per capita and female enrolment rates (all levels combined) for 11 ESCWA member countries ($r=0.59$). This means among these countries, parallel to the above-mentioned international trend, higher GDP per capita is associated with higher female GERs in 1997 (see chart 32).

⁸³ ESCWA, *Compendium of Social Statistics and Indicators*, fourth issue (E/ESCWA/STAT/1997/6) (United Nations publication, Sales No. 97.II.L.11).

⁸⁴ Calculated from the regression line expressed in $Y=49.44 + 0.0018X$ (calculated by ESCWA based on the same UNDP data).

Chart 32. GDP per capita combined female gross enrolment ratios for ESCWA countries, 1997

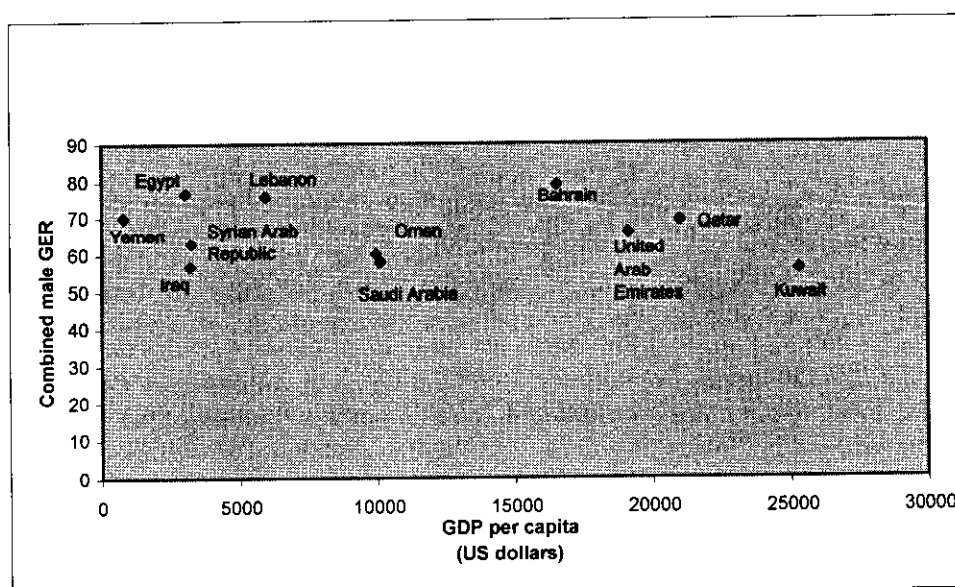


Source: UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999).

Note: Both GER and GDP per capita data are for 1997.

For men, there is no correlation established between GDP per capita and GER (all levels combined) the same 11 ESCWA member countries in 1997 (see chart 33). Statistically speaking, a minor negative correlation of $r = -0.16$ indicates that ESCWA members with low GDP per capita (such as Egypt and Yemen) tend to have a slightly higher or at least equal male GER in comparison with the high GDP per capita GCC countries (such as Kuwait and Saudi Arabia).

Chart 33. GDP per capita and combined male gross enrolment ratios for ESCWA members, 1997



Source: UNDP, *Human Development Report 1999* (New York, Oxford University Press, 1999).

Note: Both GER and GDP per capita data are for 1997.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

These findings are interesting: for women, ESCWA member countries follow the international trend; but for men, this is not the case. Contrary to prevailing misconceptions, women in the ESCWA member countries have achieved a better overall result in the area of gross enrolment at all levels than have men.

Empirical research shows that the resulting rates of return on education⁸⁵ are highest at the primary level and gradually decline at the secondary and university levels. However, in this age of research and technology, advanced technical and university education has rapidly become the centrepiece of human resources development. The impact and challenges of globalization with regard to capital, labour, human resources and access to information should be borne in mind in any assessment and examination of the returns on investment in education and the development of human resources.

The returns on investment in women's education should not be assessed solely in terms of economic employment and productivity. There are several non-quantifiable returns on such investment in terms of literacy, health, nutrition, children's education and family care, not to mention participation in decision-making within the family and its impact on population growth. Educated women are more capable of processing information and of using goods and services effectively and are better equipped to provide health care, educate their children and make decisions related to the number and spacing of children. It should also be remembered that there are always indirect variables mitigating the expected outcomes. The education of women does not always necessarily lead to a reduction in fertility levels, unless this coincides with national population policies. Nevertheless, women do become more aware of hazards to reproductive health. They become better citizens within a participatory development model. Thus, the total returns on investment in female education are likely to exceed the outlays.

The quality of education in the ESCWA region, in particular that of higher education, is a subject of great concern. School curricula have not changed sufficiently in the past 10 to 15 years to keep pace with the information and technology revolution and become more attuned to dealing with globalization and the development process.⁸⁶

5. Technical and vocational training

In the ESCWA region, the relevance of education to market demands should be accorded greater attention. Indicators point to the limited number of technical and vocational training institutions in the region, in particular with reference to the labour-receiving countries. The relationship between technical training and formal secondary school training in most of them is not comparable to that prevailing in the developed industrialized countries.

To meet the challenges of globalization and the requirements of the technological and information revolution, labour skills in the ESCWA region need to be upgraded. Concrete measures should be taken to enhance the quality of education and improve technical skills. The ratio of technical training to formal secondary education training was very low in most ESCWA member countries. In the labour-receiving GCC countries (except for Bahrain) it was less than 3 per cent. By contrast, the highest ratios were recorded in labour-sending countries, namely Jordan (23 per cent) and Egypt (21 per cent) during 1988-1991.⁸⁷ The comparable ratio for developed countries was much higher; in Germany for instance, it was 80 per cent.⁸⁸ In

⁸⁵ Relating individual net incomes to how much schooling costs gives a private rate of return. To calculate a public rate of return, on individual's gross income is seen as a contribution to GDP.

⁸⁶ ESCWA, *Proceedings of the Expert Group Meeting on Assessment of Economic and Social Developments in the ESCWA Region during the Last 25 Years and Priorities for the Next Decade 2000-2009* (E/ESCWA/ED/1999/22).

⁸⁷ The latest years for which data were available.

⁸⁸ UNDP, *Human Development Report 1997* (New York, Oxford University Press, 1997).

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

Lebanon, the ratio was 14 per cent, a rate considered inadequate if the high demand for vocational and technical expertise in the country's ongoing national reconstruction and rehabilitation process is taken into account. It should be noted that in the GCC countries where this technical ratio is low, most of the labour force involved in skilled and semi-skilled work is made up of non-nationals. There is a need to match the quantity and quality of labour supply to market demand by developing labour skills to meet market needs and matching vocational technical training and education to those requirements. A step in the right direction would be to place higher value on developing unskilled and semi-skilled labour.

6. Unemployment

Given the ESCWA region's high fertility rate, the replacement ratio of the labour force will continue to be high, so a commensurate pace of economic growth will be needed to create new job opportunities for entrants into the labour force. Otherwise, unemployment⁸⁹ will rise and become an economic hazard.

Since 1995, GDP in the more diversified economies of the ESCWA region has grown at an average rate of between 4.5 and 5 per cent per annum. This growth rate, however, has not been sufficient to reduce the high rates of unemployment in most of the countries. For instance, annual growth of between 7 and 8 per cent in real GDP would be required to absorb the estimated numbers of new labour force entrants (500,000 in Egypt and 50,000 in Jordan every year). Otherwise, the high numbers of new entrants (predominantly youth) will lead to an excessive labour supply and depressed wages.

The unemployment picture has worsened in recent years owing to the drop in oil prices, the economic recession, the contraction in the economies of the GCC countries and the completion of most of the basic infrastructure projects in those countries. As a consequence, employment opportunities in the GCC countries for expatriate workers from the labour-sending Arab countries has become more and more limited. Economic growth in those countries has not matched labour supply growth, especially for youth, and economic recession in the labour-importing countries has reduced opportunities for Arab expatriate workers. Both of these factors have worsened the unemployment situation in the region, particularly for its youth. In addition, the number of economically active women has increased in recent years, adding to an already excessive supply of labour in a market with limited absorptive capacity. Women's share in the adult labour force ranges between 20 and 30 per cent in labour-exporting countries and between 10 and 20 per cent in the GCC countries (see table 67).

TABLE 67. LABOUR FORCE AS A PERCENTAGE OF THE TOTAL POPULATION AND WOMEN'S SHARE OF THE TOTAL ADULT LABOUR FORCE IN SELECTED ESCWA MEMBER COUNTRIES AND COUNTRIES OF OTHER REGIONS

ESCWA member countries												
	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen
Labour force as a percentage of the total population in 1990	44	35	26	27	42	31	26	57	34	28	51	30
Women's share in the labour force in 1980	11	8	18	8	13	23	7	6	6	13	5	11
Women's share in the labour force in 1994	12	23	22	11	23	27	9	7	7	18	9	12

⁸⁹ The unemployed include all those in the labour force seeking employment at the prevailing wage rates and not finding it.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

TABLE 67 (continued)

Countries of other regions						
	Hong Kong (China)	Republic of Korea	Mexico	Singapore	Industrialized countries	World
Labour force as a percentage of the total population in 1990	51	46	37	49	49	48
Women's share in the labour force in 1980	34	34	27	35	40 ^{a/}	38 ^{a/}
Women's share in the labour force in 1994	37	34	28	36	44 ^{a/}	40 ^{a/}

Sources: UNDP, *Human Development Report 1997* for the labour force as a percentage of the total population in 1990; and United Nations, *The Worlds' Women 1995: Trends and Statistics*, for the women's share in 1980 and 1994 (ST/ESA/STAT/SER.K.12) (United Nations publication, Sales No. E.95.XVII.2).

a/ Data for 1970 and 1990 for world and industrialized countries: UNDP, *Human Development Report 1997* (New York, Oxford University Press, 1997).

7. Unemployment and gender

For most ESCWA member countries, the proportion of women in the total labour force increased moderately during the period 1980-1994. In Kuwait, it rose from 13 to 23 per cent and, in Egypt, from 8 to 23 per cent (see table 67). For many GCC countries, which started from very low points, the increase was modest; this was especially true for Yemen. It should be noted that the increase occurred even with the large decline in the entry of younger women into the workforce owing to higher secondary and tertiary enrolment rates among this group.

The share of Arab women in the overall adult labour force in the year 2000 is still much lower than the world average and that of newly industrialized countries, however.⁹⁰ Arab women are generally concentrated in the traditional female occupations of teaching and clerical services. They are under-represented in administration and management, compared with men, and their representation in technical occupations is still very limited. It is socially and culturally more acceptable for women to work in the services sector, as teachers, nurses, secretaries and clerks, or in the fields of catering and social work.⁹¹ Hence, the majority of women are concentrated in this sector, where they comprise over 70 per cent of the total female labour force. Around 20 per cent in the agricultural sector, and the remaining one tenth are in industry (largely in the manufacturing sector, such as textiles and food production).

8. Unemployment and youth

Unemployment figures present an indicative picture with regard to the pattern of human resources development and the contribution of youth to the national economy and their integration in society. Table 68 indicates that in the 1990s the rate of youth unemployment was around three times the total for the whole economy. The comparable rate in the Organization for Economic Cooperation and Development (OECD) countries was only double the total rate of unemployment in 1993. It is more of a problem for young women, as the share of first-time job seekers among the total unemployed female population is higher than the equivalent rate for men, indicating difficulties in job-hunting after graduation (see table 69).

⁹⁰ According to the UNDP Human Development Report 1995, the Arab States record the lowest economic participation rates for women.

⁹¹ ESCWA, *Survey of Economic and Social Developments in the ESCWA Region, 1998-1999* (E/ESCWA/ED/1999/5) (United Nations publication, Sales No. E.99.II.L.9).

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

TABLE 68. TOTAL AND YOUTH UNEMPLOYMENT RATES FOR ESCWA MEMBER COUNTRIES
AND COUNTRIES OF OTHER REGIONS
(Percentage)

ESCWA member countries in the 1990s										
	Bahrain	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Syrian Arab Republic	United Arab Emirates	Yemen
Total	6.3	4.8	17.1	1.5	10.9	4.9	0.9	5.0	1.1	13.2
Youth	24.0	7.6	27.1	6.2	30.0	17.6	3.2	7.3	3.7	19.8
Youth/total	3.1	1.6	1.6	4.2	3.0	3.6	3.5	1.4	3.2	1.4
Countries of other regions in 1993										
	Italy		Japan		Czech Republic		United States		OECD ^{a/} countries	
Total	12.2		3.4		3.9		5.4		7.1	
Male youth	30		7		6		13		14	
Female youth	39		7		6		11		14	

Source: ESCWA, "Youth in the urban environment in the ESCWA region" (E/ESCWA/HS/1997/7); and UNDP, *Human Development Report 1998* (New York, Oxford University Press, 1998).

a/ Organization for Economic Cooperation and Development.

TABLE 69. SHARE OF FIRST-TIME JOB SEEKERS AMONG UNEMPLOYED WOMEN AND
MEN IN SELECTED ESCWA MEMBER COUNTRIES
(Percentage)

Country	Year	Share of first-time job seekers among the total number of unemployed	Share of female first-time job seekers among the total number of female unemployed	Share of male first-time job seekers among the total number of male unemployed
Bahrain ^{a/}	1991	72	86	66
Egypt	1994	95	98	93
Iraq	1987	96	98	95
Jordan ^{a/}	1993	53	78	44

Source: ESCWA, Labour Force Statistics Database.

a/ Source indicated "nationals only".

Unemployment among Arab youth in many ESCWA member countries, especially in the more diversified economies, is a serious issue. Most of the unemployed in the Arab region are first-time job seekers, reflecting the sudden swelling of the labour supply as young baby-boomers enter the market. In Egypt, for instance, 98 per cent of the total number of unemployed women in 1994 were first-time job seekers (see table 69).⁹² This extremely high representation of young first-time job seekers among unemployed women may reflect either employer bias or the recent rapid increase in the female labour force during a period of economic recession. Young Arab women's relatively low qualifications in technical and natural science fields may be an additional cause. Unemployment affects the youth most severely, partially because they are new entrants into a sluggish labour market. Furthermore, the elasticity of youth employment is closely related to their wage level. Youth unemployment is also heavily dependent on the size of the youth group (labour force replacement ratio). High unemployment rates among youth (both women and men) is a worldwide phenomenon, partly because young people are more likely than adults to spend time job hunting in order to find a job that best meets their qualifications and skills.

⁹² Although the data here are slightly old, a similar trend is indicated for the current situation of unemployment.

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 1999-2000

Youth can be selective in seeking employment if they are qualified, but because vocational and technical training has low priority and is not readily available in the region, many of them will face difficulties. Moreover, employment agencies and private human resources companies do not function effectively in many countries, and information about the labour market is limited. The failure of human resources planning, reflected in a mismatch between labour needs and training, may lead to structural unemployment among Arab youth and adults. One effective solution could be to encourage youth entrepreneurship and self-employment through the enhancement of micro-credit institutions and the introduction of tax concessions.

The profile of unemployed youth in the ESCWA region shows that a great number of first-time job seekers hold university degrees. The economies of the ESCWA region do not produce enough jobs for highly educated people and often create incentives that favor capital over labour. Several common practices, including restrictive labour practices and high payroll taxes, may be barriers to the establishment of more labour-intensive industries. Employment is a major goal on the path from adolescence to adulthood, which involves setting up a household and forming a family. There is a strong connection between youth unemployment and society's ills, including crime, drug abuse, vandalism, and social unrest. If not adequately addressed, unemployment among youth can become a serious threat to social cohesion and political stability within the region in the future.

D. PARTICIPATION AND EMPOWERMENT

A breakthrough occurred during the 1990s, during which the number of women diplomats increased in some ESCWA member countries, including the GCC countries. For instance, women represented 14 per cent of the foreign services corps in Egypt in 1993, and around 10 per cent each in Lebanon and the Syrian Arab Republic in 1994.⁹³

By the 1980s, women in most of the ESCWA member countries had acquired the right to vote and run for office. However, there is a wide gap between the *de jure* and *de facto* practice of those rights. Women in most of the countries tend to be excluded from the political arena and from sharing in leadership positions and political processes at all levels of decision-making, including municipal, legislative, judiciary and executive/government levels. Illiteracy or lack of awareness by women of their legal rights may be a prime factor. More significantly, however, Arab traditional and cultural norms may be playing the key role in keeping women away from public life and the political decision-making process. Other factors that may be affecting low participation in political activity include the lack of developed organizational skills required for leadership positions and for parliamentary candidacy; the failure to mobilize through political parties; limited support from other women; and the failure to recruit male allies to support their cause.

In the ESCWA region, non-governmental organizations (NGOs), especially those that are gender-sensitive, are emerging as partners in the process of democratization and are evolving into catalysts and agents of change in the participatory development model. Despite the differences in their objectives and instruments, most of these NGOs operate at the grass-roots level, are similar in orientation, inclusive in terms of membership, and pursue a participatory approach at the structural and management levels. NGOs tend to be participatory and gender-oriented, with extensive outreach to meet the needs of all citizens. In conflict-stricken Arab countries, women NGOs are very well organized and have frequently assisted Governments in providing services to citizens in times of need.

Globalization and democratization are among the major challenges of the new millennium. In the ESCWA region, the private sector and civil society (including NGOs) have emerged as central players and

⁹³ ESCWA, *Arab Women 1995: Trends Statistics and Indicators* (E/ESCWA/STAT/1997/3) (United Nations publication, Sales No. 97.II.L.12).

CHAPTER VI. GENDER-SENSITIVE PARTICIPATORY DEVELOPMENT

agents of change. They have gained momentum in their efforts to raise awareness regarding global challenges, and their advocacy carries special significance for the future of the region.

Women in the ESCWA region can play multiple roles in strengthening the work of NGOs:

- (a) As pressure groups (including consumer groups);
- (b) As agents of change with regard to fertility control, female education, marriage, family planning and other social issues;
- (c) As efficient service providers in connection with developmental and welfare activities;
- (d) As advocates for change with respect to human rights and national legislation.

The success of the participatory development model depends on the extent to which all parties—civil society, the State and the private sector interact as they work to achieve a common goal. Gender mainstreaming in policies and programmes is imperative. The objective is to achieve balanced and truly sustainable development in the ESCWA region, with women and men, youth and the elderly, all contributing to the effort and sharing equally in the resulting benefits.

To conclude, other actors and institutions in civil society should be involved in the development process, such as labour unions, syndicates, industrial and professional associations, and consumer groups. Such organized groups can play a very important role in furthering the women's cause. The development of civil society in the region and the strengthened role of NGOs can be seen as a gradual political and social transformation that promises a mutually beneficial sharing of power between the public sector and the private sector. It will create for a more equitable society, founded on a partnership between Arab women and men working towards gender equality, development and peace.

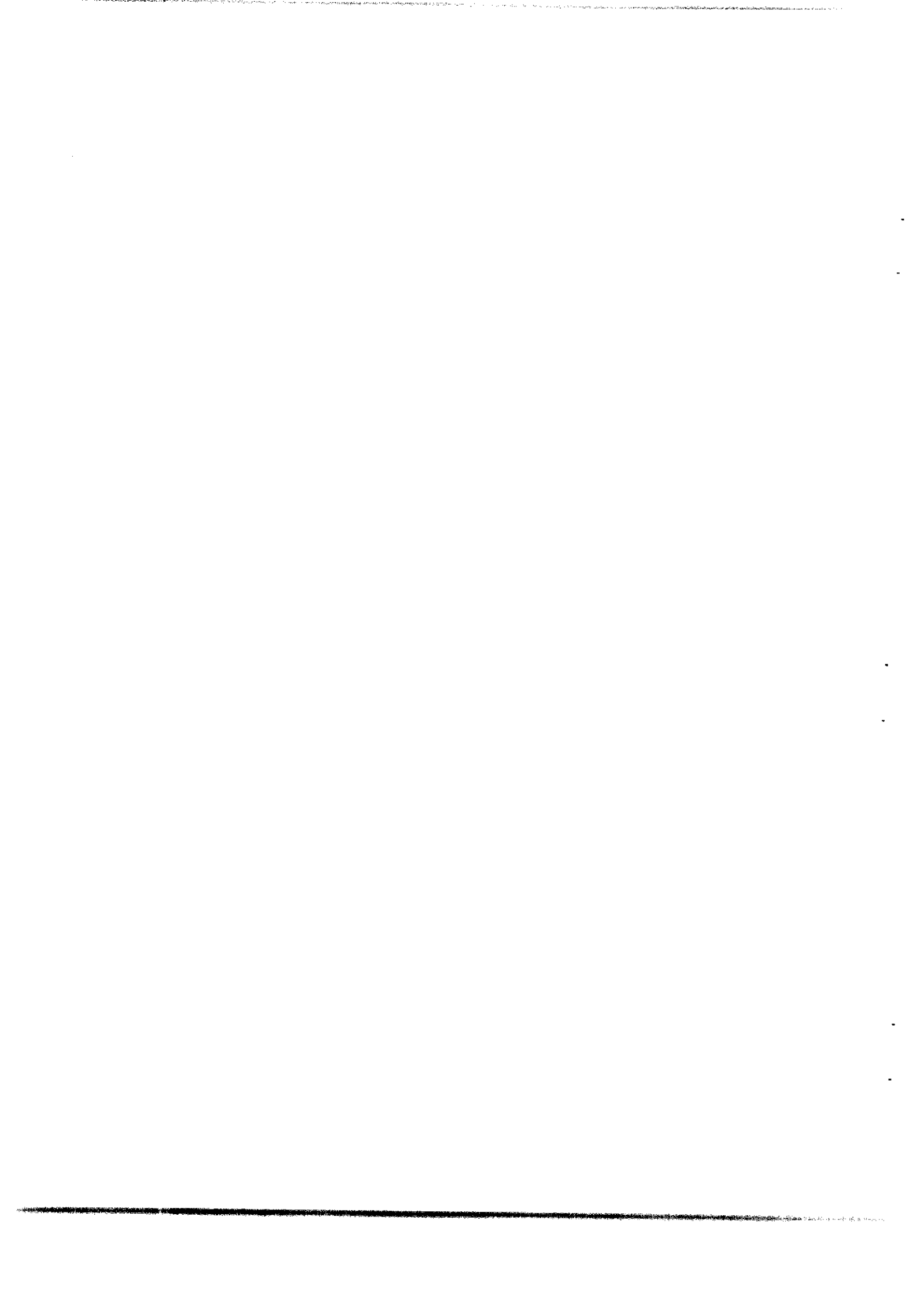
E. OUTLOOK

Making people the centre of concern has little meaning without gender mainstreaming. Comprehensive efforts should be made to consistently instil gender awareness in the new participatory development paradigms. Equal rights between men and women must be recognized as a fundamental principle. Women are both agents and beneficiaries of change. Investing in their capabilities and empowering them to exercise their choices is the surest way to contribute to sustainable socioeconomic development. The participatory development model guarantees and widens choices for both men and women, while maintaining Arab heritage and culture.

Within the framework of a holistic, systemic approach to development, a participatory model focuses on partnerships between polity and society. It calls for synergy between governmental institutions and non-governmental organizations in strengthening the links between policies, measures and processes directed at improving the quality of life for women and men. It affirms gender mainstreaming as the core human resources development and also factors in population dynamics.

The relationship between State and society needs to be examined through the magnifying lens of gender, whereby democratic practices, the observance of human rights and equal participation at various levels of governance will be guaranteed to women and men alike.

Women working with other women on projects they find empowering—in production cooperatives, political movements or mutual support groups—can accomplish a great deal more than can a single woman acting alone. Networking and organizing collectively at the grass-roots level can reinforce the process of women's social, psychological and political empowerment and, in turn, assure a better future for all.



ANNEX

**COUNTRY TABLES:
SOCIOECONOMIC INDICATORS, 1974-1998**



BAHRAIN

<u>Area (km²)</u>	<u>Population (millions)</u>		<u>Population density (per km²)</u>		<u>Annual increment to the population (thousands) ^{a, b}</u>	
677.9	1978	0.315	1978	465	1995-2000	59
	1988	0.458	1988	676	2000-2005	50
	1998	0.592	1998	873	2005-2010	46
					2010-2015	49
<u>Underweight children under 5 (%)</u>	<u>Total fertility rate (births/woman)</u>		<u>Infant mortality rate (per 1,000)</u>		<u>Urban population (%)</u>	
1990-1996 ^a 7	1978	5.2	1978	43	1970	79.0
	1998	3.4	1998	17	1996	90.8
					2030 ^a	95.8
<u>Life expectancy at birth (years) ^{a, b}</u>	<u>Secondary school enrolment ratio (%)</u>		<u>Labour force participation rate (%)</u>		<u>Adult illiteracy rate (%)</u>	
2000-2005 73.8	female/male		female/male		female/male	
2005-2010 74.8	1996	98/91	1997	31.0/87.0	1995	21/11
2010-2015 75.5						
<u>Population with access to safe water (%)</u>	<u>Population with access to sanitation (%)</u>		<u>Population with access to health services (%)</u>		<u>Human development index</u>	
1990-1996 ^a ..	1990-1996 ^a ..		1990-1996 ^a ..		1997 rank 37	
					Gender-related development index	
					1997 rank 39	
<u>GDP at constant 1992 prices (millions of US dollars)</u>	<u>Real GDP growth rate (%)</u>		<u>Per capita GDP at current prices (local currencies)</u>		<u>Inflation rate (%)</u>	
1997 6 291	1997	3.1	1996	4 025	1996	(0.2)
1998 6 593	1998	4.8	1997	4 095	1997	0.2
1999 ^a 6 890	1999 ^a	4.5	1998 ^a	3 908	1998	(0.4)
2000 ^a 7 234	2000 ^a	5.0			1999 ^a	0.5
<u>Sectoral contribution to GDP (%)</u>						
	<u>Agriculture</u>	<u>Mining</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>Other</u>	<u>Government final consumption expenditure as % of GDP</u>
1975	1.55	27.81	23.01	5.44	42.18	1995 20.85
1985	1.29	28.21	9.94	9.42	51.14	1996 20.24
1995	0.86	15.38	17.55	4.85	61.36	1997 19.48
1998	0.90	13.60	12.73	4.06	68.70	1998 20.76

BAHRAIN (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	11 061	1996	4 352	1996	6 709	1997	(260)	1997	(140)
1997	11 771	1997	4 893	1997	6 878	1998	(1 042)	1998	226
1998	3 083	1998	2 831	1998	252				
1999 ^{a/}	3 549	1999 ^{a/}	3 298	1999 ^{a/}	251				

International reserves (millions of US dollars)		Exchange rate ^{a/}	
1996	1 318	1996	0.376 BD/US\$
1997	1 290	1997	0.376 BD/US\$
1998	1 079	1998	0.376 BD/US\$
1999	1 369	1999	0.376 BD/US\$

Money supply (millions of Bahraini dinars)	
M1	M2
1996	1 157.1
1997	1 261.8
1998	1 513.6
1999	1 530.5

Foreign direct investment (millions of US dollars)	
1996	47
1997	26
1998	10

Oil production (million barrels per day)		Oil revenue (billions of US dollars)	
1996	0.05	1996	1.60
1997	0.05	1997	1.20
1998	0.05	1998	0.80
1999 ^{a/}	0.05	1999 ^{a/}	1.20

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres)	
Surfacewater	0.2	1997	173
Groundwater	100	2015 ^{b/}	131
Total	100.2	2025 ^{b/}	99

Proven oil reserves (billion barrels)		Sustainability indicator (%)	
1/1/96	0.2	1997	309
1/1/97	0.2	2015 ^{b/}	349
1/1/98	0.2	2025 ^{b/}	608
1/1/99	0.2		

Proven oil reserves (billion barrels)		Sustainability indicator (%)	
1/1/96	0.2	1997	309
1/1/97	0.2	2015 ^{b/}	349
1/1/98	0.2	2025 ^{b/}	608
1/1/99	0.2		

Natural gas reserves (trillion cubic feet)		Internet users (per 1,000 people)	
1/1/96	5.3	2000	61.8
1/1/97	5.2		
1/1/98	5.1		
1/1/99	4.2		

Expenditures for R and D as a percentage of GNP	
1997	..
1998	..

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.
Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ BD = Bahraini dinars.

EGYPT

<u>Area (km²)</u>	<u>Population (millions)</u>	<u>Population density (per km²)</u>	<u>Annual increment to the population (thousands) ^{w, v}</u>
1 000 000	1978 41.7 1988 50.7 1998 62.3	1978 42 1988 51 1998 62	1995-2000 6 188 2000-2005 6 065 2005-2010 5 528 2010-2015 5 161
<u>Underweight children under 5 (%)</u>	<u>Total fertility rate (births/woman)</u>	<u>Infant mortality rate (per 1 000)</u>	<u>Urban population (%)</u>
1990-1996 ^v 15	1978 5.5 1998 3.5	1978 131 1998 46	1970 42.0 1996 44.8 2030 ^w 61.8
<u>Life expectancy at birth (years) ^{w, v}</u>	<u>Secondary school enrolment ratio (%)</u>	<u>Labour force participation rate (%)</u>	<u>Rural population (%)</u>
2000-2005 68.1 2005-2010 69.8 2010-2015 71.2	female/male 1996 70/80	female/male 1997 21.6/73.4	1970 58.0 1996 55.2 2030 ^w 38.2
<u>Population with access to safe water (%)</u>	<u>Population with access to sanitation (%)</u>	<u>Adult illiteracy rate (%)</u>	<u>Human development index</u>
1990-1996 ^v 87	1990-1996 ^v 88	1995 62/36	1997 rank 120 1997 rank 122
<u>GDP at constant 1996 prices (millions of US dollars)</u>	<u>Real GDP growth rate (%)</u>	<u>Per capita GDP at current prices (local currencies)</u>	<u>Population with access to health services (%)</u>
1997 71 174 1998 74 733 1999 ^w 79 217 2000 ^w 84 128	1997 5.3 1998 5.0 1999 ^w 6.0 2000 ^w 6.2	1996 3 595 1997 3 959 1998 ^w 4 247	1990-1996 ^v 99 1996 7.3 1997 4.8 1998 4.1 1999 ^w 2.3
<u>Sectoral contribution to GDP (%)</u>			
<u>Agriculture</u>	<u>Mining</u>	<u>Manufacturing ^v</u>	<u>Construction</u>
1975 27.98 1985 17.75 1995 15.71 1998 16.53	3.13 24.72 23.75 23.58	16.63	4.62 4.94 4.66 5.23
<u>Others</u>	<u>Others</u>	<u>Others</u>	<u>Others</u>
1995 ^v 10.54 1996 ^v 10.37 1997 ^v 10.18 1998 ^v 10.10	47.64 52.60 55.88 54.66	47.64 52.60 55.88 54.66	47.64 52.60 55.88 54.66
<u>Government final consumption expenditure as % of GDP</u>	<u>Government final consumption expenditure as % of GDP</u>	<u>Government final consumption expenditure as % of GDP</u>	<u>Government final consumption expenditure as % of GDP</u>
1995 ^v 10.54 1996 ^v 10.37 1997 ^v 10.18 1998 ^v 10.10	1995 ^v 10.54 1996 ^v 10.37 1997 ^v 10.18 1998 ^v 10.10	1995 ^v 10.54 1996 ^v 10.37 1997 ^v 10.18 1998 ^v 10.10	1995 ^v 10.54 1996 ^v 10.37 1997 ^v 10.18 1998 ^v 10.10

EGYPT (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	3 534	1996	13 019	1996	(9 485)	1977	(710)	1997	1 959
1997	3 908	1997	13 168	1997	(9 260)	1998	(2 566)	1998	1 901
1998	4 900	1998	22 146	1998	(17 246)				
1999 ^{a/}	5 100	1999 ^{a/}	22 494	1999 ^{a/}	(17 394)				

International reserves (millions of US dollars)		Exchange rate ^{b/}		Money supply (billions of Egyptian pounds)		Foreign direct investment (millions of US dollars)	
1996	17 398	1996	LE/US\$	M1	M2	1996	636
1997	18 665	1997	LE/US\$	1996	178.6	1997	891
1998	18 124	1998	LE/US\$	1997	202.4	1998	1 076
1999 ^{a/}	15 036	1999	LE/US\$	1998	182.6		

Oil production (million barrels per day)		Oil revenue (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	0.92	1996	1.60	1/1/96	3.9	1/1/96	22.1
1997	0.92	1997	1.70	1/1/97	3.7	1/1/97	20.4
1998	0.88	1998	1.30	1/1/98	3.8	1/1/98	27.6
1999 ^{a/}	0.85	1999 ^{a/}	1.70	1/1/99	3.5	1/1/99	31.5

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres) (renewable resources/population)		Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditure for R and D as a percentage of GNP	
Surface water	55 500	1997	925	1997	106	2000	6.5	1991	0.22
Groundwater	4 100	2015 ^{a/}	698	2015 ^{a/}	115				
Total	59 600	2025 ^{a/}	658	2025 ^{a/}	145				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ Included in mining.

e/ As of November 1999.

f/ LE = Egyptian pounds.

JORDAN (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	1 471	1996	4 310	1996	(2 839)	1997	29	1997	406
1997	1 479	1997	3 866	1997	(2 387)	1998	14	1998	406
1998	1 339	1998	3 914	1998	(2 575)			1998	(96)
1999 ^{e/}	1 326	1999 ^{e/}	3 719	1999 ^{e/}	(2 393)				
International reserves									
(millions of US dollars)		Exchange rate ^{a/}		Money supply (millions of Jordanian dinars)				Foreign direct investment (millions of US dollars)	
1996	1 759	1996	1.4104 US\$/JD	1996	M1 1 539.2	M2 5 175.3		1996	16
1997	2 200	1997	1.4104 US\$/JD	1997	1 642.4	5 576.6		1997	361
1998	1 750	1998	1.4104 US\$/JD	1998	1 625.4	6 003.2		1998	223
1999	2 629	1999	1.4104 US\$/JD	1999 ^{e/}	1 706.2	6 484.1			
Oil production									
(million barrels per day)		Oil revenue (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)			
1996	-	1996	-	1/1/96	-	1/1/96	0.2		
1997	-	1997	-	1/1/97	-	1/1/97	0.2		
1998	-	1998	-	1/1/98	-	1/1/98	0.2		
1999 ^{e/}	-	1999 ^{e/}	-	1/1/99	-	1/1/99	0.2		
Renewable water resources									
(million cubic metres)		Annual water per capita (cubic metres)		Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	475	1997	168	1997	118	2000	13.5	1989	0.26
Groundwater	275	2015 ^{b/}	78	2015 ^{b/}	168				
Total	750	2025 ^{b/}	70	2025 ^{b/}	235				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

A dash (-) indicates that the amount is nil or negligible.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ JD = Jordanian dinars.

e/ As of August 1999.

KUWAIT (continued)

Total export flows (millions of US dollars)		Total imports (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	13 580	1996	8 170	1996	5 410	1997	7 935	1997	(6 308)
1997	14 023	1997	6 919	1997	7 104	1998	2 526	1998	(2 841)
1998	8 083	1998	7 542	1998	541				
1999 ^{e/}	11 346	1999 ^{e/}	7 943	1999 ^{e/}	3 403				

International reserves (millions of US dollars)		Exchange rate ^{d/}		Money supply (millions of Kuwaiti dinars)		Foreign direct investment (millions of US dollars)	
1996	3 515	1996	3.3399 US\$/KD	M1	M2	1996	347
1997	3 451	1997	3.2966 US\$/KD	1996	1 242.6	1997	20
1998	3 947	1998	3.2814 US\$/KD	1997	1 247.5	1998	(10)
1999	4 823	1999	3.2850 US\$/KD	1998	1 143.4		
				1999 ^{e/}	1 172.6		
					7 586.3		

Oil production (million barrels per day)		Oil revenue (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	2.05	1996	14.10	1/1/96	96.5	1/1/96	52.9
1997	2.11	1997	13.50	1/1/97	96.5	1/1/97	52.9
1998	2.08	1998	8.40	1/1/98	96.5	1/1/98	52.9
1999 ^{e/}	1.83	1999 ^{e/}	10.50	1/1/99	96.5	1/1/99	52.7

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres) (renewable resources/population)		Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	0.1	1997	89	1997	439	2000	52.7	1997	0.16
Groundwater	160	2015 ^{w/}	62	2015 ^{w/}	500				
Total	160.1	2025 ^{w/}	57	2025 ^{w/}	874				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

^{a/} Projection(s).

^{d/} KD = Kuwaiti dinars

^{b/} Period average(s).

^{e/} As of September 1999.

^{c/} Estimate(s).

LEBANON (continued)

Total export flows (millions of US dollars)		Total imports flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	1 153	1996	7 560	1996	(6 407)	1997	..	1997	..
1997	711	1997	7 457	1997	(6 746)	1998	..	1998	..
1998	716	1998	7 060	1998	(6 344)			1998	..
1999 ^{c/}	866	1999 ^{c/}	6 164	1999 ^{c/}	(5 298)			1998	..

International reserves (millions of US dollars)		Exchange rate ^{d/}		Money supply (billions of Lebanese pounds)		Foreign direct investment (millions of US dollars)	
1996	5 931	1996	1 571.4 LL/US\$	M1	M2	1996	64
1997	5 976	1997	1 539.5 LL/US\$	1996	1 753.4	1997	150
1998	6 556	1998	1 516.1 LL/US\$	1997	1 929.3	1998	130
1999	7 775	1999	1 507.8 LL/US\$	1998	2 021.5		
				1999	2 260.7		
					20 239.6		

Oil production (million barrels per day)		Oil revenue (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	-	1996	-	1/1/96	-	1/1/96	-
1997	-	1997	-	1/1/97	-	1/1/97	-
1998	-	1998	-	1/1/98	-	1/1/98	-
1999 ^{c/}	-	1999 ^{c/}	-	1/1/99	-	1/1/99	-

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres)		Sustainability indicator (%)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	2 500	1997	995	1997	40	2000	70.3		..
Groundwater	600	2015 ^{b/}	437	2015 ^{b/}	53				
Total	3 100	2025 ^{b/}	341	2025 ^{b/}	124				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (.) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ LL = Lebanese pounds.

OMAN

Area (km ²)	Population (millions)	Population density (per km ²)	Annual increment to the population (thousands) ^{a/ b/}
314 000	1978 1.023 1988 1.631 1998 2.397	1978 3 1988 5 1998 8	1995-2000 387 2000-2005 451 2000-2010 524 2010-2015 386
<u>Underweight children under 5 (%)</u>		<u>Total fertility rate (births/woman)</u>	<u>Urban population (%)</u>
1990-1996 ^{a/} 23		1978 7.2 1998 6.5	1970 12.0 1996 77.7 2030 ^{a/} 94.0
<u>Life expectancy at birth (years) ^{a/ b/}</u>	<u>Secondary school enrolment ratio (%)</u>	<u>Labour force participation rate (%)</u>	<u>Adult illiteracy rate (%)</u>
2000-2005 72.9 2005-2010 73.1 2010-2015 74.0	female/male 1996 65/68	female/male 1997 16.0/79.4	female/male 1995 49/25
<u>Population with access to safe water (%)</u>		<u>Population with access to sanitation (%)</u>	<u>Human development index</u>
1990-1996 ^{a/} 82		1990-1996 ^{a/} 78	1997 rank 97
<u>GDP at constant 1996 prices (millions of US dollars)</u>	<u>Real GDP growth rate (%)</u>	<u>Per capita GDP at current prices (local currencies)</u>	<u>Population with access to health services (%)</u>
1997 16 256 1998 16 727 1999 ^{a/} 17 346 2000 ^{a/} 18 127	1997 6.4 1998 2.9 1999 ^{a/} 3.7 2000 ^{a/} 4.5	1996 2 634 1997 2 642 1998 ^{a/} 2 286	1990-1996 ^{a/} 96
		<u>Inflation rate (%)</u>	
		1996 0.5 1997 (0.5) 1998 (0.5) 1999 ^{a/} 8.8	
	<u>Sectoral contribution to GDP (%)</u>		<u>Government final consumption expenditure as % of GDP</u>
	<u>Agriculture</u>	<u>Manufacturing</u>	<u>Construction</u>
1975 2.78 1985 2.71 1995 2.78 1998 ^{a/} 2.81	1975 66.99 1985 48.75 1995 38.31 1998 ^{a/} 30.53	1975 0.29 1985 2.38 1995 4.66 1998 ^{a/} 4.72	1975 27.55 1985 24.62 1995 23.37 1998 ^{a/} 25.59
	<u>Mining</u>	<u>Other</u>	
	1975 9.74 1985 7.01 1995 2.59 1998 ^{a/} 3.97	1975 20.19 1985 39.15 1995 51.66 1998 ^{a/} 57.97	

OMAN (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	6 229	1996	4 597	1996	1 632	1996		1996	
1997	6 516	1997	4 947	1997	1 569	1997		1997	92
1998	4 426	1998	5 119	1998	(693)	1998		1998	1 464
1999 ^{e/}	5 439	1999 ^{e/}	4 610	1999 ^{e/}		1999 ^{e/}		1999 ^{e/}	

International reserves (millions of US dollars)		Exchange rate ^{a/}		Money supply (billions of Omani rials)		Foreign direct investment (millions of rials Omani)	
1996	1 389	1996	0.3845 RO/US\$	M1	M2	1996	75
1997	1 548	1997	0.3845 RO/US\$	1996	502.3	1997	49
1998	1 064	1998	0.3845 RO/US\$	1997	539.0	1998	50
1999	1 593	1999	0.3845 RO/US\$	1998	502.8	1998	50
				1999 ^{e/}	455.2	1999 ^{e/}	

Oil production (million barrels per day)		Oil revenue (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	0.89	1996	5.90	1/1/96	25.2	1/1/96	25.2
1997	0.91	1997	5.80	1/1/97	5.1	1/1/97	30.0
1998	0.90	1998	3.70	1/1/98	5.2	1/1/98	27.5
1999 ^{e/}	0.89	1999 ^{e/}	5.20	1/1/99	5.3	1/1/99	28.4

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres)		Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	918	1997	613	1997	84	2000	20.3		
Groundwater	550	2015 ^{a/}	403	2015 ^{a/}	103				
Total	1 468	2025 ^{a/}	309	2025 ^{a/}	169				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ RO = rials Omani.

e/ As of August 1999.

QATAR

Area (km ²)		Population (millions)		Population density (per km ²)		Annual increment to the population (thousands) ^{w, b}	
11 427		1978	0.204	1978	18	1995-2000	51
		1988	0.429	1988	38	2000-2005	48
		1998	0.568	1998	50	2005-2010	45
						2010-2015	40

Underweight children under 5 (%)		Total fertility rate (births/woman)		Infant mortality rate per 1,000		Urban population (%)		Rural population (%)	
1990-1996 ^w	6	1978	6.8	1978	46	1970	80.0	1970	20.0
		1998	5.1	1998	23	1996	91.6	1996	8.4
						2030 ^w	95.2	2030 ^w	4.8

Life expectancy at birth (years) ^{w, b}		Secondary school enrolment ratio (%)		Labour force participation rate (%)		Adult illiteracy rate (%)		Human development index	
2000-2005	72.7	female/male	79/81	female/male	35.3/91.6	1995	20/21	1997 rank	41
2005-2010	73.6							Gender-related development index	
2010-2015	74.6							1997 rank	43

Population with access to safe water (%)		Population with access to sanitation (%)		Per capita GDP at constant 1992 prices (local currencies)		Inflation rate (%)	
1990-1996 ^w	..	1990-1996 ^w	..	1996	59 097	1996	4.9
				1997	72 274	1997	4.9
				1998 ^w	65 758	1998	2.9
				2000 ^w		1999 ^w	1.5

Sectoral contribution to GDP (%)			
	Agriculture	Manufacturing	Other
1975	0.72	2.58	20.76
1985	0.95	7.90	42.45
1995	0.98	8.40	47.08
1998 ^w	0.83	7.43	47.25

GDP at constant 1996 prices (millions of US dollars)		Real GDP growth rate (%)		Government final consumption expenditure as % of GDP	
1997	10 011	1997	10.5	1995	31.85
1998	10 261	1998	2.5	1996	33.01
1999 ^w	10 394	1999 ^w	1.3	1997	33.32
2000 ^w	10 831	2000 ^w	4.2	1998 ^w	33.01

QATAR (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	4 448	1996	2 909	1996	1 539	1997	..	1997	..
1997	5 568	1997	4 373	1997	1 195	1998	..	1997	..
1998	4 914	1998	3 909	1998	1 005	1999 ^{e/}	2 943	1998	..
1999 ^{e/}	7 525	1999 ^{e/}	4 582	1999 ^{e/}	2 943			1998	..

International reserves (millions of US dollars)		Exchange rate ^{a/}		Money supply (millions of Qatari riyals)		Foreign direct investment (millions of US dollars)	
1996	..	1996	3.64 QR/US\$	M1	M2	1996	35
1997	..	1997	3.64 QR/US\$	1996	3 885.0	1997	55
1998	..	1998	3.64 QR/US\$	1997	4 131.0	1997	70
1999	..	1999	3.64 QR/US\$	1998	4 216.0	1997	70
1999	..			1999 ^{e/}	4 033.0	1997	70

Oil production (million barrels per day)		Oil revenues (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	0.49	1996	3.80	1/1/96	3.7	1/1/96	250.0
1997	0.62	1997	4.70	1/1/97	3.7	1/1/97	250.0
1998	0.67	1998	3.10	1/1/98	3.7	1/1/98	300.0
1999 ^{e/}	0.63	1999 ^{e/}	4.20	1/1/99	3.7	1/1/99	300.0

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres) (renewable resources/population)		Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	1.4	1997	98	1997	564	2000	76.4	1986	0.04 ^{f/}
Groundwater	50	2015 ^{a/}	70	2015 ^{a/}	580				
Total	51.4	2025 ^{a/}	60	2025 ^{a/}	943				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ Qatari riyals.

e/ As of November.

f/ Not including social sciences and humanities in the higher education sector.

SAUDI ARABIA

Area (km ²)	Population (millions)	Population density (per km ²)	Annual increment to the population (thousands) % ^a
2 250 000	1978 8.582	1978 4	1995-2000 3 354
	1988 14.589	1988 6	2000-2005 3 457
	1998 20.174	1998 9	2005-2010 3 714
			2010-2015 3 845

Underweight children under 5 (%)	Total fertility rate (births/woman)	Infant mortality rate per 1,000	Urban population (%)	Rural population (%)
1990-1996 ^a ..	1978 7.3	1978 75	1970 49.0	1970 51.0
	1998 5.0	1998 22	1996 83.5	1996 83.5 16.5
			2030 ^a 91.5	2030 ^a 8.5

Life expectancy at birth (years) % ^a	Secondary school enrolment ratio (%)	Labour force participation rate (%)	Adult illiteracy rate (%)	Human development index
2000-2005 72.9	female/male	female/male	female/male	1997 rank 78
2005-2010 74.1	1996 57/65	1997 17.7/82.1	1995 41.20	Gender-related development index
2010-2015 75.2				1997 rank 87

Population with access to safe water (%)	Population with access to sanitation (%)	Population with access to health services (%)	Inflation rate (%)
1990-1996 ^a 95	1990-1996 ^a 86	1990-1998 ^a 97	1996 0.8
			1997 (0.4)
			1998 (0.2)
			1999 ^a 1.0

GDP at constant 1996 prices (millions of US dollars)	Real GDP growth rate (%)	Per capita GDP at constant prices (local currencies)	Government final consumption expenditure as % of GDP
1997 145 109	1997 2.7	1996 28 108	1995 25.67
1998 145 835	1998 0.5	1997 28 165	1996 26.50
1999 ^a 148 460	1999 ^a 1.8	1998 ^a 23 917	1997 27.64
2000 ^a 153 804	2000 ^a 3.6		1998 ^a 28.39

Sectoral contribution to GDP (%)			
Agriculture	Mining	Manufacturing	Construction
1975 0.96	66.92	4.97	9.64
1985 4.39	28.70	7.80	12.34
1995 6.60	34.66	8.95	9.09
1998 ^a 7.02	27.83	9.73	9.83
		Other	17.52
			46.76
			40.71
			45.58

SAUDI ARABIA (continued)

<u>Total export flows (millions of US dollars)</u>		<u>Total import flows (millions of US dollars)</u>		<u>Trade balance (millions of US dollars)</u>		<u>Current account (millions of US dollars)</u>		<u>Net capital flows (millions of US dollars)</u>	
1996	57 357	1996	27 764	1996	29 593	1997	256	1997	395
1997	61 472	1997	40 626	1997	20 846	1998	(12 879)	1998	12 983
1998	40 949	1998	42 434	1998	(1 485)				
1999 ^{a/}	49 591	1999 ^{a/}	43 360	1999 ^{a/}	6 231				

<u>International reserves (millions of US dollars)</u>		<u>Exchange rate^{d/}</u>		<u>Money supply (billions of Saudi Arabian riyals)</u>		<u>Foreign direct investment (millions of US dollars)</u>		
1996	14 321	1996	3.745 SRIs/US\$	M1	1996	132.9	1996	(1 129)
1997	14 876	1997	3.745 SRIs/US\$	M2	1997	204.0	1997	2 575
1998	14 220	1998	3.745 SRIs/US\$		1998	141.2	1998	2 400
1999	16 997	1999	3.745 SRIs/US\$		1999 ^{a/}	140.3		
						147.0		

<u>Oil production (million barrels per day)</u>		<u>Oil revenue (billions of US dollars)</u>		<u>Proven oil reserves (billion barrels)</u>		<u>Natural gas reserves (trillion cubic feet)</u>	
1996	8.15	1996	50.10	1/1/96	261.2	1/1/96	185.9
1997	8.35	1997	48.20	1/1/97	261.5	1/1/97	189.1
1998	8.37	1998	32.00	1/1/98	261.5	1/1/98	190.6
1999 ^{a/}	7.79	1999 ^{a/}	42.30	1/1/99	261.5	1/1/99	204.5

<u>Renewable water resources (million cubic metres)</u>		<u>Annual water per capita (cubic metres)</u>		<u>Sustainability indicator (%) (water use/renewable resource)</u>		<u>Internet users (per 1,000 people)</u>		<u>Expenditures for R and D as percentage of GNP</u>	
Surfacewater	2 230	1997	311	1997	268	2000	14.4		..
Groundwater	3 850	2015 ^{b/}	182	2015 ^{b/}	292				
Total	6 080	2025 ^{b/}	150	2025 ^{b/}	398				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ SRIs = Saudi Arabian riyals.

e/ As of March 1999.

SYRIAN ARAB REPUBLIC

<u>Area (km²)</u>	<u>Population (millions)</u>	<u>Population density (per km²)</u>	<u>Annual increment to the population (thousands)</u> ^{a/, b/}
185 180	1978 8.173	1978 44	1995-2000 1 925
	1988 11.548	1988 62	2000-2005 2 111
	1998 15.203	1998 82	2005-2010 2 228
			2010-2015 2 182
<u>Underweight children under 5 (%)</u>	<u>Total fertility rate (birth/woman)</u>	<u>Infant mortality rate (per 1,000)</u>	<u>Urban population (%)</u>
1990-1996 ^{b/} 13	1978 7.7	1978 67	1970 43.0
	1998 4.1	1998 28	1996 52.7
			2030 ^{w/} 69.1
<u>Life expectancy at birth (years)</u> ^{a/, b/}	<u>Secondary school enrolment ratio (%)</u>	<u>Labour force participation rate (%)</u>	<u>Adult illiteracy rate (%)</u>
	<u>female/male</u>	<u>female/male</u>	<u>female/male</u>
2000-2005 70.2	1996 40/45	1997 26.1/78.1	1995 46/15
2005-2010 71.4			
2010-2015 72.7			
<u>Population with access to safe water (%)</u>	<u>Population with access to sanitation (%)</u>	<u>Population with access to health services (%)</u>	<u>Human development index</u>
1990-1996 ^{b/} 86	1990-1996 ^{b/} 67	1990-1996 ^{b/} 90	1997 rank 111
			Gender-related development index
			1997 rank 112
<u>GDP at constant 1992 prices (millions of US dollars)</u>	<u>Real GDP growth rate (%)</u>	<u>Per capita GDP at current prices (local currencies)</u>	<u>Inflation rate (%)</u>
1997 22 145	1997 1.3	1996 47 413	1996 8.9
1998 23 872	1998 7.8	1997 49 878	1997 31.8
1999 ^{w/} 23 991	1999 ^{w/} 0.5	1998 ^{w/} 51 896	1998 8.3
2000 ^{w/} 24 471	2000 ^{w/} 2.0		1999 ^{w/} 4.9
<u>Sectoral contribution to GDP (%)</u>			
	<u>Agriculture</u>	<u>Manufacturing</u>	<u>Other</u>
1975 17.89	20.15	4.64	57.32
1985 20.63	7.04	6.68	58.24
1995 27.89	6.57	4.29	54.92
1998 ^{w/} 24.48	17.35	4.27	48.45
	<u>Government final consumption expenditure as % of GDP</u>		
	1995 13.48		
	1996 12.02		
	1997 11.06		
	1998 ^{w/} 12.07		

SYRIAN ARAB REPUBLIC (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	3 939	1996	6 362	1996	(2 423)	1997	483	1997	88
1997	4 051	1997	6 028	1997	(1 977)	1998	59	1998	457
1998	2 890	1998	3 895	1998	(1 005)				
1999 ^{a/}	3 063	1999 ^{a/}	3 818	1999 ^{a/}	(755)				

International reserves (millions of US dollars)	Exchange rate ^{d/}	Money supply (millions of Syrian pounds)		Foreign direct investment (millions of US dollars)	
		M1	M2	1996	1997	1998	1999
1996	11.225 LS/US\$	1996	..	1996	89
1997	11.225 LS/US\$	1997	..	1997	80
1998	11.225 LS/US\$	1998	..	1998	100
1999 ^{a/}	11.225 LS/US\$	1999	..		

Oil production (million barrels per day)	Oil revenue (billions of US dollars)	Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
		1/1/96	1/1/97	1/1/96	1/1/97
1996	0.58	1/1/96	2.5	1/1/96	7.0
1997	0.56	1/1/97	2.5	1/1/97	8.3
1998	0.55	1/1/98	2.5	1/1/98	8.3
1999 ^{a/}	0.54	1/1/99	2.5	1/1/99	8.5

Renewable water resources (million cubic metres)	Annual water per capita (cubic metres) (renewable resources/population)	Sustainability indicator (%) (water use/renewable resource)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
		1997	2015 ^{b/}	2015 ^{b/}	2025 ^{b/}	2000	1997	1997	0.2
Surfacewater	16 375	1997	1 438	1997	46	2000	1.3
Groundwater	5 100	2015 ^{b/}	948	2015 ^{b/}	80		
Total	21 475	2025 ^{b/}	609	2025 ^{b/}	110		

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ LS = Syrian pounds.

UNITED ARAB EMIRATES

Area (km ²)	Population (millions)	Population density (per km ²)	Annual increment to the population (thousands) ^{a/ b/}
84 000	1978 0 768	1978 9	1995-2000 231
	1988 1 764	1988 21	2000-2005 211
	1998 2 663	1998 32	2005-2010 199
			2010-2015 175

Underweight children under 5 (%)	Total fertility rate (births/woman)	Infant mortality rate (per 1,000)	Urban population (%)	Rural population (%)
1990-1996 ^{b/} 6	1978 6.4	1978 38	1970 57.0	1970 43.0
	1998 4.9	1998 14	1996 84.3	1996 15.7
			2030 ^{a/} 90.8	2030 ^{a/} 9.2

Life expectancy at birth (years) ^{a/ b/}	Secondary school enrolment ratio (%)	Labour force participation rate (%)	Adult illiteracy rate (%)	Human development index
2000-2005 75.9	female/male	female/male	female/male	1997 rank 43
2005-2010 76.9	1996 82/77	1997 31.2/89.4	1997 20/21	Gender-related development index
2010-2015 77.7				1997 rank 47

Population with access to safe water (%)	Population with access to sanitation (%)	Population with access to health services (%)
1990-1996 ^{b/} 95	1990-1996 ^{a/} 77	1990-1996 ^{a/} 99

GDP at constant 1996 prices (millions of US dollars)	Real GDP growth rate (%)	Per capita GDP at current prices (local currencies)	Inflation rate (%)
1997 48 929	1997 2.0	1996 77 958	1996 4.0
1998 50 397	1998 3.0	1997 78 534	1997 2.0
1999 ^{a/} 53 421	1999 ^{a/} 6.0	1998 ^{a/} 72 531	1998 1.6
2000 ^{a/} 57 267	2000 ^{a/} 7.2		1999 ^{a/} 3.0

	Sectoral contribution to GDP (%)			Government final consumption expenditure as % of GDP
	Agriculture	Manufacturing	Construction	
1975	0.83	0.94	10.92	1995 16.45
1985	1.29	9.30	9.03	1996 15.58
1995	2.86	10.40	8.66	1997 15.51
1998	3.42	11.83	9.52	1998 16.78

UNITED ARAB EMIRATES (continued)

Total export flows (millions of US dollars)		Total import flows (millions of US dollars)		Trade balance (millions of US dollars)		Current account (millions of US dollars)		Net capital flows (millions of US dollars)	
1996	27 660	1996	22 638	1996	5 022	1997	..	1997	..
1997	30 718	1997	30 935	1997	(217)	1998	..	1998	..
1998	25 207	1998	32 979	1998	(7 772)				
1999 ^{d/}	27 333	1999 ^{d/}	34 987	1999 ^{d/}	(7 654)				

International reserves (millions of US dollars)		Exchange rate ^{e/}		Money supply (billions of UAE dirhams)		Foreign direct investment (millions of US dollars)	
		1996	Dh/US\$	M1	M2	1996	130
1996	8 055	1997	Dh/US\$	1996	22 266.0	1997	100
1997	8 372	1998	Dh/US\$	1997	25 368.0	1998	100
1998	9 077	1999	Dh/US\$	1998	27 784.0	1999	100
1999 ^{d/}	10 150			1999	30 252.0		

Oil production (million barrels per day)		Oil revenues (billions of US dollars)		Proven oil reserves (billion barrels)		Natural gas reserves (trillion cubic feet)	
1996	2.23	1996	15.00	1/1/96	98.1	1/1/96	204.6
1997	2.25	1997	15.30	1/1/97	97.8	1/1/97	204.9
1998	2.29	1998	10.30	1/1/98	97.8	1/1/98	204.9
1999 ^{d/}	2.06	1999 ^{d/}	13.10	1/1/99	97.8	1/1/99	212.0

Renewable water resources (million cubic metres)		Annual water per capita (cubic metres)		Sustainability indicator (%)		Internet users (per 1,000 people)		Expenditures for R and D as a percentage of GNP	
Surfacewater	185	1997	137	1997	388	2000	166.9		..
Groundwater	130	2015 ^{d/}	103	2015 ^{d/}	692				
Total	315	2025 ^{d/}	67	2025 ^{d/}	1 015				

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (..) indicate that data are not available.

a/ Projection(s).

b/ Period average(s).

c/ Estimate(s).

d/ As of November 1999.

e/ Dh = UAE dirhams.

YEMEN

Area (km ²)	Population (millions)	Population density (per km ²)	Annual increment to the population (thousands) ^{a/ b}
555 000	1978 7.680	1978 14	1995-2000 3 090
	1988 10.793	1988 19	2000-2005 3 433
	1998 18.359	1998 33	2005-2010 3 821
			2010-2015 4 203

Underweight children under 5 (%)	Total fertility rate (births/woman)	Infant mortality rate (per 1,000)	Urban population (%)	Rural population (%)
1990-1996 ^{a/ b} 39	1978 7.6	1978 158	1970 13.0	1970 87.0
	1988 6.7	1998 77	1996 34.4	1996 65.6
			2030 ^{a/ b} 58.1	2030 ^{a/ b} 41.9

Life expectancy at birth (years) ^{a/ b}	Secondary school enrolment ratio (%)	Labour force participation rate (%)	Adult illiteracy rate (%)	Human development index
2000-2005 60.5	female/male	female/male	female/male	1997 rank 148
2005-2010 63.0	1996 14/53	1997 29.2/82.2	1995 82/58	Gender-related development index
2010-2015 65.4				1997 rank 154

Population with access to safe water (%)	Population with access to sanitation (%)	Population with access to health services (%)
1990-1996 ^{a/ b} 61	1990-1996 ^{a/ b} 24	1990-1996 ^{a/ b} 38

GDP at constant 1996 prices (millions of US dollars)	Real GDP growth rate (%)	Per capita GDP at current prices (local currencies)	Inflation rate (%)
1997 7 320	1997 5.2	1996 41 801	1996 27.3
1998 5 552	1998 3.2	1997 45 466	1997 6.3
1999 ^{a/ b} 7 869	1999 ^{a/ b} 4.2	1998 ^{a/ b} 41 527	1998 12.2
2000 ^{a/ b} 8 223	2000 ^{a/ b} 4.5		1999 ^{a/ b} 2.0

	Sectoral contribution to GDP (%)		
	Agriculture	Manufacturing	Other
1975	36.48	6.18	50.64
1985	23.20	10.08	59.57
1995	21.57	10.21	47.83
1998	16.66	12.19	47.26

YEMEN (continued)

Total export flows (millions of US dollars)	Total import flows (millions of US dollars)	Trade balance (millions of US dollars)	Current account (millions of US dollars)	Net capital flows (millions of US dollars)
1996 2 413	1996 1 852	1996 561	1997 51	1997 (76)
1997 2 479	1997 1 837	1997 642	1998 (228)	1997 (76)
1998 1 497	1998 2 167	1998 (670)		1998 (164)
1999 ^{a/} 2 384	1999 ^{a/} 2 322	1999 ^{a/} 62		

International reserves (millions of US dollars)	Exchange rate ^{a/}	Money supply (billions of Yemeni rials)	Foreign direct investment (millions of US dollars)
	1996 94 1570 YRIs/US\$	M1	1996 (60)
1996 1 017	1997 129 2810 YRIs/US\$	..	1997 (138)
1997 1 203	1998 135 8820 YRIs/US\$	..	1998 100
1998 995		..	
1999 ^{a/} 1 311		..	

Oil production (million barrels per day)	Oil revenues (billions of US dollars)	Proven oil reserves (billion barrels)	Natural gas reserves (trillion cubic feet)
1996 0.37	1996 1.80	1/1/96 4.0	1/1/96 15.0
1997 0.37	1997 2.20	1/1/97 4.0	1/1/97 16.9
1998 0.39	1998 1.50	1/1/98 4.0	1/1/98 16.9
1999 ^{a/} 0.41	1999 ^{a/} 2.30	1/1/99 4.0	1/1/99 16.9

Renewable water resources (million cubic metres)	Annual water per capita (cubic metres)	Sustainability indicator (%)	Internet users (per 1,000 people)	Expenditures for R and D as a percentage of GNP
Surfacewater 3 500	1997 303	1997 55	2000 0.7	..
Groundwater 1 400	2015 ^{b/} 165	2015 ^{b/} 72		
Total 4 900	2025 ^{b/} 114	2025 ^{b/} 97		

Source: ESCWA, based on national and international sources.

Notes: () indicates negative for figures.

Two dots (.) indicate that data are not available.

a/ Projection(s).

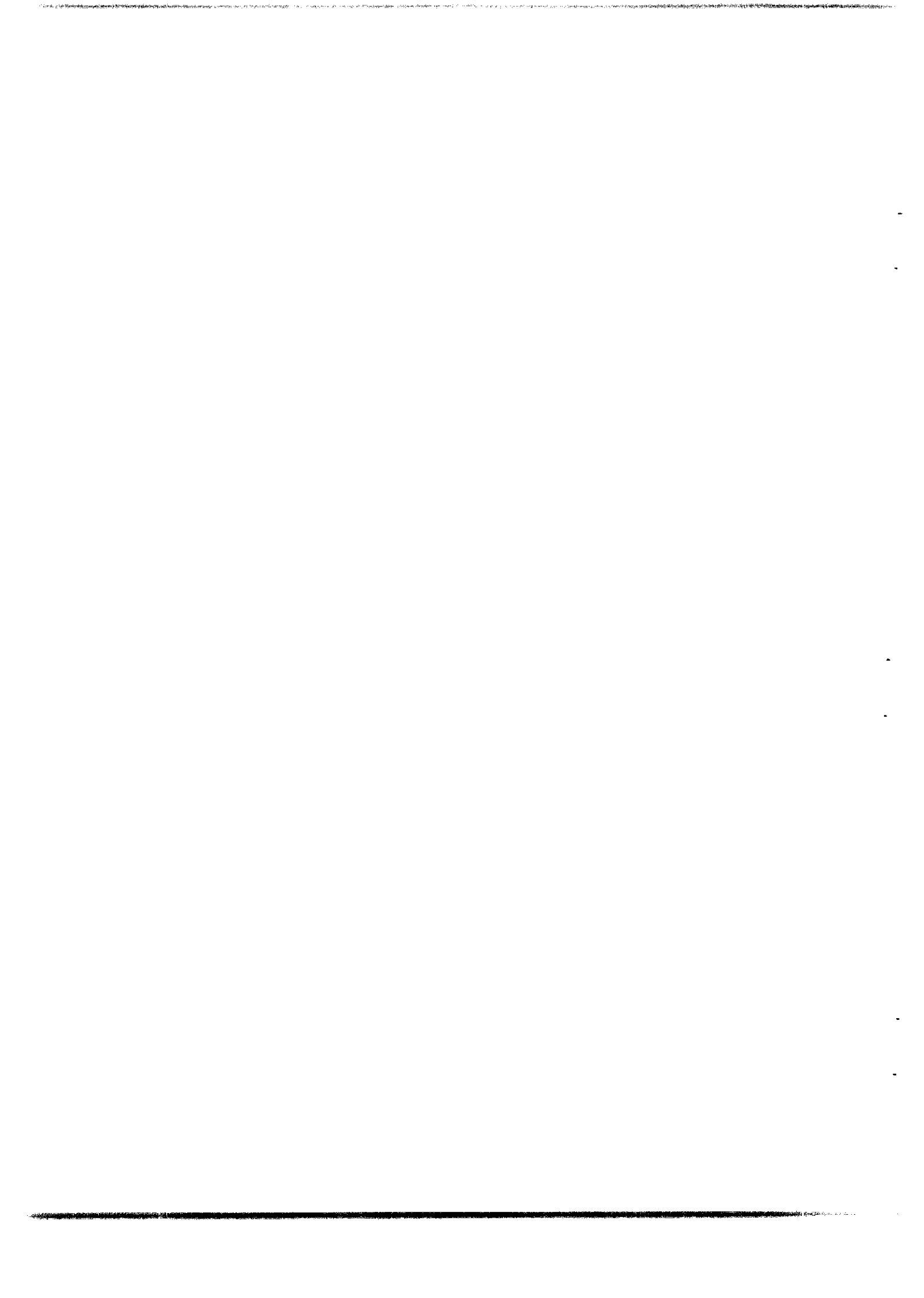
b/ Period average(s).

c/ Estimate(s).

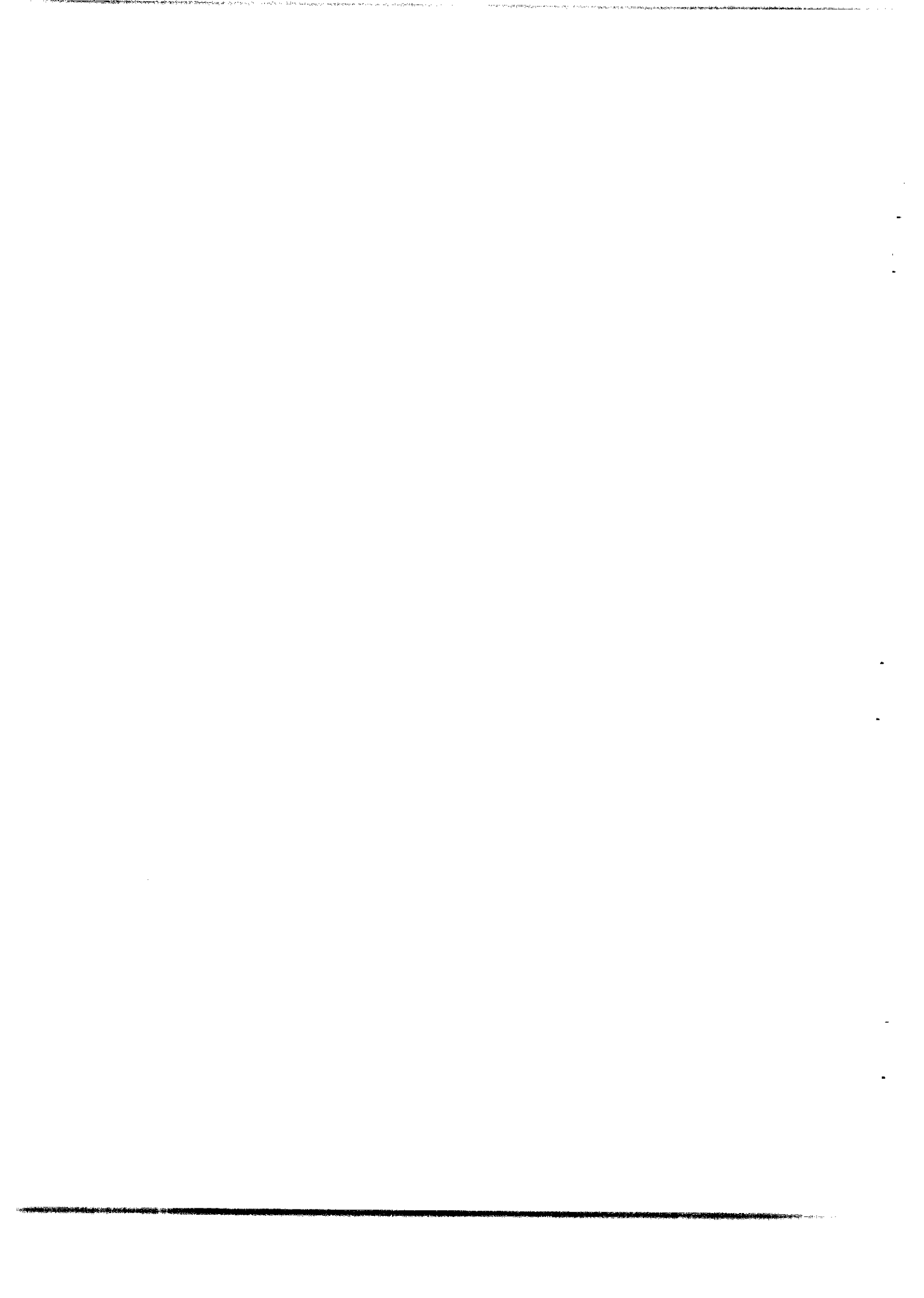
d/ As of October 1999.

e/ YRIs = Yemeni rials.











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