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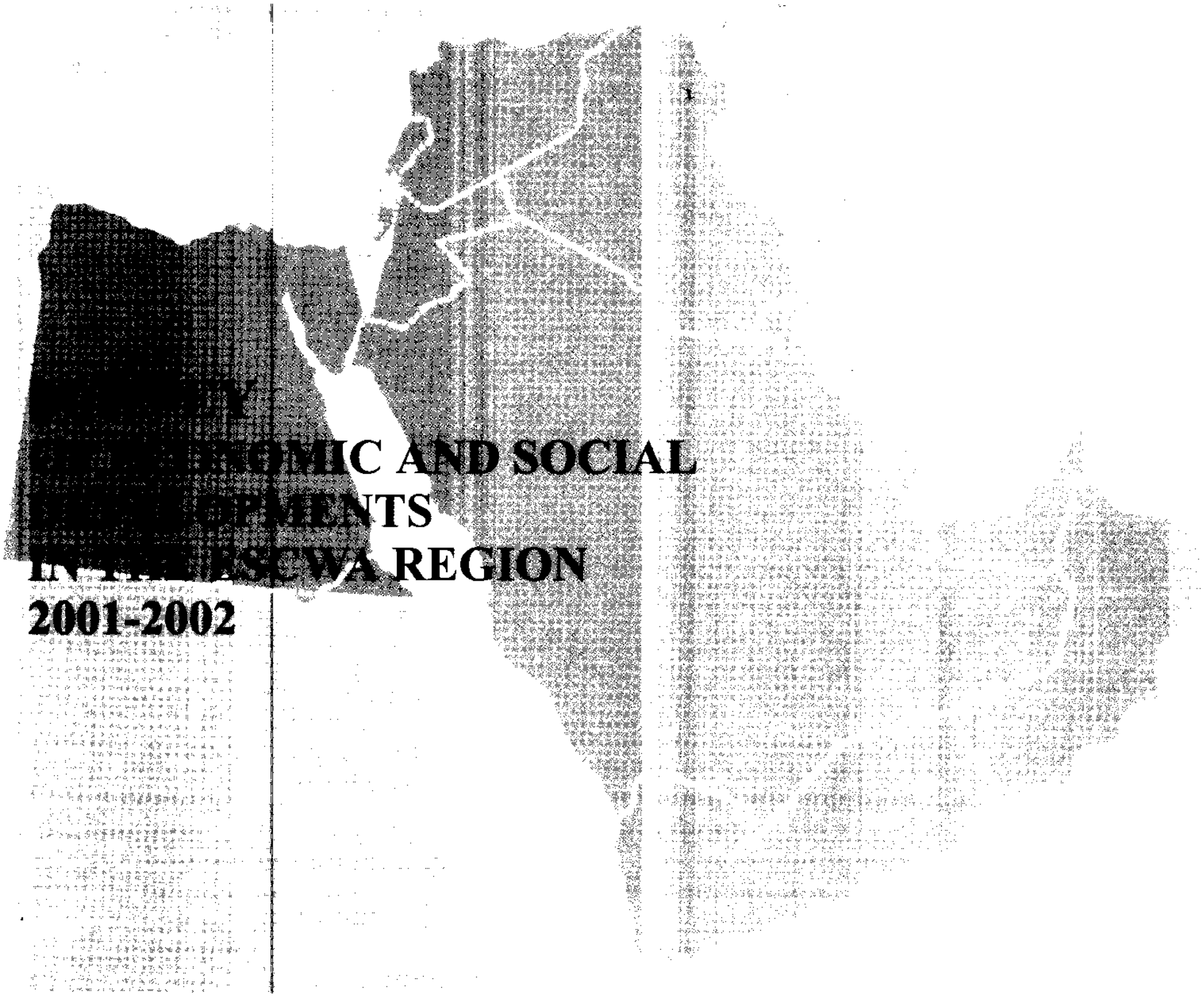

SURVEY OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ESCWA REGION 2001-2002

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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 was published in 1980. The *Survey* provides a review and analysis of economic and social conditions in the region during a specified period.

The 2001-2002 edition of the *Survey* is the result of team work, with inputs from the economic and social programmes of ESCWA. This edition was supervised by the Chief of the Economic Development Issues and Policies Division and coordinated by the Senior Economic Affairs Officer. The social section was coordinated by the Chief of the Women and Development Unit. The *Survey* received valuable assistance from the Statistical Division and the Conference Section of ESCWA.

The Commission expresses its appreciation to the Union of Arab Banks for its input to chapter III, on monetary and fiscal developments.

It is hoped that the *Survey* will enhance understanding of recent economic and social developments and provide useful insights to policy makers in their efforts to promote growth and development in the region.

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ABBREVIATIONS AND EXPLANATORY NOTES

AGFUND	Arab Gulf Programme for United Nations Development Organizations
ALO	Arab Labour Organization
b	barrel
BD	Bahrain dinar
b/d	barrels per day
bcm	billion cubic metres
COMESA	Common Market for East and South Africa
Dh	UAE dirham
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GMO	genetically modified organism
GCC	Gulf Cooperation Council
GER	gross enrolment ratio
GDP	gross domestic product
GNP	gross national product
HDI	human development index
ICT	information and communication technology
ID	Iraqi dinar
ILO	International Labour Organization
IMF	International Monetary Fund
IT	information technology
JD	Jordanian dinar
KD	Kuwaiti dinar
LE	Egyptian pound
LL	Lebanese pound
LNG	liquefied natural gas
LS	Syrian pound
m^3	cubic metre
m/b/d	million barrels per day
MENA	Middle East and North Africa
NAFTA	North American Free Trade Agreement
NER	net enrolment ratio
NGO	non-governmental organization
OAPEC	Organization of Arab Petroleum Exporting Countries
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
QIZ	qualifying industrial zone
QR	Qatar riyal
RO	rial Omani
SRls	Saudi Arabian riyals
TFR	total fertility rate
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
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
VAT	value-added tax
WFP	World Food Programme

ABBREVIATIONS AND EXPLANATORY NOTES (*continued*)

WHO	World Health Organization
WTO	World Trade Organization
YRls	Yemeni rials

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

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.

In both text and tables, the following apply:

A slash (/) between years (1998/99) indicates a crop year, school year or financial year.

A hyphen (-) between years or months (for example, 1990-1992 or January-June) indicates the years or months covered, including the beginning and end of years or months.

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

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

Executive summary

The marked deceleration of growth in the world economy during 2001 began in the middle of 2000, following the slowdown in the economy of the United States of America. The situation was exacerbated by the events of 11 September 2001 in New York and Washington D.C. During 2001, the economies of most regions in the world went into recession. The growth rates of advanced economies fell from 3.9 per cent in 2000 to 1.2 per cent in 2001. Economic activity in developing countries as a group also declined, from 5.7 per cent in 2000 to 4 per cent in 2001. Employment performance deteriorated as a result and unemployment in the advanced economies increased slightly from 5.9 per cent in 2000 to 6 per cent in 2001. However, inflation rates remained broadly under control. Short-term interest rates in developing economies went down from 4.5 per cent in 2000 to 3.2 per cent in 2001. The United States dollar continued to strengthen against the euro and the pound sterling in 2001. The events of 11 September had a severe impact on global trade in goods and services.

Economic growth performance in the ESCWA region was relatively meagre during 2001. Estimates indicate that the combined real gross domestic product (GDP) of ESCWA members, excluding Iraq, grew by 2.1 per cent in 2001.* This figure represents a substantial decline from the 4.5 per cent growth registered in 2000. In view of the region's annual population growth rate of 2.4 per cent, the growth rate of real GDP per capita fell from 2.1 per cent in 2000 to minus 0.3 per cent in 2001.

The considerable deterioration in the overall economic performance of the region in 2001 can, for the most part, be attributed to the rapid decline in world economic growth that resulted in a sharp drop in demand for oil. Oil is the main contributor to the GDP and exports of the region. The events of 11 September also affected non-oil sectors in the region and, in particular, tourism and transport. The violence in the West Bank and Gaza Strip also had a negative impact on the investment climate in the region and, in particular, on foreign direct investment (FDI) inflows.

The performance of the region's oil sector was poor in 2001, as both production and price levels declined. Whereas in 2000, total oil revenue in the region increased by 62.5 per cent to reach $165.63 billion, current estimates indicate that revenues declined by $37 billion to $128.60 billion in 2001.

In most of the ESCWA members with more diversified economies,** prevailing labour market conditions remained unfavourable and, in most cases, deteriorated for those seeking work in 2001.

Fiscal positions deteriorated in most of the ESCWA region in 2001. The sharp decline in oil revenue, which was far greater than anticipated, had an extremely negative effect on the budgetary positions of ESCWA member countries. The budgets of those with more diversified economies continued to be deflationary, with expenditure increasing at a rate lower than that of inflation, and, thus, reducing expenditure in real terms. These countries also made increased use of instruments of domestic resource mobilization, including the improvement of tax collection methods, the introduction of new taxes and expansion of existing ones.

Most stock markets in the region were affected by the events of 11 September. Some lost most of the gains made since the beginning of the year. The volume of trading on the Saudi Arabian stock market, which had risen by some 14 per cent in the first eight months of 2001, fell by more than 12 per cent in the final three months. The Kuwaiti stock market, which had risen by some 35 per cent to the end of August, ended the year down by almost 10 per cent. The Cairo stock exchange, which was some 15 per cent lower at the end of August than at the beginning of 2001, ended the year with a loss of over 40 per cent. Only Jordan and Qatar regained the losses sustained in the aftermath of 11 September and ended the year significantly higher.

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* The 13 ESCWA members are Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.

** These include Egypt, Iraq, Jordan, Lebanon, Syrian Arab Republic, Palestine and Yemen.

In the context of negative developments in the international oil market in 2001, the region's external sector deteriorated considerably. Oil prices fell by 16.2 per cent and demand for the region's oil exports fell significantly. This led to a drastic reduction in the combined balance of trade surpluses of the Gulf Cooperation Council (GCC)* countries and served to widen the balance of trade deficits in most ESCWA member countries with more diversified economies. The events of 11 September dealt an additional blow to the external sector accounts of the region, particularly those of the countries with more diversified economies, as tourism revenues fell sharply and current accounts were negatively affected.

The population of the ESCWA region is young and growing rapidly. It increased from 94 million in 1980 to 166 million in 2000, with some 19 per cent of the total population estimated to be aged between 15 and 24. This population structure contributes to youth unemployment and, in particular, in countries with more diversified economies. Most of the unemployed in the region are young, first-time job seekers.

Health conditions in the ESCWA region have improved in recent years following successful public health campaigns. Nutrition has also improved in all member countries, with the exception of Iraq and Yemen. Average life expectancy at birth in the region is 70 years (71 for women and 68 for men) for those born during the period 2000-2005.

While the level of education and enrolment rates in most ESCWA member countries have improved significantly since the 1970s, illiteracy rates are still alarmingly high and, in particular, in the less developed and conflict-stricken countries. Adult illiteracy rates remain relatively high in a number of countries and, in particular, among women. Poverty remains a serious problem in a number of countries. Public spending on social services as a percentage of GDP has not increased during the past 10 years and has, in fact, declined in some countries. Political instability continues to necessitate the allocation of vast resources to defense expenditure, leaving insufficient amounts for social services, education and poverty reduction.

Despite considerable improvement in the status of Arab women in recent decades, the socio-economic gender gap persists in many countries of the region with regard to education opportunities, employment, land ownership and inheritance.

The outlook is not bright for economic and social development. Real GDP in the region, excluding Iraq, was projected to grow by some 2 per cent in 2002. This rate is comparable to that of the preceding year and is less than the annual population growth of 2.4 per cent.

The performance of the oil sector in 2002 is expected to be relatively poor, compared to 2001 and 2000.

Demand for labour in the region is expected to be low as it is anticipated that the expected economic growth rate will be insufficient to absorb the increase in labour supply.

Inflation rates have remained low in the region, in GCC countries and those with more diversified economies. Estimates indicate that inflation rates in most ESCWA member countries remained under 3 per cent in 2001 and it is expected that they will remain under control in 2002. However, inflation is projected to accelerate in some of the countries with more diversified economies and, in particular, in Egypt and Lebanon. A higher inflation rate is expected in Egypt in 2002, as the result of the devaluation of the national currency in 2001 and increased Government expenditure of 2002, aimed at stimulating economic growth and creating employment opportunities. Higher inflation rates in Lebanon are expected as a result of the introduction of the value-added tax (VAT).

It is recommended that the ESCWA region and, in particular, the GCC countries, should accelerate their economic diversification, reduce their dependence on oil and place greater reliance on gas, petrochemicals, aluminum, light industry and the services sector. Structural economic reform should be expedited and efforts to enhance economic cooperation and regional integration should be intensified. Special attention should be paid to the reduction of unemployment and poverty, particularly among women.

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* The members of the GCC are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

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

A. ECONOMIC GROWTH

Since the middle of 2000, the global economy has been affected by the slowdown in the United States economy and decelerated markedly in 2001, following the events of 11 September. However, it is widely believed that the global economy is set to recover in 2002, for a number of reasons. The most notable are the short-term impact of the events of 11 September on economic activity, the easing of the macroeconomic policies of the advanced economies during 2001, the completion of ongoing inventory cycles and the decline in crude oil prices since late 2000. These factors have served to strengthen consumer and business confidence and level off industrial production, including in the information technology (IT) sector. They have also led to a strong recovery in the financial and equity markets across the world.[1] According to International Monetary Fund (IMF) estimates the global economy grew at an outstanding rate of 4.7 per cent in 2000 before declining to a relatively low rate of 2.5 per cent in 2001. Forecasts indicate that global economic performance will improve in 2002 and that the growth rate will register 2.8 per cent (see table 1).

However, the global slowdown that started in 2000 and continued into 2001 was more synchronized than the slowdown of the early 1990s. For the most part, this situation can be attributed to a number of events that had a common impact across borders. These included the bursting of the IT bubble, rising oil prices, tight monetary policies adopted from the middle of 1999 to the end of 2000, the growing number of multinational corporations and linkages between financial markets.[2] Almost all regions in the world were dragged into recession in 2001. Growth rates in advanced economies and the major advanced economies, better known as the Group of Seven (G7), declined from 3.9 per cent and 3.5 per cent in 2000, respectively, to 1.2 and 1.1 per cent in 2001. Economic activity in developing countries as a group also deteriorated, with growth rates declining from 5.7 per cent in 2000 to 4 per cent in 2001. In that year, the same trend was evident in the economies of central and eastern European countries, which registered a real GDP growth rate of 3.1 per cent, down from 3.8 per cent in 2000. The most notable decline occurred in the western hemisphere, where growth rates fell from 4 per cent in 2000 to 0.7 per cent in 2001. For the most part, this can be attributed to the economic crisis in Argentina. Following the decline in world demand for crude oil, economic growth in the ESCWA region also declined from 4.5 per cent in 2000 to 2.1 per cent in 2001. The only region in which economic performance improved in 2001 was Africa, where real GDP growth rates rose from 3 per cent in 2000 to 3.7 per cent in 2001. The continuing poor integration of a large number of African countries in the world economy served to limit the impact of the global economic slowdown on the region (see table 1).

B. EMPLOYMENT AND UNEMPLOYMENT

The employment situation deteriorated in the advanced economies where the unemployment rate increased slightly from 5.9 per cent in 2000 to 6 per cent in 2001. In the United States, it increased from 4 per cent in 2000 to 4.8 per cent in 2001 and in Japan, the continuing recession raised the unemployment rate from 4.7 per cent in 2000 to 5 per cent in 2001. However, prudent labour policies in Europe served to push it down from 8.2 per cent in 2000 to 7.7 per cent in 2001 (see table 1).

[1] International Monetary Fund (IMF), *World Economic Outlook April 2002: Recessions and Recoveries* (Washington, D.C., 2002), pp. 1-2.

[2] Ibid., p. 4.

TABLE 1. MAJOR INDICATORS OF ECONOMIC PERFORMANCE AT WORLD AND REGIONAL LEVELS, 1999-2002

		1999	2000	2001	2002[a/]
Real GDP growth rates (*percentage change*)					
World		3.6	4.7	2.5	2.8
Advanced economies		3.3	3.9	1.2	1.7
United States		4.1	4.1	1.2	2.3
European Union		2.7	3.4	1.7	1.5
Japan		0.7	2.2	(0.4)	(1.0)
Major advanced economies (G7)		2.9	3.5	1.1	1.5
Developing countries		3.9	5.7	4.0	4.3
Africa		2.6	3.0	3.7	3.4
ESCWA region[b/]		1.7	4.5	2.1	2.0
Central and eastern Europe		2.2	3.8	3.1	-
Western hemisphere		0.2	4.0	0.7	0.7
Unemployment rates (*percentage change*)					
Advanced economies		6.4	5.9	6.0	6.4
Major advanced economies (G7)		6.2	5.8	6.0	6.5
United States		4.2	4.0	4.8	5.5
European Union		9.1	8.2	7.7	7.9
Japan		4.7	4.7	5.0	5.8
Inflation (*percentage change in consumer prices*)					
Advanced economies		1.4	2.3	2.2	1.3
United States		2.2	3.4	2.8	1.4
European Union		1.4	2.3	2.6	2.0
Japan		(0.3)	(0.8)	(0.7)	(1.1)
Developing countries		6.9	6.1	5.7	5.8
Africa		12.3	14.2	12.6	9.3
Central and eastern Europe		11.0	12.8	9.6	6.7
Western hemisphere		8.9	8.1	6.4	8.2
Short-term interest rates[c/]					
Advanced economies		3.5	4.5	3.2	2.3[d/]
United States		4.8	6.0	3.5	1.8[d/]
Japan		0.0	0.2	0.0	0.0[d/]
Exchange rates (*nominal*)					
Euro (*US$ per currency unit*)		1.067	0.924	0.895	0.874
Japanese yen (*currency units per US$*)		113.9	107.8	121.5	131.2
Pound sterling (*US$ per currency unit*)		1.618	1.516	1.440	1.417
Trade in goods and services volumes (*percentage change*)					
World		5.3	12.4	(0.2)	2.5
Exports	Advanced economies	5.2	11.7	(1.3)	0.9
	Major advanced economies (G7)	4.0	11.1	(1.5)	(0.5)
	Developing countries	4.3	15.0	3.0	4.8
Imports	Advanced economies	7.8	11.6	(1.5)	2.1
	Major advanced economies (G7)	7.8	11.6	(1.2)	1.1
	Developing countries	1.3	16.0	2.9	6.4
Terms of trade	Advanced economies	(0.1)	(2.2)	0.2	0.9
	Major advanced economies (G7)	(0.1)	(2.8)	0.6	1.1
	Developing countries	7.0	(2.8)	(1.6)	(1.2)

Source: IMF, *World Economic Outlook, April 2002.*

Note: Parentheses ( ) indicate a negative figure.

a/ Estimates.

b/ ESCWA figures. See chapter II, table 2.

c/ Annual rates are period averages.

d/ March 2002.

C. Inflation

Inflation rates generally remained under control in 2001, mainly because of prevailing global recessionary conditions. In the advanced economies as a group inflation declined negligibly from 2.3 per cent in 2000 to 2.2 per cent in 2001. In the United States the decline was more obvious as inflation in consumer prices fell from 3.4 per cent in 2000 to 2.8 per cent in 2001. In Japan, the prevailing recessionary conditions sustained the deflationary environment. Deflationary conditions in Japan improved by a negligible amount, from minus 0.8 per cent in 2000 to minus 0.7 per cent in 2001. In developing countries as a group, inflation also decreased in 2001, in line with the decline in world aggregate demand. Inflation rates in developing countries declined from 6.1 per cent in 2000 to 5.7 per cent in 2001. They declined in Africa, central and eastern Europe and the western hemisphere from 14.2, 12.8, and 8.1 per cent, respectively, in 2000 to 12.6, 9.6, and 6.4 per cent, respectively, in 2001 (see table 1).

D. Developments in the international financial markets

1. *Interest rates*

In order to combat the recessionary conditions prevailing in 2001, developed countries adopted expansionary monetary policies. Such policies usually target short-term interest rates in order to stimulate investment spending and, subsequently, boost domestic demand. As a result, short-term interest rates in developing economies declined from 4.5 per cent in 2000 to 3.2 per cent in 2001. The decline was most notable in the United States financial markets, where short-term interest rates went down from 6 per cent in 2000 to 3.5 per cent in 2001. In Japan, the monetary authorities raised the interest rate from 0.0 per cent in 1999 to 0.2 per cent in 2000, in the belief that the country's economic situation was improving. However, in 2001 they were obliged to push the rate back down to 0.0 per cent, in view of the direct and indirect impact of the global recession on the Japanese economy (see table 1).

2. *Exchange rates*

The dollar continued to gain strength against the euro and the pound sterling in 2001. The dollar strengthened against the euro going from 0.924 dollars per euro in 2000 to 0.874 dollars per euro in 2001. The dollar also gained against the pound sterling going from 1.516 dollars per pound sterling in 2000 to 1.440 dollars per pound sterling in 2001. With the improvement in the performance of the Japanese economy during 2000, the yen appreciated in value against the dollar, rising to 107.8 in 2000 from 113.9 in 1999. However, with the deterioration in the Japanese economy in 2001, the yen depreciated substantially against the dollar and the exchange rate fell to 121.5 yen per dollar (see table 1).

E. Developments in the external sector

World trade

After increasing by 12.4 per cent in 2000, the world trade volume of goods and services declined by 0.2 per cent in 2001. This decline was a direct result of the world recession that started in the middle of 2000 and continued well into 2001. Moreover, the global trade in goods and services was severely affected by the events of 11 September in the United States. As a result, the volume of exports of the advanced and major advanced economies declined by 1.3 and 1.5 per cent, respectively, in 2001 following a marked increase of 11.7 per cent and 11.1 per cent, respectively, in 2000. Imports were also adversely affected and there was a decline in import levels of advanced and major advanced economies, of 1.5 per cent and 1.2 per cent, respectively, in 2001 after a substantial increase of 11.6 per cent for both groups in 2000. The volume of exports of goods and services in developing countries increased by just 3 per cent in 2001, a notable decline from the 15 per cent increase registered in 2000. Moreover, imports to those countries increased by just 2.9

per cent in 2001. This increase is substantially less than the 16 per cent increase witnessed in 2000 (see table 1).

F. IMPLICATIONS FOR THE ESCWA REGION

The economies of most ESCWA member countries are reliant on oil revenues and have a large services sector in which tourism is the main earner of foreign exchange. Therefore, the slowdown in the world economy following the events of 11 September had an adverse effect on the economy of the region as a whole. The fall in global demand for oil depressed prices and revenues. The world environment has become less conducive to tourism and, consequently, the flow of tourists to the region has been substantially reduced. Moreover, as most national currencies are pegged to dollar, the appreciation in the value of the dollar against major world currencies has raised the relative value of local currencies and made export prices unattractive. However, the region may gain from the anticipated rebound of demand for oil and the return of Arab capital from abroad.

II. AGGREGATE ECONOMIC PERFORMANCE

A. Economic growth and reform policies

Economic growth in the ESCWA region was relatively meagre in 2001. Estimates indicate that the combined real GDP of ESCWA member countries, excluding Iraq, grew by 2.1 per cent (see table 2 and chart 1). This represents a substantial decline from the 4.5 per cent growth registered in 2000. Furthermore, when the annual regional population growth rate of 2.4 per cent is taken into consideration it becomes clear that the growth rate of real GDP per capita fell from 2.1 per cent in 2000 to minus 0.3 per cent in 2001.

Table 2. Real GDP growth rates in the ESCWA region (at constant 1998 prices), 1999-2002
(Millions of US dollars)

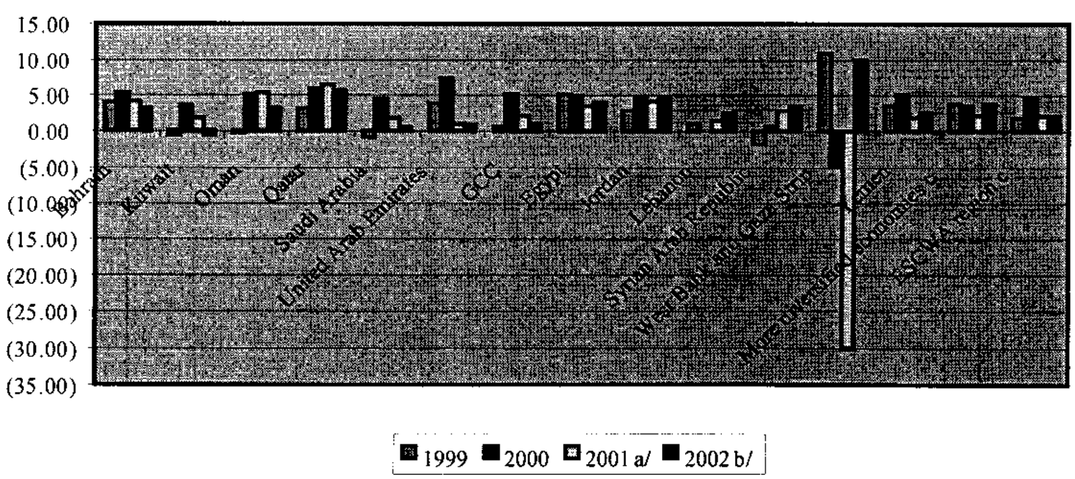
						Percentage change			
Country/area	1998	1999	2000	2001a/	2002b/	1999	2000	2001a/	2002b/
Bahrain	6 184.0	6 431.4	6 765.8	7 050.0	7 275.6	4.00	5.20	4.20	3.20
Kuwait	25 401.0	25 248.6	26 157.5a/	26 602.2	26 442.6	(0.60)	3.60a/	1.70	(0.60)
Oman	14 086.0	14 057.8	14 774.8	15 557.8	16 071.2	(0.20)	5.10	5.30	3.30
Qatar	10 255.0	10 582.1	11 195.9	11 912.4	12 567.6	3.19	5.80a/	6.40	5.50
Saudi Arabia	128 492.0	127 464.1	133 199.9	135 464.3	136 141.7	(0.80)	4.50	1.70	0.50
United Arab Emirates	48 500.0	50 410.9	54 116.1	54 619.4	55 056.3	3.94	7.35	0.93	0.80
GCC countries	232 918.0	234 194.9	246 210.1	251 206.2	253 555.0	0.55	5.13	2.03	0.94
Egypt	82 710.0	86 928.2	91 187.7	94 379.3	98 154.4	5.10	4.90	3.50	4.00
Jordan	7 959.0	8 181.9	8 574.6	8 934.7	9 336.8	2.80	4.80	4.20	4.50
Lebanon	16 168.0	16 329.7	16 329.7	16 558.3	16 972.3	1.00	0.00	1.40	2.50
Syrian Arab Republic	16 043.0	15 754.2	15 848.8	16 292.5	16 862.8	(1.80)	0.60	2.80	3.50
West Bank and Gaza Strip	4 170.0	4 625.8	4 399.6	3 079.7	3 387.7	10.93	(4.89)	(30.00)	10.00
Yemen	6 251.0	6 475.4	6 807.0	6 926.8	7 099.9	3.59	5.12	1.76	2.50
More diversified economiesc/	133 301.0	138 295.2	143 147.2	146 171.2	151 813.8	3.75	3.51	2.11	3.86
ESCWA regionc/	366 219.0	372 490.0	389 357.3	397 377.4	405 368.8	1.71	4.53	2.06	2.01

Source: ESCWA, based on national and international sources.

Note: Parentheses ( ) indicate a negative figure.

a/ ESCWA estimates.
b/ ESCWA projections.
c/ Excluding Iraq, owing to the unavailability of reliable data.

Chart 1. Real GDP growth rates in the ESCWA region, 1999-2002



Notes: Chart I is based on table 2 of the present publication.
Parentheses ( ) indicate a negative figure.

a/ ESCWA estimates.
b/ ESCWA projections.
c/ Excluding Iraq, owing to the unavailability of reliable data.

For the most part, the considerable deterioration in the overall economic situation in the ESCWA region during 2001 can be attributed to the rapid slowdown in world economic growth. This had a direct adverse impact on demand for oil, which is the main contributor to GDP and exports in the region. The situation was exacerbated by the events of 11 September, which had an adverse impact on non-oil sectors in the region and, in particular, tourism and transport. The violence in the West Bank and Gaza Strip had a negative impact on FDI, on which the region is increasingly dependent for its economic growth and development objectives.

In 2001, there was little difference between the real GDP growth rates of the GCC group of countries and the group of ESCWA member countries with more diversified economies. Estimates indicate that in 2001, the combined real GDP growth rate of the GCC group of countries was 2 per cent, while that of the group of countries with more diversified economies was 2.1 per cent. However, there were significant variations in the real GDP growth rates of different countries. Oman and Qatar are the only GCC countries estimated to have achieved a higher growth rate in 2001 than in 2000, while the Syrian Arab Republic and Lebanon are the only member countries with more diversified economies that achieved higher growth rates in 2001 than in the previous year. Economic growth in all other member countries was lower in 2001 than in 2000.

The most decisive contributing factor to the deceleration of economic growth in the majority of ESCWA member countries in 2001 was the weakening of the international oil market, which significantly reduced oil prices and revenue. The situation was the reverse of that in 2000, because both oil prices and production declined. The direct and indirect impact of the poor performance of the oil sector was most evident in the GCC countries where oil has accounted for more than 35 per cent of GDP, 75 per cent of Government revenue and 85 per cent of exports for a number of years. For the GCC countries as a group, real GDP growth is estimated to have declined from 5.1 per cent in 2000 to 2 per cent in 2001.

Nevertheless, the non-oil sectors performed well in the GCC countries and served to counteract the negative growth registered by the oil sector, with the result that overall GDP growth in those countries was positive in 2001. They had an excellent year in 2000, in particular with regard to oil revenue. Government budgets for 2001 were therefore expansionary and this enhanced the growth of the non-oil sectors. Moreover, the economic reform and liberalization policies pursued in the GCC countries promoted economic growth. The economic diversification of recent years also had a positive effect on overall economic conditions during 2001.

Estimates indicate that in 2001, Qatar and Oman registered the highest economic growth rates of the GCC countries, while the United Arab Emirates registered the lowest.

In Qatar, the real GDP growth rate is estimated at a healthy 6.4 per cent for 2001, the highest for any GCC or other ESCWA member country. This high growth rate represents a continuous improvement over the 2000 rate of 5.8 per cent and the 1999 rate of 3.2 per cent. Qatar increased oil production in 2001 by an estimated 5.1 per cent, averaging 681,000 barrels per day (b/d), close to its full productive capacity. Production of liquefied natural gas (LNG) was also significantly increased. Heavy expenditure on infrastructure and industrial projects contributed to promoting the non-oil and gas sectors.

Estimates indicate that, after Qatar, Oman had the highest real GDP growth rate of all ESCWA member countries, at 5.3 per cent. In 2001, the GDP growth rate was slightly higher than the 2000 rate of 5.1 per cent, and significantly better than the minus 0.2 per cent registered in 1999. Oman increased oil production in 2001 by an estimated 0.5 per cent to 960,000 b/d. Its economy also derived considerable benefit from the production and export of LNG. The LNG plant that was completed in 2000 produced its full capacity of 6.6 million tons and the output was exported to India, Japan and Korea under long-term contracts signed previously. Among the GCC countries, Oman was one of the most active in promoting economic reform and liberalization and attracting FDI.

The economy of Bahrain is far more diversified than those of the other GCC countries. While the role of the oil sector is important, it does not dominate the economy and the impact of the deteriorating international oil markets is less severe. Real GDP in Bahrain grew by an estimated 4.2 per cent in 2001. Although this is less than the 2000 growth rate of 5.2 per cent, it represents an improvement on the 1999 level of 4.0 per cent and is the third highest growth rate achieved by any GCC or other ESCWA member country. While oil production remained at its annual average level of some 181,000 b/d, the non-oil sectors were invigorated by higher expenditure, made possible by the high oil revenues earned in 2000 and the first part of 2001. The construction and tourism sectors performed particularly well in 2001. Moreover, Bahrain continued to benefit from the willingness of other GCC countries to provide budgetary assistance, used to implement construction and industrial projects and generate employment opportunities.

In 2000, real GDP in Kuwait grew by 3.6 per cent. For the most part, this was the result of a 5.9 per cent increase in oil production during that year. Real GDP growth in 2001 is estimated at 1.7 per cent. Oil production in Kuwait increased by an estimated 2.9 per cent in 2001 to 2.04 million barrels per day (m/b/d). While growth in the non-oil sectors accelerated in 2001, it remained relatively modest at an estimated 1.6 per cent. Actual Government expenditure during the fiscal year 2000/2001 was significantly less than planned. Kuwait has been comparatively slow in implementing economic reform and liberalization policies.

Real GDP growth in Saudi Arabia for 2001 is estimated at 1.7 per cent, significantly lower than the 4.5 per cent growth rate achieved in 2000. The major contributing factor to this decline was the deterioration in the performance of the oil sector. While oil production increased by 7 per cent in 2000, estimates indicate that it declined by 1.6 per cent in 2001 to 8 m/b/d. Whereas in 2000 increased oil production was accompanied by rising oil prices, the reverse was true in 2001 when production and prices were lower. However, the rapid increase in oil revenue in 2000 and the desire of the Government to promote economic growth and increase employment opportunities for nationals encouraged it to increase expenditure significantly in 2001, with the result that the non-oil sectors continued to grow at an accelerated pace. They grew by 1.2 per cent in 1998, 2 per cent in 1999, 2.5 per cent in 2000 and are provisionally assumed to have grown by 3.2 per cent in 2001. The private non-oil sector in 2001 also benefited from the economic liberalization policies pursued by the Government and, also, from lower interest rates. Furthermore, the banking sector benefited from Saudi Arabian capital repatriated from the United States following the events of 11 September. Estimates indicate that some US$ 6 billion were repatriated from the United States in the last four months of 2001.[3]

Although the United Arab Emirates registered a solid 7.4 per cent real GDP growth rate in 2000, the estimated rate in 2001 has declined to just 0.9 per cent. Because it strictly adheres to the Organization of Petroleum Exporting Countries (OPEC) quota reduction agreements, United Arab Emirates oil production was reduced in 2001 by an estimated 2.2 per cent to an average of 2.13 m/b/d. However, continued heavy spending on construction and infrastructure projects and a generally buoyant non-oil sector prevented an even greater decline in the overall growth rate during 2001.

Estimates for the ESCWA member countries with more diversified economies, excluding Iraq, indicate that their combined real GDP grew by 2.1 per cent in 2001. This is a significantly lower rate than the 3.5 per cent and 3.8 per cent registered in 2000 and 1999, respectively. Real GDP growth rate estimates for 2001 vary widely among the countries in this group, ranging from 4.2 per cent in Jordan to 1.4 per cent in

[3] Saudi Arabian investment abroad is estimated at US$ 600 billion. If just 10 per cent of that amount were repatriated it would have a major positive impact on the Saudi Arabian economy and, possibly the region as a whole.

Lebanon. Estimates suggest that real GDP declined by a devastating 30 per cent in the West Bank and Gaza Strip.

Real GDP growth rate in Egypt declined from 5.1 per cent in 1999 to 4.9 per cent in 2000 and is provisionally estimated to have declined further to 3.5 per cent in 2001. The privatization programme lost momentum, the tourism sector weakened, financial sector reform was delayed, the national currency was over-valued and tight liquidity and high interest rates contributed to a slowdown in economic growth in 2000 and the first half of 2001. By the end of 2000, a total of 187 public sector companies had been privatized. The Government intended to privatize a further 49 companies in 2001 and the remaining 78 in the fiscal year 2002/2003. However, by the end of September only three additional companies had been privatized.[4] Some 2.5 million tourists visited Egypt during the first half of 2001, down some 6 per cent from the same period in the previous year. The decline in tourism can be attributed to the conflict in the West Bank and Gaza Strip and an over-valued national currency. Although the policy of tying the national currency to the United States dollar helped to achieve a low rate of inflation, economic factors including GDP growth and international reserves remain in a state of constant flux and a flexible exchange rate is necessary. Furthermore, as a country increases its economic openness to the world and to the financial markets with which it interacts, a flexible exchange policy is appropriate. Some 80 per cent of developing countries pursue a variety of flexible exchange rate policies. The Central Bank of Egypt devalued the Egyptian pound (LE) several times during 2001. The devaluation of 5 August 2000 brought the exchange rate to US$ 1 = LE 4.15 and broadened the trading bands for the Egyptian pound to plus or minus 3 per cent.[5] The 6 per cent devaluation in August was the third and most aggressive devaluation since Egypt introduced its "managed peg" currency regime in January 2001. Moreover, since mid-June 2001, Egypt has passed a new mortgage law, signed a trade partnership agreement with the European Union (EU) and successfully issued its first eurobonds.

Just as signs were beginning to appear that the overall economic situation was improving, the repercussions of the events of 11 September hit Egypt with a damaging effect on its economy. A report presented to the Prime Minister showed that the events of 11 September had had a negative impact on the country's foreign exchange earnings, with losses estimated at a total of US$ 2.48 billion. This figure includes losses of US$ 1.63 billion in the tourism sector, US$ 433 million in the air and marine transport sector, US$ 184 million in lost Suez Canal fees and losses of US$ 180 million in the net return on Egyptian investments abroad. In addition, a decline of 25 per cent in exports of clothes and textiles to the United States and Europe because of reduced demand was anticipated.[6] The events of 11 September had a negative impact on economic growth in Egypt in 2001 and exacerbated the unemployment problem. The tourism sector, in which 2.2 million Egyptians are employed either directly or indirectly, was dealt the heaviest blow.

In Jordan, real GDP grew by 2.8 and 4.8 per cent in 1999 and 2000, respectively, and by 4.2 per cent in 2001.[7] Government officials explained the relatively adequate level of 4.2 per cent real GDP growth in 2001 by indicating that setbacks caused by a decline in the tourism sector during the fourth quarter of the year were more than negated by significant growth in other important sectors. The mining and quarrying sector turned negative growth of 1.3 per cent in 2000 to 4.1 per cent positive growth in 2001. Similarly, the construction sector, which grew by a modest 1.9 per cent in 2000, registered a remarkable 11.1 per cent growth in 2001.[8] On the other hand, the Wholesale and Retail Trade, Restaurants and Hotels (WRTRH)

[4] The revenues from the 190 companies and factories privatized amounted to LE 16.17 billion.

[5] Egypt had previously fixed the exchange rate at US$ 1 = LE 3.39, shrugging off complaints that this damaged export competitiveness, depleted foreign exchange reserves and exacerbated the tight liquidity situation.

[6] See www.ahram.org.eg, 2 November 2001.

[7] Official data obtained by an ESCWA staff member during a mission to Jordan in March 2002.

[8] Ibid.

activities that registered an 8.6 per cent growth in 2000 recorded a lower growth rate of 4.4 per cent in 2001. On a quarterly comparison, the drastic decline in WRTRH activities can be seen when comparing growth registered in the fourth quarter of 2001, which was a meagre 0.1 per cent, with growth of 13 per cent in the fourth quarter of the preceding year.[9] For the most part, the steady improvement in economic performance was the result of well-managed monetary and fiscal policies and legislative reforms, which streamlined the tax system, introduced incentives and minimized bureaucratic procedures.[10] In addition, there was a marked increase in both public and private investment and the qualifying industrial zones (QIZs) proved extremely popular with investors. Admission to the World Trade Organization (WTO) in 1999 encouraged the flow of FDI to Jordan in 2000 and the first half of 2001. However, the events of 11 September had an adverse impact on the performance of the Jordanian economy during the second half of 2001. Tourism, transportation and exports were particularly badly affected.

Jordan is, increasingly, counting on FDI inflows to accelerate economic growth, stimulate exports and generate employment opportunities. The QIZs established in the past few years have enjoyed considerable success. Their products, which are not aimed at the domestic market, enter the United States market free of tax and, also, receive preferential treatment in Europe. Foreign investors, mostly from China, Indonesia, Malaysia and Korea, are attracted to Jordan where they benefit from tax-free access to the United States market. The Jordanian Government is making efforts to expand the current QIZs and investigating the possibility of increasing their number in the country.

In Lebanon, ESCWA estimates indicate that real GDP grew by 1.4 per cent in 2001. While this is an improvement on the 1 per cent growth registered in 1999 and the zero economic growth of 2000, it is considerably lower than the 3 to 4 per cent originally envisaged by the Government at the start of the year. For the most part, the small improvement that did take place in 2001 can be attributed to growth in the services sectors and, in particular, tourism, banking, industry and construction. The Lebanese economy benefited from the recent decrease in social security fees, the modernization of the Port of Beirut, reduced restrictions on investment by foreigners in real estate, the reduction of custom tariffs and the "open skies" policies implemented towards the end of 2000. Although the events of 11 September led to the postponement of the Ninth Francophone Summit, scheduled for October 2001, until 2002, the indications are that the tourism sector performed well in 2001 and that the number of tourists, particularly those from GCC countries, increased. However, faster economic growth was hindered by high debt ratios and interest rates. The fact that interest rates were kept high despite the falling value of the United States dollar, to which the Lebanese pound is tied, continued to burden the economy. The Government should consider accelerating the privatization process at the earliest opportunity as this would lead to an immediate and significant reduction of public debt and the budget deficit. It would also reduce the huge Government wage bill, lower interest rates, further promote the role of the private sector, increase efficiency and encourage the inflow of portfolio and FDI. The Government is seeking to restrict borrowing at high interest rates and increase funding from international funding agencies and friendly creditor countries.

Real GDP in the Syrian Arab Republic grew by an estimated 2.8 per cent in 2001. This represents a significant improvement over the 0.6 per cent growth registered in 2000 and the negative growth of 1.8 per cent recorded in 1999. This accelerated economic growth can be attributed to increased Government expenditure, a rise in agricultural output and steady growth in the tourism sector. The Syrian Government used the increased oil revenue of 2000 and early 2001 in order to promote economic growth and increase employment opportunities. The agricultural sector benefited from higher rainfall after the drought of 1999.[11]

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[9] Ibid.

[10] The Central Bank of Jordan reduced interest rates on the Jordanian dinar, in line with the United States Federal Reserve's successive reductions in interest rates on the United States dollar, to which the Jordanian dinar is tied.

[11] The agricultural sector accounts for over 25 per cent of GDP and employs over 30 per cent of the labour force in the Syrian Arab Republic.

The tourism sector, where the number of tourists rose by 6 per cent to some 3.1 million in 2000, enjoyed even higher growth in 2001. It was little affected by the events of 11 September, because a large majority of visitors are from the Arab world and, in particular, from GCC countries. However, the impetus of the wide-ranging economic reform programme launched in the middle of 2000 has slowed. In part, this can be attributed to rising political tensions in the region and, also, to problems in implementing existing legislation. Capital inflow and economic growth and development remain constrained by cumbersome and complex regulatory, legal and bureaucratic structures, all of which require thorough review.

After registering real GDP growth of 3.6 and 5.1 per cent in 1999 and 2000, respectively, Yemen is provisionally estimated to have registered 1.8 per cent growth in 2001. Economic growth in 2001 was not only significantly lower than in the preceding two years but, also, lower than the country's annual population growth rate of 3.5 per cent. Hence, real per capita GDP registered a negative growth rate of 1.7 per cent in 2001 where it had been positive in the preceding two years. Oil production, which accounts for some one third of GDP, increased by 3.1 per cent to 450,000 b/d in 2001. Economic reform and liberalization continued and in early September 2001 the authorities approved a plan to privatize the National Bank of Yemen, a prime State asset. As a result of previously implemented economic reform and liberalization measures and successful trade negotiations, Yemen is expected to join the WTO in 2002.[12] Yemen's real GDP growth rate would have been higher in 2001 had it not been for the adverse impact of the events of 11 September on the tourism and transport sectors.

In 1999, GDP in the West Bank and Gaza Strip grew by a solid 10.9 per cent. However, the Israeli blockade and systematic destruction of the infrastructure since the Palestinian intifada, which began in late September 2000, has led to a sharp reversal of economic and other conditions. Real GDP registered negative growth of 4.9 per cent in 2000 and is provisionally estimated to have recorded negative growth of 30 per cent in 2001. In addition to human losses and damage to infrastructure, the Palestinians have suffered economic losses caused by declines in production, trade, tourism and foreign investment and from lost wages. Estimates indicate that 100,000 Palestinian workers lost their jobs in Israel and Israeli settlements and industrial zones and a further 80,000 lost their jobs in the West Bank and Gaza Strip because of Israeli economic blockades, which restrict the flow of exports and imports to the occupied Palestinian territories. Palestinian economic losses during the period September 2000 to October 2001 amount to an estimated US$ 6.8 billion.

Estimates indicate that real GDP in Iraq registered significant negative growth in 2001, largely because oil production declined by some 17.7 per cent compared to the previous year. Moreover, the economic sanctions imposed by the United Nations since August 1990 have continued to depress economic conditions in the country.

Box 1. Impact of the events of 11 September on the performance of stock markets in the United States and the ESCWA region in 2001 and 2002

The events of September 11 had a direct impact on stock markets in the United States and the ESCWA region. In the United States, the NASDAQ, the Dow Jones Industrial Average (DJIA) and the Standard and Poors index (S&P) plunged by 16.05, 14.26, and 11.60 per cent, respectively, during the week 17-21 September.[a] Although they recuperated some of those losses, the DJIA decreased by 7.09 per cent, the NASDAQ by 21.05 per cent and the S&P 500 by 13.04 per cent in 2001 for the year as a whole. This situation created a temporary outflow of capital from the American market. It was anticipated that a substantial amount of Arab capital invested abroad would return to national markets in ESCWA member countries. However, the war on terrorism led by the United States after the events of 11 September and the possibility that some countries in the Middle East might be targets served to limit the influx of capital into the region.

[12] Yemen will be the eighth ESCWA member country to join the WTO. Bahrain, Jordan, Kuwait, Oman, Qatar and United Arab Emirates are already members.

Box 1 (*continued*)

The impact of the events of 11 September on different countries in the ESCWA region was varied, although the adverse effects were generally limited to the immediate aftermath of the attacks. The degree to which the various markets of the region were affected differed according to the financial depth of their money markets, the number and size of companies listed in their stock markets and the monetary and fiscal policies adopted by their Governments (see table, below).

TABLE. UNITED STATES AND ESCWA MEMBERS STOCK MARKET INDICES, 2001-2002
(*Percentage change*)

	Week 9-14 September	Week 17-21 September		1 Jan. - 10 May
Market	2001	2001	2001	2002
DJIA	0.00	(14.26)	(7.09)	(0.81)
NASDAQ	0.45	(16.05)	(21.05)	(17.92)
S&P 500	0.62	(11.60)	(13.04)	(8.11)
Bahrain (BSE)	(3.46)	(2.12)	(2.45)	3.55
Egypt (EFGI)	(5.27)	(6.03)	(37.95)	1.52
Jordan (ASE)	1.60	(4.95)	29.82	(2.29)
Kuwait (KSE)	(0.74)	(4.98)	26.80	18.61
Lebanon (BSI)	(6.73)	0.22	(26.67)	(4.31)
West Bank and Gaza Strip (Al-Quds)	(2.83)	2.76	(6.08)	(15.56)
Oman (MSM)	0.54	(1.89)	(24.41)	15.74
Qatar (DSI)	0.95	(1.70)	37.21	11.56
Saudi Arabia (NCFEI)	(4.26)	(2.33)	8.03	18.53
United Arab Emirates (NBAD)	1.33	(0.20)	28.38	2.29

Some markets in the region were not directly affected by the events of 11 September or were less affected than others. The impact was attenuated in Oman, where small retail investors control the market. The expansionary monetary policy pursued in Qatar and the expansionary fiscal policy pursued in the United Arab Emirates reduced the impact on those countries. In Lebanon, the small size of the market and the domination of Solidere stocks meant that the repercussions were less, while the factor directly affecting the stock market of the West Bank and Gaza Strip was the violence that flared there.

The performance of stock markets in the ESCWA region varied significantly for the year 2001 as a whole. Those of Egypt, Lebanon and Oman witnessed a considerable decline of 37.95 per cent, 26.67 per cent and 24.41 per cent, respectively, while those of Qatar, Jordan, the United Arab Emirates and Kuwait increased substantially, by 37.21 per cent, 29.82 per cent, 28.38 per cent and 26.80 per cent, respectively. The Bahraini and Palestinian stock markets both declined, by 2.45 and 6.08 per cent, respectively, while the Saudi Arabian stock market increased by a modest 8.03 per cent. When compared to the performance of the major indices of United States stock markets, a number of ESCWA markets offered very lucrative investment opportunities, which could enhance the influx of Arab capital back into the region.

Stock markets in all ESCWA members witnessed positive growth during the period from 1 January to 10 May 2002, with the exception of Jordan, Lebanon and the West Bank and Gaza Strip where market indices fell by 2.29, 4.31, and 15.56 per cent, respectively, due to the escalation of violence in the West Bank and Gaza Strip and the speculation that the violence might expand into Lebanon and the Syrian Arab Republic.

Sources: Jordan Investment Trust Plc. *Weekly Review and Analysis*, vol. I, Nos. 11 and 12, and vol. II, No. 16; www.shuaacapital.com; and www.bloomberg.com.

a/ United States markets were closed from 11 to 13 September 2001.

B. Oil prices and production levels: implications for the ESCWA region

Developments in the international oil market have considerable economic implications for the region. Of the 13 ESCWA members only three, namely, Jordan, Lebanon and the West Bank and Gaza Strip are not oil exporters. The performance of the oil sector has a significant impact on Government revenue and expenditure, budgetary positions, exports, economic growth, employment opportunities, intraregional trade, tourism, banking and expatriate remittances.

The performance of the oil sector in the ESCWA region was poor in 2001, largely because of the reduced demand for oil on international markets caused by lower world economic growth. After an exceptionally high growth rate of 4.7 per cent in 2000, the IMF has provisionally estimated that world economic output in 2001 grew at just half that rate, namely, 2.4 per cent. Other estimates set world economic growth in 2001 even lower, at slightly in excess of 1 per cent. Reduced international demand for oil served to depress oil prices, production and revenue in the ESCWA region. Estimates indicate that in 2001, world oil prices declined by 16.2 per cent, while oil production in the region fell by 3.3 per cent. As a result, oil revenue fell by some 22.4 per cent from the previous year.

The monthly average price of the OPEC crude oil basket started the year at US$ 24.1/barrel (b) in January, increased to a monthly peak of the year at US$ 26.3/b in May, before declining to its lowest monthly level in 2001 in December when it averaged US$17.6/b (see table 3 and chart 2). Nevertheless, the annual average price of the OPEC crude oil basket was US$ 23.1/b in 2001, or US$ 4.5/b lower than the average price of US$ 27.6/b in 2000 (see table 3 and chart 3). However, the average OPEC oil price had increased from US$ 12.28/b in 1998 to US$ 17.47/b in 1999 and US$ 27.6/b in 2000 before its decline in 2001. In 2001, the price was still at its second highest annual average level since 1986.

In an attempt to prevent a decline in oil prices, OPEC members, including those in the ESCWA region,[13] announced and implemented reductions in production quotas three times during 2001. The events of September 11 and their aftermath intensified the world economic slowdown and exacerbated the decline in demand for oil. The OPEC oil price mechanism had called for the reduction of oil output by 500,000b/d if the price of the OPEC basket remained below a minimum of US$ 22/b for 10 continuous days, and for output to be increased by the same amount if the price was in excess of US$ 28/b for 20 continuous days. By the second week of November 2001, OPEC oil prices had averaged below US$ 22/b for more than 35 continuous trading days. Nevertheless, OPEC members decided, on 14 November 2001, to maintain current production levels and only reduce their combined production quota by another 1.5 m/b/d with effect from January 2002, on condition that major non-OPEC oil producers agreed to reduce their combined oil production by 500,000 b/d. After three production quota reductions of a total of 3.5 m/b/d that took effect on 1 February, 1 April, and 1 September 2001 and given a 4.5 m/b/d excess production capacity, OPEC members were no longer willing to support oil prices without some assistance from major non-OPEC oil exporting countries.[14]

Oil production in the ESCWA region is provisionally estimated to have averaged 18 m/b/d in 2001, a decline of 608,500 b/d from its 2000 level (see table 4 and chart 4). Nevertheless, this output represented more than 26 per cent of total world oil output in 2001. The total oil production of GCC countries is provisionally estimated at 14 m/b/d, representing 77.5 per cent of the regional total. Of those countries, Saudi Arabia and the United Arab Emirates reduced their oil production by 1.6 and 2.2 per cent, respectively, in 2001, while Kuwait and Qatar are estimated to have increased their respective oil production by 2.9 and 5.1 per cent in that same year. Among the group of countries with more diversified economies, Iraq produced 17.7 per cent less oil in 2001 than in 2000, while Yemen increased its oil production by an estimated 3.1 per cent over the same period of time.

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[13] Five of the 11 OPEC members are also ESCWA member countries, namely, Iraq, Kuwait, Qatar, Saudi Arabia and United Arab Emirates. The other six are Algeria, Indonesia, Iran, Libyan Arab Jamahiriya, Nigeria and Venezuela.

[14] The major non-OPEC oil-exporting countries are Russia, Norway, and Mexico, with exports of some 4.3, 3.1, and 1.4 m/b/d, respectively.

TABLE 3. AVERAGE OPEC BASKET CRUDE OIL PRICES, 1997-2002
(US dollars per barrel)

	Price
1997	18.68
1998	12.28
1999	17.47
2000	27.60
2001	23.12
2002[a]	22.00
Percentage change 2000-2001	*(16.24%)*
Percentage change 2001-2002	*(4.83%)*
January 2000	24.60
February 2000	26.80
March 2000	26.70
April 2000	22.90
May 2000	26.90
June 2000	29.10
July 2000	27.90
August 2000	29.10
September 2000	31.50
October 2000	30.40
November 2000	31.20
December 2000	24.10
January 2001	24.10
February 2001	25.40
March 2001	23.70
April 2001	24.40
May 2001	26.30
June 2001	26.10
July 2001	23.70
August 2001	24.50
September 2001	24.30
October 2001	19.60
November 2001	17.70
December 2001	17.60

Chart 2. OPEC basket monthly prices, January 2000 to December 2001

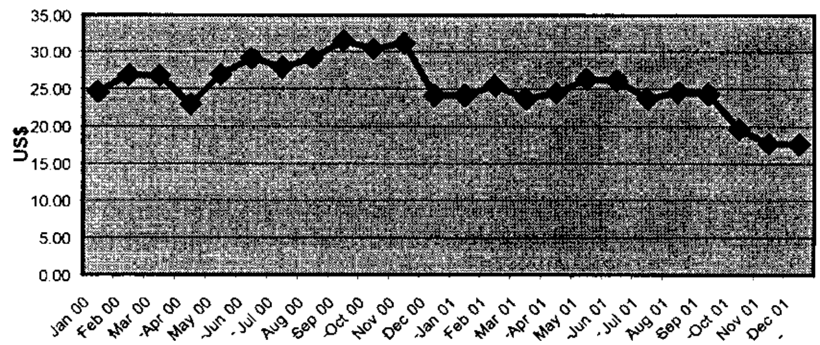
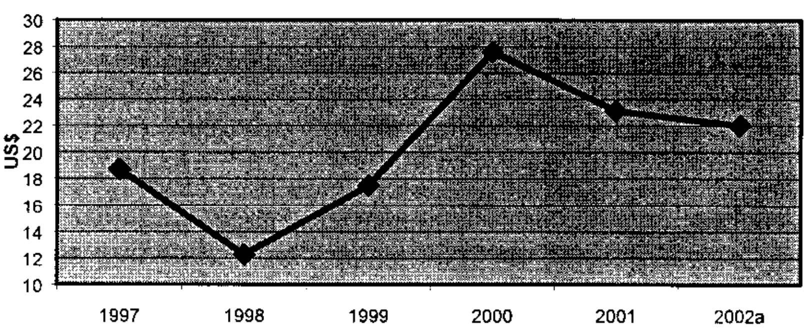


Chart 3. OPEC basket annual prices, 1997-2002



Note: Parentheses ( ) indicate a decrease. Charts II and III are based on table 3 of the present publication.

a/ ESCWA forecast.

TABLE 4. OIL PRODUCTION IN THE ESCWA REGION, OPEC AND THE WORLD, 1997-2001
(Thousands of barrels per day)

Country	1997	1998	1999	2000	2001[a]	Change (2000-2001)	Percentage change (2000-2001)
Bahrain[b]	189.7	182.9	176.4	181.0	181.0	0.0	0.0
Kuwait[c]	2 007.1	2 052.2	1 873.2	1 984.5	2 042.0	57.5	2.9
Oman	904.0	899.4	904.7	954.9	960.0	5.1	0.5
Qatar	406.0	616.9	608.7	648.0	681.0	33.0	5.1
Saudi Arabia[c]	8 011.7	8 280.2	7 564.4	8 094.5	7 961.0	(133.5)	(1.6)
United Arab Emirates	2 160.3	2 244.1	2 048.8	2174.7	2 126.0	(48.7)	(2.2)
GCC countries	13 678.8	14 275.7	13 176.2	14 037.6	13 951.0	(86.6)	(0.6)
Egypt	826.7	809.0	771.0	767.0	755.0	(12.0)	(1.6)
Iraq	1 383.9	2 181.1	2 719.8	2 810.0	2 312.0	(498.0)	(17.7)
Syrian Arab Republic	572.8	572.1	575.4	547.4	522.0	(25.4)	(4.6)
Yemen	362.4	368.7	392.4	436.5	450.0	13.5	3.1
More diversified economies	3 145.8	3 930.9	4 458.6	4 560.9	4 039.0	(521.9)	(11.4)
ESCWA region	16 824.6	18 206.6	17 634.8	18 598.5	17 990.0	(608.5)	(3.3)
OPEC total	25 432.4	27 739.2	26 228.1	27 733.3	27 188.0	(545.3)	(2.0)
World Total	63 717.3	65 596.6	64 493.1	68 039.2	66 735.3	(1 303.9)	(1.9)
ESCWA share of world total	*26.41%*	*27.76%*	*27.34%*	*27.33%*	*26.96%*		

Source: OPEC and ESCWA, based on national and international sources.

Note: Parentheses ( ) Indicate a decline in production.

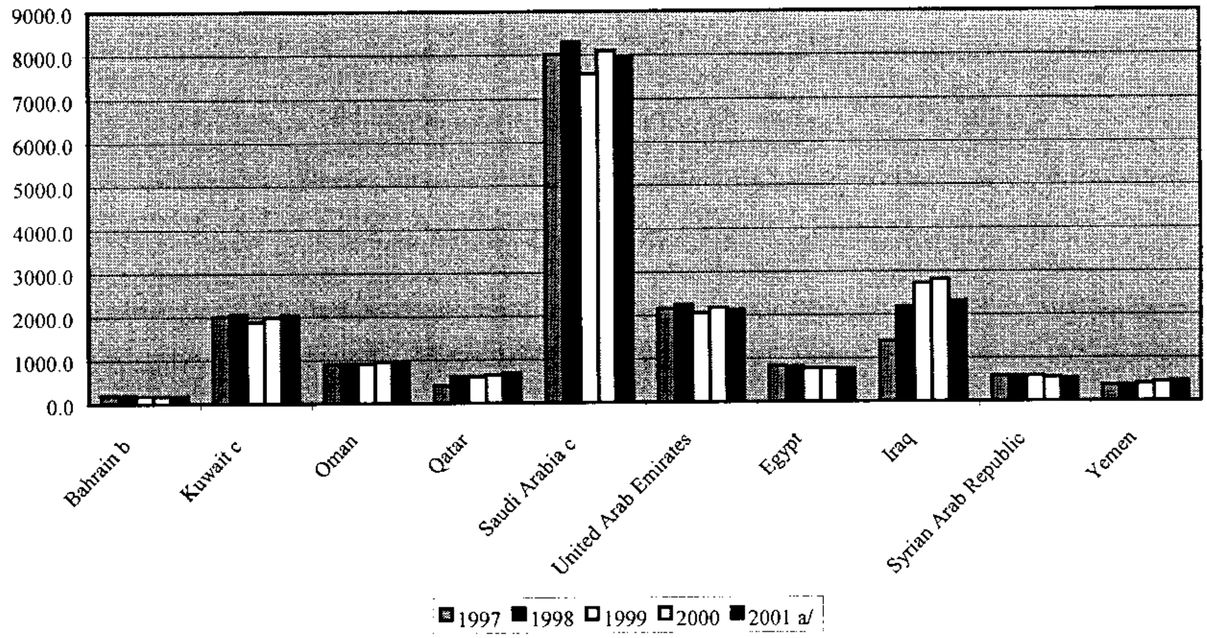
a/ ESCWA estimates.

b/ Including Bahrain's share of the Abu Safa oilfield (140,000 b/d).

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

Chart 4. Oil production in the ESCWA region, 1997-2001

(Billions of US dollars)



Note: Chart IV is based on table 4 of the present publication.

a/ ESCWA estimates.

b/ Including Bahrain's share of the Abu Safa oilfield (140,000 b/d).

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

Total oil revenue in the region increased by 62.5 per cent to US$ 165.63 billion in 2000. It is currently estimated to have declined by US$ 37 billion to US$ 128.6 billion in 2001 (see table 5 and chart 5). Notwithstanding a decline of 22.4 per cent, estimates indicate that oil revenue in the region in 2001 amounted to the second highest annual total since 1982. Combined oil revenue in GCC countries is estimated to be US$ 106.3 billion, accounting for 82.7 per cent of the regional total in 2001. While Saudi Arabia's oil revenue is estimated to have declined by 20.4 per cent in 2001, it remained the largest in the region by far, at US$ 59.4 billion, followed by the United Arab Emirates and Kuwait with US$ 18 billion and US$ 13.2 billion, respectively.

TABLE 5. OIL REVENUES IN THE ESCWA REGION, 1996-2001

(Billions of US dollars)

Country	1996	1997	1998	1999	2000	2001[a/]	Change (2000-2001)	Percentage change (2000-2001)
Bahrain[b/]	1.32	1.20	0.80	1.71	2.59	2.05	(0.54)	(20.85)
Kuwait[c/]	14.13	13.47	8.47	11.08	18.16	13.24	(4.92)	(27.09)
Oman	5.92	5.81	3.72	5.53	8.91	7.50	(1.41)	(15.78)

TABLE 5 (*continued*)

Country	1996	1997	1998	1999	2000	2001[a]	Change (2000-2001)	Percentage change (2000-2001)
Qatar	3.80	4.66	3.11	4.78	7.83	6.16	(1.67)	(21.33)
Saudi Arabia[c]	50.05	48.22	31.98	44.93	74.59	59.37	(15.22)	(20.40)
United Arab Emirates	14.98	15.27	10.26	15.02	26.15	18.00	(8.15)	(31.17)
GCC countries	90.20	88.63	58.34	83.05	138.23	106.32	(31.91)	(23.08)
Egypt	2.23	2.58	1.73	2.56	2.59	1.92	(0.67)	(25.87)
Iraq	0.68	4.59	6.79	12.10	18.15	14.80	(3.35)	(18.46)
Syrian Arab Republic	2.31	1.97	1.32	1.92	2.74	2.16	(0.58)	(21.17)
Yemen	1.89	2.37	1.37	2.30	3.92	3.39	(0.53)	(13.64)
More diversified economies	7.11	11.51	11.21	18.88	27.40	22.27	(5.13)	(18.74)
ESCWA region	97.31	100.14	69.55	101.93	165.63	128.59	(37.04)	(22.36)

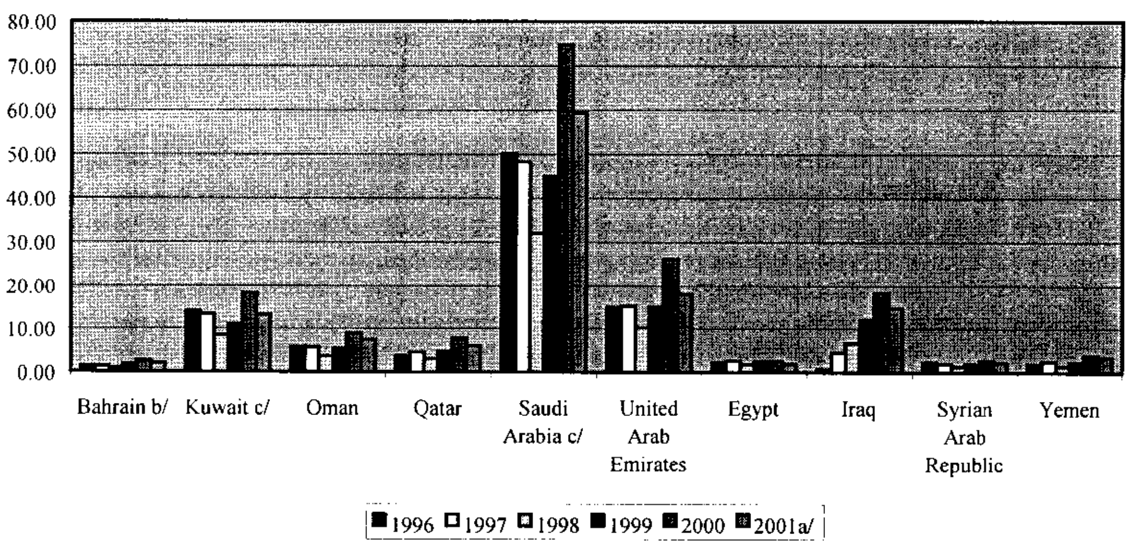
Source: OPEC and ESCWA, based on national and international sources.

Note: Parentheses ( ) indicate a decrease.

a/ ESCWA estimates.
b/ Including Bahrain's share of the Abu Safa oilfield of 140,000 b/d.
c/ Including a 50 per cent share of the Neutral Zone.

Chart 5. Oil revenues in the ESCWA region, 1997-2001

(*Billions of US dollars*)



Note: Chart V is based on table 5 of the present publication.

a/ ESCWA estimates.
b/ Including Bahrain's share of the Abu Safa oilfield of 140,000 b/d.
c/ Including a 50 per cent share of the Neutral Zone.

C. DEVELOPMENTS IN THE LABOUR MARKETS

For most of the ESCWA member countries with more diversified economies, labour market conditions remained generally unfavourable and, in most cases, deteriorated for those seeking work in 2001. Economic growth was not sufficiently high to provide employment opportunities for the unemployed and, also, accommodate the rising number of new entrants to the labour market. The chronic unemployment problem faced by these member countries continues to pose a challenge, given the existing large pool of job seekers. While a number of countries made progress in combating their respective unemployment problems during the first half of 2001, the events of 11 September and their subsequent impact on various sectors, in particular tourism, dealt a serious blow to labour market conditions. The tourism sector is labour-intensive and provides significant employment opportunities for skilled and semi-skilled workers in a number of ESCWA member countries, notably Egypt, Jordan, Lebanon and the Syrian Arab Republic. Developments in the tourism sector in those countries have significant direct and indirect effects on the labour market. Unemployment rates published by official sources in most ESCWA member countries with more diversified economies, while not generally low tend to be some one third lower than estimates made by independent sources. Nevertheless, the Governments of those countries are aware of the problem and its potentially dangerous economic, social and political effects and have adopted specific measures in order to address it. The rate of female participation in the labour force continued to rise modestly during 2001 and remains relatively low in the region. Figures indicating the share of women in the labour force in Egypt, Jordan, Lebanon, the Syrian Arab Republic and Yemen range between 21 and 30 per cent. In the remaining ESCWA member countries their share is even lower, ranging between 11 and 20 per cent. Developments in labour markets in 2001 varied between the GCC group of countries and the group of countries with more diversified economies and, also, between members of both groups.

The population of Egypt grew by 1.3 million in 2000 to reach 66,552 million at the beginning of January 2001. The national population growth rate of 2.1 per cent, while less than the regional annual rate of 2.4 per cent, is considered high and is the reason for large annual increases in the country's labour supply. The labour participation rate in Egypt is 28 per cent. According to official sources, in early 2001 some 1.5 million Egyptian workers out of a labour force of 18.2 million were unemployed, yielding an unemployment rate at that time of 8.24 per cent.[15] Preliminary estimates indicate that some 910,000 job seekers entered the labour market in 2001. Of those new entrants, some 630,000 have intermediate certificates, some 160,000 are graduates of universities and higher institutions and 120,000 dropped out of school. Of the annual additions to the labour force, 40 per cent are female. The country's unemployment problem was aggravated by the events of 11 September and the consequent impact on the tourism industry. Official estimates indicate that towards the end of 2001, Egypt's unemployment rate rose to 9.1 per cent overall and more than 35 per cent for young people under the age of 35.[16] The overall unemployment rate does not reflect the significant differences in the labour situation for men and women. The share of Egyptian women in unemployment is higher than that of men and their share in the total labour force is considerably lower. The 20 per cent unemployment rate for women is some three times higher than the corresponding 7 per cent rate for men.[17] Partly in order to combat unemployment, the Ministry of Finance announced that letters of appointment for jobs in the public sector would be sent to 170,000 graduates before the end of 2001. Since its establishment in 1994, the Social Fund for Development has generated 750,000 employment opportunities for youth and aims to provide an additional 200,000 to 250,000 employment opportunities annually in coming years.[18]

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[15] Egypt's labour force is growing at an annual rate of 2.6 per cent. In the fiscal year 1996/1997, women represented 21.8 per cent (3,762,000) of the total labour force (17,277,000). In the fiscal year 2001/2002, women represented 21.9 per cent (4,306,000) of the total labour force (19,666,000). Information obtained by ESCWA staff member during mission to Egypt in March 2002.

[16] Ibid.

[17] Ibid.

[18] See http://web2.ahram.org.eg/arab/ahram/2001/2/2/ECON5.HTM (in Arabic).

However, the Egyptian economy needs to grow by at least 6 per cent annually in order to accommodate the new entrants to the labour market and decrease existing pool of unemployed workers.

The population of Jordan was 5,000,039 at the start of 2001 and the total labour force registered 1,195,000, yielding a participation rate of 23.9 per cent. The female labour participation rate was just 7.9 per cent, however, compared with 39.9 per cent for males.[19] The number of expatriates in Jordan is estimated to be in the range of 250,000 to 300,000. Most expatriate workers in Jordan are from Egypt, another ESCWA member country. The number of such workers holding official work permits declined from 154,197 in 1999 to 120,000 in 2000 and it is estimated that this number declined further in 2001. Factors contributing to the decline in work permits issued to expatriates include the increased willingness of Jordanians to take jobs previously held only by foreigners. In 1999, the Jordanian Government set a minimum monthly wage of 80 Jordanian dinars (JD) in most sectors.[20] Moreover, the number of professions open only to Jordanians was increased from 15 to 16 in 2000.

The unemployment rate in Jordan is initially estimated at 14.9 per cent at the end of 2001, up from 13.7 per cent in 2000. Unemployment rates are highest among the age group 15-24, regardless of gender. The Jordanian Government's efforts to encourage the employment of Jordanians in place of expatriate workers contributed to preventing the unemployment rate from rising further. Also, additional employment opportunities were provided in the QIZs, where 70 per cent of those employed are Jordanian nationals while the remaining 30 per cent are expatriate workers from a number of countries. Women accounted for 90 per cent of Jordanian workers in QIZs in 2001.[21] Nevertheless, the unemployment rate among women in Jordan as a whole was officially put at 22.2 per cent, significantly higher than the corresponding rate of 13.5 per cent among men.[22] The Jordanian economy was adversely affected by the events of 11 September, particularly with regard to tourism, exports from QIZs and FDI. The declining trend in unemployment in Jordan was, therefore, reversed during the latter part of 2001. Government efforts to replace foreign workers with Jordanian job seekers have intensified.[23]

In Lebanon, slow economic growth over several consecutive years has led to a rise in the unemployment rate, which doubled from 7 per cent in 1996 to 14 per cent in 2000. Unemployment among the age group 15-24 increased to 29.1 per cent in 2000.[24] The preliminary indications are that the overall and the youth unemployment rate increased further in 2001 and that unemployment among both skilled and unskilled workers has risen. Moreover, an increasing number of workers have lost their full-time employment and now work only part-time because of poor labour market and economic conditions and the decision made by many employers, in view of the stiff competition, to reduce labour costs.

Unemployment has been rising steadily in the Syrian Arab Republic over the past few years. Official sources indicate that the overall unemployment rate increased from some 7.2 per cent in 1995 to more than 9.5 per cent in 2000. However, the unemployment situation remains most serious among young people. Official sources indicate that in 1999, the unemployment rate among the age group 15-24 reached an abnormally high level of 72 per cent. Equally alarming is the fact that most of the unemployed are illiterate or have only primary or intermediate education. This group accounted for 82.4 per cent of all unemployed workers in the country in 1999. In order to combat the unemployment problem, particularly among youth

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[19] Official data obtained by an ESCWA staff member during a mission to Jordan in March 2002.

[20] The agriculture sector, which is heavily dependent on foreign labourers, is excluded.

[21] Information obtained by an ESCWA staff member during a mission to Jordan in March 2002.

[22] Ibid.

[23] There are some 320,000 foreign workers in Jordan, of whom less than half hold valid work permits.

[24] *Al-Nahar*, 12 November 2001, p. 13.

and women, in November 2000 the Government began implementing an ambitious employment generation programme that gives highest priority to youth and women and includes training for workers in all sectors and the provision of soft loans to entrepreneurs wishing to start their own small businesses. The objective was to create an additional 50,000 jobs in 2001 and a further 90,000 in 2002, 110,000 in 2003, 120,000 in 2004 and 70,000 in the year ending October 2005. Moreover, the Syrian Government directed the public sector to hire more college graduates and announced that the retirement age of 60 years would be imposed without exception.[25] The Government is also lending support to small-scale industrial projects established by new college graduates.[26] Nevertheless, with a provisional modest estimated 2.8 per cent real GDP growth and relatively high growth in the labour supply that added at least 150,000 job seekers to the labour force in 2001, little progress is believed to have been made in 2001 in the battle against unemployment. Government efforts and the employment generation programme, albeit timely and promising, are no substitutes for a high level of sustainable economic growth. The Syrian economy needs to grow by 6 per cent annually in order to absorb new entrants to the labour market and, at the same time, reduce the large existing pool of unemployed workers.

In Yemen, the official unemployment rate was put at 11.5 per cent in 2000, up from 9.1 per cent in 1999. However, independent sources indicate that the unemployment rate in the country exceeded 23 per cent in 2000. Preliminary estimates indicate that the employment situation deteriorated further in 2001, despite a reasonable real GDP growth rate of 4.5 per cent. A major contributor to real GDP growth in 2001 was the oil sector, which is capital-intensive and does not create substantial employment opportunities for Yemenis. Moreover, the 250,000 new entrants to the labour market in 2001, at a time when the Government has taken a decision not to be the employer of last resort, exacerbated the unemployment problem in Yemen, which is the least developed country in the ESCWA region.

Labour market developments in the West Bank and Gaza Strip were catastrophic in 2001. After a steady decline from more than 20 per cent in 1996 and 1997 to 14.4 per cent in 1998 and 11.8 per cent in 1999, the unemployment rate increased to 14.1 per cent in 2000 and rose dramatically to 35.3 per cent in the second quarter of 2001, according to the Palestinian Central Bureau of Statistics. The violence, the closure of these areas by the Israeli authorities since late September 2000 and the sharp contraction in real GDP have combined to yield a dangerously high unemployment rate, which has caused a sharp increase in the proportion of the population living in poverty and brought poverty to alarmingly high levels.

The nature of the labour market in the GCC countries is different from that in the ESCWA member countries with more diversified economies. In the GCC countries, expatriate workers constitute a major part of the total labour force, ranging from some 33 per cent in Bahrain to almost 90 per cent in the United Arab Emirates. Expatriate workers are employed in a variety of jobs, ranging from relatively poorly paid work requiring minimal skills and education to highly paid professions that require a high degree of advanced technical knowledge and considerable experience. In most cases, GCC nationals refuse to accept poorly-paid manual work requiring minimal skills. However, they often lack the technical skills required for the highly paid professional positions. Over the years, however, increasing numbers of GCC nationals have acquired the education and skills needed for such positions. Population growth rates for nationals of the GCC countries are among the highest in the world, averaging more than 3.5 per cent annually. With an average of some 70 per cent of the population aged less than 30, the population and national labour supply in those countries will continue to grow at relatively high rates for a number of years. The Governments of the GCC countries are aware of the need to create employment opportunities for their nationals. For the most part, they have adopted a two-fold approach to the creation of additional employment opportunities for their nationals, combining a pro-economic growth policy with the substitution of expatriate workers with nationals, where feasible.

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[25] Information obtained by an ESCWA staff member during a mission to the Syrian Arab Republic in March 2002.

[26] Ibid.

In Bahrain, nationals have been replacing expatriate workers at a steady rate and now account for some two thirds of the total labour force of 307,000.[27] The Government has made the employment of nationals a top priority and emphasized economic growth in all sectors of the country's relatively diversified economy. However, unemployment among Bahraini nationals hit a record high of over 9,600 in April 2001. Those registered as unemployed represented 3.1 per cent of the total labour force, an increase from 2.5 per cent at the end of 1999. The authorities must continue to emphasize training in order to enhance the skills of existing workers and the 6,500 new entrants into the labour market each year.

In Kuwait, more than 90 per cent of all nationals in employment work in the public sector, where salaries are higher and benefits greater than in the private sector. In order to encourage Kuwaitis to seek employment in the private sector, the Government decreed, with effect from May 2001, that it would pay Kuwaitis working in the private sector a social allowance equivalent to that paid to employees in the public sector, so providing a substantial subsidy to companies hiring Kuwaitis. The Government also announced a number of employment quotas by which firms must abide. This measure should serve to increase the number of nationals employed in the private sector.

The policy of labour force indigenization has top priority in Saudi Arabia's Seventh Development Plan (2000-2004). It is projected that some 200,000 jobs currently held by expatriate workers will be taken over by Saudi Arabian nationals between 2000 and 2004. The Saudi Arabian Manpower Council has estimated that more than 150,000 nationals will enter the labour market each year during the period covered by the Plan. In September 2000, the Government decreed at least 25 per cent of all employees should be nationals in every establishment employing 20 or more workers. Prior to that decree, 5 per cent had been the acceptable minimum. Nevertheless, the employment situation of nationals appeared to deteriorate further in 2001. For the most part this can be attributed to the significant discrepancy between the education, experience, training and skills of those nationals seeking employment and the requirements for available jobs. While no official data on unemployment exist in Saudi Arabia, a high-level Saudi Arabian official stated that he estimated unemployment in the country to be 20 per cent in 2001. Other independent estimates for that year are lower, at 15 per cent, an increase from the estimate of 14 per cent in 2000. In order to confront structural unemployment, the Government is considering opening additional technical and vocational colleges and institutes, with a view to providing improved training for current and future job seekers. Moreover, the Government is making considerable efforts to provide women with employment opportunities compatible with social mores, in view of the fact that the participation rate of Saudi women in the labour force is a mere 5 per cent. For the most part, this low rate can be attributed to social considerations that make women reluctant to work far from home.

The employment situation for nationals of Oman, Qatar and the United Arab Emirates showed no deterioration in 2001. This is due to the fact that economic growth has remained reasonably strong and, also, that the policy of replacing expatriate workers with nationals, when feasible, continues to be pursued in those countries.

D. INFLATION

All ESCWA member countries, whether in the GCC group or the group of countries with more diversified economies, were able to keep inflation rates low. Provisional estimates indicate that most member countries had inflation rates lower than 3 per cent in 2001 (see table 6 and chart 6).

[27] *The Daily Star*, 30 April 2001, p. 7.

TABLE 6. RATES OF INFLATION IN THE ESCWA REGION, 1998-2001
(*Percentage*)

Country/area	1998	1999	2000	2001[a/]
GCC countries				
Bahrain	(0.4)	(1.3)	(0.7)	1.3
Kuwait	0.2	3.0	1.8	1.7
Oman	(0.5)	0.5	(1.2)	(1.0)
Qatar	2.9	2.2	1.7	2.5
Saudi Arabia	(0.2)	(1.3)	(0.6)	(0.8)
United Arab Emirates	2.0	2.1	1.4	1.2
More diversified economies[b/]				
Egypt	3.8	2.8	2.4	3.0
Jordan	3.1	0.6	0.7	1.8
Lebanon	4.5	0.2	(0.4)	0.2
Syrian Arab Republic	(1.1)	(1.6)	(0.5)	1.0
West Bank and Gaza Strip	5.6	5.5	3.0	1.0
Yemen	6.0	8.7	4.6	11.9

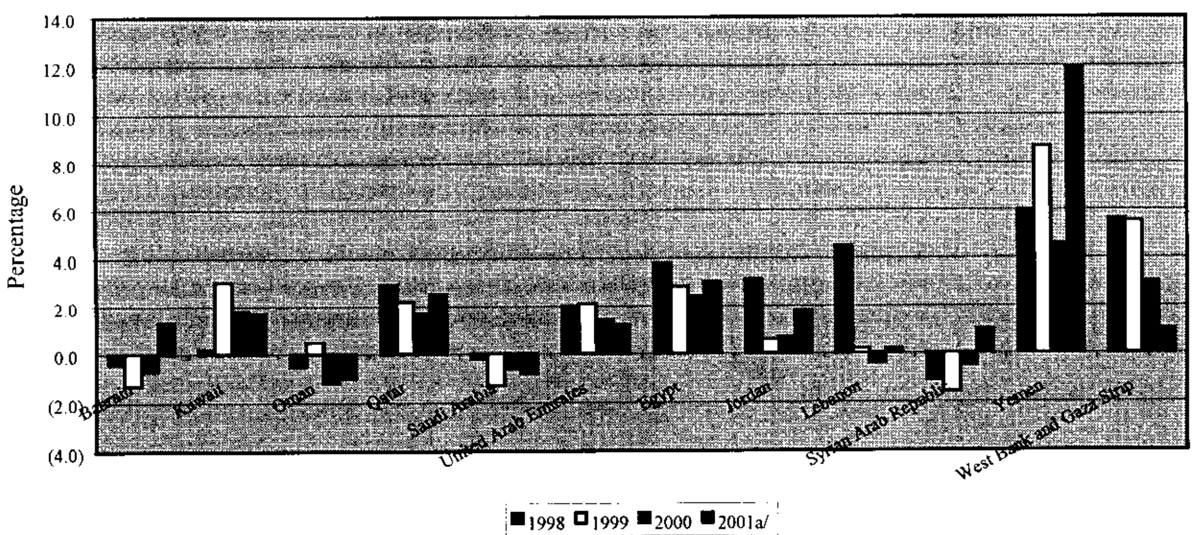
Source: ESCWA, based on national and international sources.

Note: Parentheses ( ) indicate negative inflation (deflation).

a/ ESCWA estimates.

b/ Excluding Iraq, owing to the unavailability of reliable data.

Chart 6. Rates of inflation in the ESCWA region, 1998-2001



Note: Chart VI is based on table 6 of the present publication.

a/ ESCWA estimates.

Estimates for 2001 indicate that inflation rates in GCC countries ranged between negative inflation (deflation) of 1 per cent in Oman and inflation of 2.5 per cent in Qatar. The currencies of all GCC countries are tied to the United States dollar, with the exception of the Kuwaiti dinar (KD), which is tied to a basket of currencies dominated by the dollar. In 2001, all those tied to the dollar appreciated with it against most other currencies, including the euro and the yen. This reduced the cost of imports from Europe, Japan and other trading partners in terms of local currency and contributed to maintaining inflation rates at relatively low levels. Nevertheless, as a direct consequence of considerably higher Government expenditure and private sector consumption, inflation rates are provisionally estimated to have risen slightly in all six GCC countries in 2001.

The inflation rate in Bahrain was negative in 1998, 1999 and 2000 at minus 0.4 per cent, minus 1.3 per cent and minus 0.7 per cent, respectively. However, provisional estimates indicate that the rate increased, albeit modestly, to a positive 1.3 per cent in 2001. The inflation rate in Kuwait was as low as 0.2 per cent in 1998, but rose to 3 per cent in 1999. In 2000, it was 1.8 per cent and estimates indicate that it dropped slightly in 2001 to 1.7 per cent. In Oman, the rate was negative in 1998 at minus 0.5 per cent and positive in 1999 at 0.5 per cent. In 2000, it was again negative, at minus 1.2 per cent. Although increased expenditure and lower interest rates stimulated demand, estimates indicate that the inflation rate in Oman remained negative in 2001, at minus 1 per cent.

The inflation rate in Qatar declined progressively from 2.9 per cent in 1998 to 2.2 per cent in 1999 and 1.7 per cent in 2000. However, it is provisionally estimated that the rate increased to 2.5 per cent in 2001 because of continuing strong economic growth. Although relatively low, this is the highest rate estimated for any GCC countries in the same year. In Saudi Arabia, the inflation rate in 1998, 1999 and 2000 was negative at minus 0.2 per cent, minus 1.3 per cent and minus 0.6 per cent, respectively. Provisional estimates for 2001 put the rate at minus 0.8 per cent, which is the second lowest among the GCC countries. Annual inflation rates in the United Arab Emirates for 1998, 1999 and 2000 were a positive 2.0 per cent, 2.1 per cent and 1.4 per cent, respectively, and the inflation rate is provisionally estimated to have registered 1.2 per cent in 2001.

Inflationary pressures were subdued in most of the countries with more diversified economies. For the most part, this can be attributed to low demand, associated with meagre economic growth. With the exception of Yemen, where inflation is estimated at 11.9 per cent, inflation remained under control with rates ranging between 3 per cent in Egypt and 0.2 per cent in Lebanon.

Estimates indicate that Lebanon had the lowest inflation rate among the ESCWA member countries with more diversified economies. The rate declined from 4.5 per cent in 1998 to 0.2 per cent in 1999 and became negative at minus 0.4 per cent in 2000. Prevailing weak economic conditions, rising unemployment, low aggregate demand, fierce competition in Lebanese markets, sharp reduction in customs tariffs in late 2000 and an over-valued Lebanese currency combined to maintain the inflation rate at negligibly low levels.

The annual inflation rate in Egypt declined from 3.8 per cent in 1998 to 2.8 per cent in 1999 and 2.4 per cent in 2000. However, estimates indicate that it increased to 3 per cent in 2001. The exchange rate of the Egyptian pound against the United States dollar was allowed to depreciate by the Egyptian monetary authorities, from LE 3.69 at the end of December 2000 to LE 4.14 at the end of August 2001 and LE 4.25 at the end of November 2001. In 2001, depreciation by some 15 per cent led to higher import costs and increased the rate of inflation, despite a slowing economy.

In Jordan, inflation rates registered 3.1 per cent, 0.6 per cent and 0.7 per cent in 1998, 1999 and 2000, respectively. However, estimates for 2001 indicate that the inflation rate rose to 1.8 per cent, largely because of the partial removal of subsidies on domestic fuels in July and relatively strong private consumption.

The rate of inflation in the Syrian Arab Republic was negative at 1.1 per cent deflation in 1998, 1.6 per cent deflation in 1999 and 0.5 per cent deflation in 2000. However, estimates indicate that the rate rose to 1 per cent inflation in 2001, largely as the result of increased Government expenditure.

The inflation rate in the West Bank and Gaza Strip declined from 5.6 per cent in 1998 and 5.5 per cent in 1999 to 3 per cent in 2000. Estimates indicate that in 2001 it fell further, to 0.9 per cent, reflecting feeble aggregate demand.

In Yemen, the provisional inflation rate for 2001 was significantly higher at 11.9 per cent than the rate of 4.6 per cent in 2000. This rate was the highest in the region in 2001 and Yemen was the only country in Western Asia with an inflation rate of more than 3 per cent.

Box 2. Currency pegging in the ESCWA region and the impact of devaluation

Most of the 13 ESCWA member countries adopt a fixed exchange rate system, whereby national currencies are pegged against the United States dollar. This policy has contributed to maintaining inflation rates at generally low and acceptable levels. However, in the context of the general rise in the value of the dollar in recent years, national currencies pegged to the dollar also appreciated in terms of the non-pegged currencies. This situation has reduced the competitiveness of the region, had an adverse impact on growth of exports and encouraged imports. In order to maintain the pegged exchange rates, ESCWA member countries such as Egypt, Jordan and Lebanon have had to draw on their international reserves.

TABLE. TYPES OF EXCHANGE RATE SYSTEMS ADOPTED BY SELECTED ESCWA MEMBER COUNTRIES[a/]

Country	Type of exchange rate system
Bahrain	Pegged against the US dollar
Egypt	Managed peg against the US dollar
Jordan	Pegged against the US dollar
Kuwait	Pegged against a basket of currencies, dominated by the US dollar
Lebanon	Managed peg against the US dollar
Oman	Pegged against the US dollar
Qatar	Pegged against the US dollar
Saudi Arabia	Pegged against the US dollar
Syrian Arab Republic	Pegged against the US dollar
United Arab Emirates	Pegged against the US dollar
Yemen	Floating rate, with Government interference at demand peak times

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

The World Bank has persistently recommended the adoption of a floating exchange rate system as a top priority for ESCWA member countries, through devaluation of national currencies with regard to the dollar. The stated advantage of pursuing such a course is that it would lead to an improvement in the balance of trade, as it would decrease the demand for imports, improve exports, stimulate tourism and, thus, put less pressure on national currencies.

Although this is a sound analysis, devaluation of the national currency could cause problems in some countries. Although devaluation would lead to a reduction in the volume of imports, certain conditions limit the export capacity of countries, such as their productive capacity and the elasticity of export demand. Moreover, in certain heavily indebted countries devaluation might exacerbate debt-servicing difficulties. In addition, devaluation leads to accelerated inflation, which has an adverse impact on all segments of society and, in particular, the poor and elderly.

III. MONETARY AND FISCAL DEVELOPMENTS

A. MONETARY DEVELOPMENTS

During the past decade, monetary authorities in the ESCWA region have adopted policies geared towards maintaining monetary expansion at levels supportive to economic stability and growth, in line with the targeted objectives of economic reform programmes. Monetary indicators for ESCWA member countries clearly indicate that domestic monetary authorities have succeeded in maintaining low inflation levels and exchange rate stability, as well as creating an environment supportive of higher levels of savings, investments and economic growth.

The majority of member countries continued their efforts to widen the use of indirect monetary instruments in monetary management policies in order to enhance the efficiency and effectiveness of monetary policy and foster the role of market forces. Such instruments include the use of legal reserve requirements, which are geared towards enhancing the effectiveness of interbank markets, discount rates, Treasury bills and Certificates of Deposits repurchase agreements and swap operations in the Foreign Exchange (Forex) markets.

In recent years, most monetary authorities in the region have also adopted active interest rates policies, which are geared towards maintaining levels of interest rates conducive to investment promotion and debt-service reduction.

1. *Domestic liquidity*

In recent years, monetary expansion growth in the region was restricted within moderate rates supportive to overall monetary stability. The consolidated figures for domestic liquidity in the region indicate that money supply (money plus quasi-money) increased by 5.4 per cent in 2001 compared to 18.64 per cent in 2000 and 9.3 per cent in 1999.

In 2001, monetary expansion rates were moderate in general and ranged from 2.3 per cent in Qatar to 7 per cent in Yemen. In the same year, only two countries recorded figures in excess of 10 per cent, namely, the Syrian Arab Republic (10.9 per cent) and Kuwait (12.2 per cent). Egypt alone recorded a contraction in its money supply, of 7.9 per cent (see table 7).

Over the past three years, a number of ESCWA member countries, such as Bahrain and Kuwait, have witnessed increased liquidity expansion in their domestic markets while a number of others, such as Egypt, Jordan, Lebanon, Qatar, Saudi Arabia, United Arab Emirates and Yemen, experienced lower liquidity expansion in their domestic markets.

The expansion in quasi-money contributed to the greatest part of the increase in domestic liquidity in 2001 in each of Egypt, Jordan, Kuwait, Oman, Qatar and Yemen, with rates close to 97 per cent in Lebanon, 90 per cent in Bahrain and Qatar, 89 per cent in Egypt and 58 per cent in Yemen.

Narrowly-defined money supply contributed to the major bulk of the increase in domestic liquidity during 2001 in each of Saudi Arabia and the Syrian Arab Republic and was close to 62 per cent in the Syrian Arab Republic.

With regard to the major factors affecting domestic liquidity growth, net foreign assets, which were the prime factor behind the observed growth in domestic liquidity in the region in 2000, lost some importance in 2001 because of lower oil prices and the consequent lower performance of the foreign sector.

TABLE 7. MAIN MONETARY INDICATORS IN THE ESCWA REGION, 2000-2001

Country	Domestic liquidity (millions of US dollars)		Monetary expansion (percentage)		Exchange rate against the US dollar		Average interest rate (percentage)		Foreign currency reserves (millions of US dollars)	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Bahrain	5 751	6 133	10.22	6.64	0.3750	0.3750	7.75	4.92	3 942	4 168
Egypt	87 662	80 770	22.28	(7.86)	3.6900	4.4900	10.83	10.79	14 382	14 083
Iraq	..	..	..	..	..	..	..	..	..	..
Jordan	10 486	11 095	10.19	5.81	0.7100	0.7100	7.66	6.02	2 763	2 578
Kuwait	26 745	29 999	6.47	12.17	0.3050	0.3070	7.22	5.53	6 571	9 284
Lebanon	37 143	39 172	9.24	5.46	1 507.50	1 507.50	11.20	10.47	5 895	4 966
Oman	6 252	6 631	6.02	6.06	0.3845	0.3845	8.51	7.50	6 010	5 922
Qatar	9 122	9 333	27.80	2.32	3.6400	3.6400	8.30	7.46	1 192	1 297
Saudi Arabia	83 902	88 087	4.17	4.99	3.7450	3.7500	6.95	4.15	19 586	17 596
Syrian Arab Republic	12 183	13 509	18.96	10.88	46.2500	46.2500	5.00	5.00	1 904	1 984
United Arab Emirates	5 093	53 087	67.09	5.98	3.6725	3.6725	6.89	3.50	3 622	3 855
West Bank and Gaza Strip	..	..	..	..	..	..	..	..	..	..
Yemen	2 837	3 036	20.34	7.00	165.5900	171.2800	14.04	..	2 815	3 589
Total	332 176	340 852	18.84	5.40			8.58	6.53	68 684	69 322

Source: Central banks of the respective ESCWA members.

Notes: Parentheses ( ) indicate a negative figure.
Two dots (..) indicate that data are not available.

The increase in net foreign assets had an expansionary effect on domestic liquidity in countries such as Bahrain, Egypt, Jordan, Kuwait, Qatar, Saudi Arabia and the Syrian Arab Republic whereas it had a contractionary effect on countries such as Lebanon and Oman in 2001.

Domestic credit as a source of expansion in domestic liquidity slowed down in 2001. Net domestic credit dropped in countries like Kuwait, Qatar, Saudi Arabia and Yemen and this had a contractionary effect on domestic liquidity. Growth in net domestic credit was lower in 2001 than in 2000 in each of Bahrain, Egypt and Jordan, while it was relatively higher, although to varying degrees, among other ESCWA member countries.

The shrinking role of domestic credit as a source of expansion in domestic liquidity during 2001 can be attributed to the slowdown observed in net credit to Government, which had a contractionary effect on the growth of domestic liquidity in ESCWA member countries. This could be justified by the ongoing efforts made by the majority of member countries to restore balances in public finances and finance deficits from real resources.

Credit to the private sector experienced growth in almost all ESCWA member countries in 2001, in line with the economic reforms adopted in order to enhance the role of the private sector in the process of growth and development.

These developments in the structure of domestic credit have led to an increase in the share of credit to the private sector in almost all member countries and reached high levels even in countries in which the public sector constitutes a considerable share of the economy, such as Egypt, where the share amounted to 81 per cent in 2001.

In addition, the observed increase in capital accounts and reserves of commercial banks in 2001 had a contractionary effect on domestic liquidity growth. For the most part, this can be attributed to the efforts of the central banks in enhancing capitalization and the capital adequacy of commercial banks.

The monetary trends prevailing in the region in 2001 are expected to continue into 2002, in particular in view of the expected contraction in economic activity in several countries of the region, mainly the GCC countries, due to anticipated lower oil revenues in the current year. It is expected that the countries with more diversified economies will continue in the monetary directions already adopted, which target additional monetary stability, exchange rate stability and overall growth.

2. *Interest rates*

In line with the general trends of exchange rate stability, moderate monetary expansion and moderate inflation rates, monetary authorities in ESCWA member countries have placed great reliance on active interest rates policies in recent years. By actively moving the level of interest rates down, following declines in interest rates on the United States dollar to which many national currencies are pegged, the monetary authorities in most member countries have supported the growth of the private sector. This was effectively achieved by increasing private sector borrowing from the banking sector and, at the same time, reducing the overall burden of debt-servicing.

The average interest rate in the money and financial markets, namely, the banking and securities markets, has been declining over the past few years and dropped from 9.07 per cent in 1999 to 8.58 per cent in 2001.

Comparison between the different countries of the region shows that the average interest rate in the money and financial markets dropped sharply from 6.89 per cent in 2000 to 3.5 per cent in 2001 in the United Arab Emirates, from 7.75 per cent to 4.92 per cent in Bahrain and from 6.95 per cent to 4.15 per cent in Saudi Arabia (see table 7). Other countries experienced a moderate drop in the average interest rate from 2000 to 2001, mainly in Jordan (from 7.66 per cent to 6.02 per cent), Oman (from 8.51 per cent to 7.5 per cent), Qatar (from 8.3 per cent to 7.46 per cent), Lebanon (from 11.2 per cent to 10.47 per cent) and Egypt (from 10.83 per cent to 10.79 per cent). In the Syrian Arab Republic, the average interest rate has remained stable at 5 per cent for a number of years. However, these interest rates remain considerably higher than those on the United States dollar and those prevailing in international markets.

B. FISCAL DEVELOPMENTS

In recent years and further into 2002, ESCWA member countries have continued to pursue fiscal policies geared towards improving discipline in public finances. Fiscal reforms have continued with increased focus on the diversification and expansion of the public revenues base, control of fiscal deficits and enhancement of the efficiency of public resources allocation.

In this context, fiscal efforts have been concentrated on enforcing administrative supervision in order to control and reduce resources allocated to non-productive public spending. Governments in most member countries have revised their policies of subsidizing public services and goods not targeted at needy groups in society. Spending policies have been adjusted in order to ensure the improved reallocation of public resources in favour of such groups, mainly through raising the level and conditions of social services and developing infrastructure.

In their pursuit of deepening fiscal reforms, ESCWA member countries have continued with efforts aimed at reducing the role of the public sector in economic activities, mainly through greater dependence on market forces. They have also continued to enhance the role of the private sector. Fiscal measures have been geared towards reducing overall deficits and ensuring financing from real savings sources, linking public borrowing to development needs and controlling public spending growth. These measures are also aimed at reducing the crowding out of private investments by public borrowing, expanding the base of financing to the private sector and reducing the cost of this finance in order to stimulate aggregate demand and economic growth.

In the context of these fiscal policies, the Governments of most ESCWA member countries have expanded the scope of productive and investment incentives to the private sector. These incentives include reductions in marginal rates of income taxation in some countries and reductions in taxation on profits obtained in production enterprises in others. Such tax measures are aimed at ensuring additional incentives for raising private savings and investment return and attracting greater foreign capital inflows to the domestic economy.

Privatization activities have also made further progress in a number of member countries and have expanded the scope of investment opportunities in the sectors of electricity, water, transportation and telecommunications. Some member countries, mainly the GCC countries, have for the first time allowed foreign investors to invest in domestic securities markets.

1. *Public revenues*

Consolidated figures for the ESCWA region indicate that the level of public revenues increased from US$ 113.1 billion in 1999 to US$ 161.9 billion in 2000, but fell in 2001 to almost US$ 154 billion.

These developments led the ratio of public revenues to GDP for the region as a whole to increase from 25.2 per cent in 1999 to 36.4 per cent in 2000, but fall to 35.7 per cent in 2001. These ratios are in line with those of many emerging markets and some advanced countries.

The decrease in public revenues in the region as a whole between 2000 and 2001 can be attributed to the observed decrease in oil revenues during 2001, due to lower prices in the international market. Oil revenues constitute the bulk of public revenues for the main oil-producing countries.

In the ESCWA region, the ratio of tax revenues to GDP stood at an average of approximately 10 per cent in 2001 for the region. Non-tax revenues contributed to some 3 per cent of the region's GDP while public income from investment remained modest, at just 0.2 per cent of regional GDP.

The ratio of tax revenues to GDP varies from one member country to another. The ratio is approximately 15 per cent in Egypt and Jordan, 12 per cent in Lebanon and the Syrian Arab Republic and 1 per cent in Kuwait and Qatar. It does not exceed 8 per cent in the other GCC countries.

However, taxes amount to between half and two thirds of total revenues in Egypt, Jordan, Lebanon and Syrian Arab Republic and approximately 26 per cent in Bahrain, 18 per cent in Yemen, 10 per cent in the United Arab Emirates and 4 per cent in Oman. In Qatar and Kuwait, the ratio is below 2 per cent.

These developments on the revenues side are affected to a great extent by ongoing tax reforms in most member countries. Efforts are directed towards enhancing the effectiveness of taxation systems and increasing their resources, reforming existing customs systems and modernizing local legislation, expanding the scope of the tax base, improving the elasticity of income tax and modifying means of taxation on income and profits by modifying tranches and linking taxation rates to inflation. Non-oil-producing countries such as Jordan and Lebanon have placed further reliance on the taxation of goods and services, in particular through the sales tax and value-added tax. The degree of dependence on such taxes is relatively lower in oil-producing countries.

A number of ESCWA member countries have continued with efforts aimed at improving and organizing administrative measures with regard to taxation and customs and, in particular, those linked to collection mechanisms. Such measures have included the unification of tax rates and customs duties in order to simplify them and minimize distortionary effects, especially those related to the imposition of taxes. They have also included improvements in the legal environment related to taxation and the introduction of reforms to taxes on income and on the profits of corporations, with the aim of supporting productive activities and the private sector in general and increasing inflows of foreign capital.

Furthermore, most ESCWA member countries have continued with their respective measures aimed at trade liberalization and the reduction of customs duties, in line with regional and international agreements. Some have also resorted to reducing taxes on exports in order to create additional incentives for the productive sectors and the private sector in general.

2. *Public spending*

The combined figures on public spending for the ESCWA region indicate growth from US$ 136 billion in 1999 to US$ 160.1 billion in 2000 and US$ 160.5 billion in 2001 (see table 8). The spending-to-GDP aggregate ratio for the region as a whole increased from 30.3 per cent in 1999 to 36 per cent in 2000 and 37.1 per cent in 2001. These ratios are relatively higher than international standards and, in particular, the standards of emerging markets.

TABLE 8. FISCAL INDICATORS IN THE ESCWA REGION, 2000-2001
(*Millions of US dollars*)

	Revenues			Spending			Deficit			Deficit/spending (percentage)		Deficit/GDP (percentage)	
Country	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2000	2001
Bahrain	2 842	1 770	1 940	2 072	2 180	2 540	770	(410)	(600)	37.18	(18.81)	29.27	(5.76)
Egypt	28 895	24 541	..	30 023	26 178	..	(1 128)	(1 637)	..	(3.76)	(6.25)	(1.47)	(2.48)
Iraq	..	..	..	..	..	..	..	..	..	..	..	..	..
Jordan	2 450	2 659	..	2 828	2 927	..	(288)	(268)	..	(11.76)	(10.08)	(3.78)	(3.51)
Kuwait	17 084	16 198	15 300	13 071	10 400	17 600	4 013	5 798	(2 300)	30.70	55.75	10.56	14.74
Lebanon	3 152	3 084	..	7 046	5 889	..	(3 895)	(2 805)	..	(55.28)	(47.63)	(23.85)	(16.94)
Oman	5 955	6 330	5 700	6 908	7 150	6 800	(953)	(820)	(1 100)	(13.79)	(11.47)	(4.81)	(3.96)
Qatar	4 196	6 398	3 900	4 775	5 191	4 600	(580)	1 208	(700)	(12.14)	23.27	(3.50)	7.40
Saudi Arabia	68 817	60 842	41 860	62 752	68 037	53 860	6 065	(7 195)	(12 000)	9.66	(10.57)	3.78	(4.39)
Syrian Arab Republic	4 607	6 962	..	5 755	6 962	..	(134)	0	..	(2.33)	0.0	(0.69)	0.0
United Arab Emirates	20 123	20 000	..	21 999	22 000	..	(1 876)	(2 000)	..	(8.53)	(9.09)	(2.65)	(8.00)
West Bank and Gaza Strip	1 364	1 700	..	..	..	..	..	..	..	..	..	..	..
Yemen	3 739	5 200	..	2 881	3 600	..	858	1 600	..	29.78	44.44	12.53	1.20
Total	161 860	153 986	68 700	160 111	160 514	85 400	2 853	(6 529)	(16 700)	1.7	(4.07)	0.64	(1.5)

Source: Central banks and Ministries of Finance of the respective ESCWA member countries.

Notes: Parentheses ( ) indicate a negative figure.
Two dots (..) indicate that data are not available.

Between 2000 and 2001 public spending dropped in Egypt, Kuwait and Lebanon, while it increased in the other ESCWA member countries. However, the increase was moderate in Bahrain, Jordan, Oman, Qatar, the Syrian Arab Republic and the United Arab Emirates. Public spending increased considerably in Saudi Arabia and Yemen.

Based on their spending, Governments in the region are effectively moderating their respective fiscal policies for the purpose of poverty alleviation, through Government expenditure on items such as public health, education, and social insurance safety nets.

Spending on these items constitutes some 22 per cent of current spending and 6 per cent of GDP. However, expenditures on these areas remain below the required levels and capital spending needs to be increased further in order to include investment and developmental projects in poor areas.

Taxation policy could also be used in order to support efforts aimed at poverty alleviation, through tax reductions, for moderate income groups in particular, and through the provision of tax incentives to the private sector that would encourage investment and developmental projects.

3. *Budget status*

The consolidated budget figures for the ESCWA region in 2001 reveal a deficit of US$ 6.5 billion against a surplus of US$ 2.8 billion in 2000 (see table 8). However, the deficit recorded in 2001 remains far below the one recorded in 1999 (US$ 22.1 billion).

This unfavourable shift in the budget status of the ESCWA region is attributed to lower revenues and higher spending in 2001. In that year, the majority of ESCWA member countries experienced deficits in their budgets, namely, Bahrain, Egypt, Jordan, Lebanon, Oman, Saudi Arabia and the United Arab Emirates, while Kuwait and Yemen experienced surpluses in their budgets.

When deflated by spending, the average deficit ratio for the region as a whole in 2001 was close to 4.1 per cent, against a deficit ratio of 16.2 per cent in 1999 but a surplus ratio of 1.7 per cent in 2000.

The deficit-to-GDP ratio in 2001 was relatively high by international standards in countries such as Lebanon (47.6 per cent), Bahrain (18.8 per cent), Oman (11.5 per cent) and each of Jordan and Saudi Arabia (over 10 per cent), as shown in table 7. On the other hand, countries such as Kuwait, Qatar and Yemen recorded high ratios of surplus-to-GDP in 2001, of 55.7 per cent, 23.3 per cent and 44.4 per cent respectively.

When deflated by GDP, the average deficit ratio was close to 15 per cent in 2001, compared to a deficit ratio of 4.9 per cent in 1999 and a surplus ratio of 0.64 per cent in 2000.

The deficit-to-GDP ratio is considered high by international standards in countries such as Lebanon, where the ratio is 16.9 per cent. While countries like Bahrain and the United Arab Emirates had budget deficits to GDP of over 5 per cent in 2001, the deficits of other countries were less than 5 per cent with Jordan at 3.5 per cent and Egypt at 2.5 per cent (see table 8). Qatar, Kuwait and Yemen had surpluses to GDP ratios of 7.4 per cent, 14.7 per cent and 1.2 per cent, respectively, in that year.

Between 1999 and 2000, the deficit-to-GDP ratio improved in countries such as Egypt, Oman and Saudi Arabia. However, the ratio deteriorated in countries such as Jordan and Lebanon and became favourable between 2000 and 2001 in countries such as Kuwait, Lebanon, Qatar and Yemen, while it deteriorated in countries such as Bahrain, Egypt, Saudi Arabia and the United Arab Emirates.

C. Financing for development

The existence of an efficient financial sector is central to the process of mobilizing domestic and foreign resources for financing development and promoting sustained economic growth. The ESCWA member countries have been undertaking significant measures in order to strengthen and develop their respective financial sectors. Considerable domestic reforms have been made, with special focus on increasing dependence on market forces, strengthening organizational and supervisory frameworks, enhancing domestic competition and mobilizing domestic savings.

Domestic financial institutions have responded positively to the changes in financial policies and have accommodated recent developments in the industry. They have enhanced capitalization, introduced new products and services, applied new technologies, developed their institutional framework, and ventured into new financial business.

The financial sector in the ESCWA region is dominated by the banking system, which is considered the prime source of financing for development.

1. *The banking sector*

The banking sector in the ESCWA region comprises nearly 365 banking institutions, which provide commercial, investment and Islamic banking operations.

This sector has witnessed sustained growth in its overall activity since the beginning of the 1990s in line with the reform programmes adopted by ESCWA member countries. During the period 2000-2001, the banking sector achieved an increase of 4.5 per cent in total assets, reaching US$ 493.9 billion, as well as an increase of 5.6 per cent in customer deposits, reaching US$ 327.3 billion (see table 9). Thus the resources mobilized by the banking sector constituted 66.3 per cent of total assets in 2001. The sector extended credit worth US$ 236.6 billion to the economies of ESCWA member countries in that year, representing some 72.3 per cent of customer deposits.

Banks in the region have also continued to upgrade their capital bases to accompany expansion in their activities. During 2001, the consolidated capital base of domestic banks grew by 1.8 per cent and reached US$ 42.47 billion by the end of the year.

The monetary and banking authorities in ESCWA member countries have given more attention to the process of reforming and liberalizing their respective banking sectors. This is because of the significant role played by the banking sector in the mobilization of domestic resources and foreign capital and enhancement of economic growth, as well as the significance of banking stability to overall stability in national economies.

Liberalization and reform of the banking sector in ESCWA member countries has included the following:

(a) Reducing administrative controls on interest rates and exchange rates;
(b) Increasing indirect instruments of monetary control;
(c) Development of legal and supervisory frameworks;
(d) Liberalization of banking activity.

In addition, domestic banking institutions have continued to accommodate developments in international banking and finance.

TABLE 9. MAIN INDICATORS OF THE BANKING SECTOR IN THE ESCWA REGION, 2000-2001
(*Millions of US dollars*)

Countries	Assets		Credit		Deposits		Shareholders' equity	
	2000	2001	2000	2001	2000	2001	2000	2001
Bahrain	9 916	10 354	4 481	4 653	7 353	7 411	774	832
Egypt	111 648	105 585	63 070	57 400	74 996	70 701	5 807	5 079
Iraq	716	716	126	126	650	650	7	7
Jordan	18 214	19 963	6 413	6 980	11 600	12 301	1 943	2 026
Kuwait	45 166	49 019	17 181	19 931	31 281	35 036	5 178	5 479
Lebanon	47 178	49 780	32 296	31 931	39 230	41 647	2 900	3 000
Oman	10 430	10 936	7 844	8 429	6 598	6 978	1 140	1 167
Qatar	13 803	15 750	8 005	9 752	9 985	11 681	1 729	1 837
Saudi Arabia	121 034	125 982	45 197	48 638	70 746	76 668	11 622	11 678
Syrian Arab Republic	13 064	17 472	5 897	7 208	5 775	7 839	939	1 033
United Arab Emirates	75 453	81 478	37 677	39 573	46 299	49 789	9 332	10 025
West Bank and Gaza Strip	4 594	5 200	1 198	1 355	4 120	5 479	203	168
Yemen	1 526	1 650	596	644	1 250	1 153	125	139
Total	472 743	493 887	230 031	236 620	309 882	327 333	41 699	42 472

Source: Union of Arab Banks (UAB) database, Beirut, Lebanon. Figures based on annual reports of Arab banks and financial institutions.

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

Banking in the ESCWA region has undergone substantial change in accommodating the basics of modern banking, in order to meet increased competition in domestic and global markets and to equip itself with better competitive potential.

2. *Mutual saving institutions and institutional investors*

Despite significant developments in mutual saving and institutional investor institutions in the ESCWA region in recent years, the overall situation of the market is still below desired levels in comparison with developing countries in general and developed countries in particular. Moreover, the relative importance of mutual saving and institutional investor institutions differs among ESCWA member countries. While the total assets of pension funds, insurance companies and mutual investment funds constitute more than 100 per cent of gross national product (GNP) in developed countries such as the Netherlands, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States, between 25 per cent to 100 per cent in the majority of European countries members of the Organization for Economic Cooperation and Development (OECD) and 25 per cent in many developing countries, the average prevailing rate is a mere 10 per cent in the ESCWA region. Egypt, and to a lesser extent Jordan, are considered the most active countries in mobilizing large amounts of funds through mutual savings. The total assets of institutional investors constitute 40 per cent of GDP in Egypt and 20 per cent in Jordan.

In general, the ESCWA member countries have mutual savings institutions, which are considered developed in comparison with other developing countries. However, the insurance industry in these countries is considered to be relatively underdeveloped.

One of the major features of mutual saving and institutional investor institutions in the ESCWA region is the dominance of largely centralized public institutions. This situation has led to improper policies being pursued with regard to the allocation of assets and, also, relatively low returns on investment.

(a) *Insurance companies*

Despite the large number of insurance companies and the growth of the industry in the region, the role played by this sector as a source of mobilizing savings and financing investments remains limited.

The number of insurance companies operating in the region in 2001 ranged from 82 and 69 companies in Lebanon and Saudi Arabia, respectively, to 11 and 8 companies in Egypt and Qatar, respectively (see table 10).

The average value of subscribed insurance premiums in 2001 reached US$ 770 million in Saudi Arabia, US$ 690 million in the United Arab Emirates, US$ 550 million in Egypt, US$ 500 million in Lebanon, US$ 210 million in Kuwait, US$ 170 million in Qatar, US$ 140 million in Oman, US$ 120 million in Bahrain and US$ 100 million in Jordan. Insurance premiums achieved fair growth of 23 per cent in Egypt, 12 per cent in the United Arab Emirates, 10 per cent in Jordan, 5 per cent in Saudi Arabia and 3 per cent in Lebanon during 2000. The contribution of the insurance sector to the GNP of the region is relatively low, by international standards. It amounted to just 1 per cent, compared with 5 per cent in developed countries. The total subscribed premiums are worth some US$ 5 billion in the ESCWA region compared with US$ 2,500 billion in the world.

TABLE 10. INSURANCE MARKETS IN SELECTED ESCWA MEMBER COUNTRIES, 2001

Country	Insurance premiums (millions of US dollars)	Number of insurance companies		
		Total	Foreign	National
Bahrain	120	18	10	8
Egypt	550	11	..	..
Jordan	100	27	..	..
Kuwait	210	16	11	5
Lebanon	500	82	11	71
Oman	140	16	10	6
Qatar	170	8	4	4
Saudi Arabia	770	69	..	69
United Arab Emirates	690	47	27	20

Source: The Arab Insurance Union database, Cairo, Egypt. Figures compiled from annex reports of Arab insurance and re-insurance companies.

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

(b) *Pension funds*

Pension plans in the ESCWA region are characterized by the accumulation of long-term savings, which increase with further maturity of the system as long as the financing rate remains at relatively high levels. However, with time such plans become non-viable, for three main reasons. First, increases in advantages are not matched with corresponding increases in contributions. In addition, political opposition usually delays increases in contribution rates, which are essential to secure financial balance in the system. Moreover, social security institutions suffer because they are used as a source for financing government spending. In Jordan, accumulated mutual savings represent the main financial source for social security institutions and these, in turn, are financed through contributions with rates of 15 per cent. Egypt implemented higher contribution rates at 26 per cent in social security systems and this explains the large amount of mutual savings in Egypt. Pension plans in Lebanon and some GCC countries have lower contribution rates (23 per cent in Lebanon) and their structures are more mature. However, they face extreme financial pressures due to limited financial resources.

Most countries in the region are characterized by a young population, which is a source of some anxiety with regard to long-term pension systems. Social security systems can benefit from extending and enlarging the range of coverage to include employees from the public and private sectors. However, these systems need fundamental reforms in order to achieve guaranteed benefits in the long term. Basic reforms in pension systems and greater integration with international capital markets, mainly through opening national markets for strategic foreign investors, would increase their efficiency in mobilizing domestic and foreign resources and, also, accelerating economic growth rates.

(c) *Investment funds*

The mutual investment fund industry in the ESCWA region remains underdeveloped to a large extent. The industry is non-existent in members such as Iraq, the West Bank and Gaza Strip and Yemen and remains at an early stage of development in countries such as Lebanon and Jordan, while it is largely developed in countries such as Egypt and Saudi Arabia. Saudi Arabia is considered to be the most advanced of all Arab countries in the field of the mutual investment fund industry.

In all cases, the industry remains below desired levels and international standards. Its assets in the region constitute less than 7 per cent of the region's GNP, whereas this ratio reaches 50 per cent in the United States and 39 per cent in France and ranges from 20 to 30 per cent in most other OECD countries.

Investment funds in the region started to appear in the late 1970s as a tool to attract and mobilize national savings and direct them towards investment alternatives. In the early 1990s, legislative frameworks were developed to govern the activities of mutual investment funds, so fuelling further growth of the mutual investment fund industry as a basic tool for mobilizing domestic and international savings and investments.

The role played by investment funds in the region in mobilizing national savings and the growth of securities markets and GDP remains relatively small, by international standards. The aggregate capital of these funds as a percentage of national savings does not exceed 1.6 per cent in Egypt and 8 per cent in Jordan (see table 11). When deflated by market capitalization, the aggregate capital of these funds stands at less than 4 per cent in ESCWA member countries, except for Saudi Arabia where it is 13.6 per cent (see table 11).

TABLE 11. MAIN FINANCIAL INDICATORS OF INVESTMENT FUNDS IN SELECTED ESCWA MEMBER COUNTRIES, 2001

Country	Total fund capital (millions of US dollars)	Ratio of capital to national savings (percentage)	Ratio of capital to market capitalization (percentage)	Ratio of capital to GDP (percentage)
Egypt	1 007.7	1.6	3.4	1.36
Jordan	14.8	8	0.03	0.02
Kuwait	198.4	..	1.02	0.8
Lebanon	0.04	..	2.9	0.3
Saudi Arabia	8 344		13.6	6.5

Source: Union of Arab Banks database, Beirut, Lebanon. Figures based on annual reports of Arab Banks and financial institutions.

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

3. *Capital markets*

In recent years, ESCWA member countries have focused on establishing and developing their respective domestic capital markets. This is due to the significant contribution that these markets make in mobilizing savings and attracting foreign investments in order to provide additional financial resources and so meet national development needs.

Capital markets in the ESCWA region recorded noticeable growth from the middle of the1990s until the end of that decade. However, the aggregate market capitalization of these markets declined by 3.7 per cent, from US$ 165 billion in 2000 to US$ 158.8 billion in 2001 (see table 12). Several factors contributed to this decline. National economies recorded a relative slowdown in their performance. The privatization programmes adopted by some countries have also slowed down in the past two years. In addition, most listed companies in the capital markets of member countries had achieved lower rates of profitability, which reduced demand on the shares of those companies. Moreover, a number of local banks reduced their loans and credit facilities, directly or indirectly, for the purpose of trading in securities.

TABLE 12. MAJOR INDICATORS OF CAPITAL MARKETS IN THE ESCWA REGION, 2000-2001

	Market capitalization (millions of US dollars)		Number of listed companies		Amount of traded shares (millions)		Number of traded shares	
Country	2000	2001	2000	2001	2000	2001	2000	2001
Bahrain	6 660	6 636	36	36	247	193	421	335
Egypt	32 787	25 002	1 076	1 110	20 547	18 490	4 673	5 473
Jordan	4 950	6 314	163	161	406	934	228	341
Kuwait	20 237	20 747	86	87	4 226	11 663	6 760	16 305
Lebanon	1 580	1 250	13	13	118	53	20	15
Oman	3 460	3 000	210	210	..	..	..	..
Qatar	5 166	8 165	22	23	239	413	32	51
Saudi Arabia	68 091	73 333	75	75	17 434	22 294	555	691
United Arab Emirates	22 100	14 373	28	28	..	..	1 300	1 543
Total	165 030	158 820	1 709	1 743	43 216	54 041	13 990	24 745

Sources: League of Arab States, Arab Monetary Fund (AMF), Arab Fund for Economic and Social Development, and Organization of Arab Petroleum Exporting Countries, *Unified Arab Economic Report*, September 2000, 2001 and 2002; AMF, *Quarterly Bulletin of Arab Capital* Markets, various issues, 1999-2001; and central banks of the respective ESCWA member countries.

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

On the other hand, the relative decrease recorded in the markets of some member countries in 2001 can be attributed to the decline in economic growth rates and, in particular, in the Gulf countries owing to the decline in oil prices and revenues. It can also be attributed to the impact of the events of September 11 on the international markets and the negative consequences that these had for capital markets in the ESCWA region.

When compared with other developing markets, despite the substantial development recorded in many domestic markets during the past decade, the size of markets in the region remains relatively small. This is evident when capitalization of these markets is compared to the GNP of ESCWA member countries. In markets such as those of Beirut and Oman, this ratio stood at 7.6 per cent and 14.5 per cent, respectively, in 2001. This shows clearly the small size of these markets relative to the size of their economies.

The markets of ESCWA member countries can be classified into two groups. The first group includes large markets, such as those of Bahrain, Jordan, Kuwait and Qatar, where the ratio of market capitalization to GNP is greater than 50 per cent. The second group includes all other markets of the region where the ratio is less than 50 per cent. The market capitalization of the Saudi share market has a substantial share of overall regional market capitalization, representing nearly 46.2 per cent of the total in 2001 (see table 12).

The total number of listed companies on domestic capital markets in the region as a whole rose from 1,089 in 1994 to 1,709 in 2000 and 1,743 in 2001. This level is not high compared with other developed and advanced countries. The average number of companies listed on the markets of emerging countries is 250 and in the developed countries 900, while in ESCWA member countries the average does not exceed 193.

With regard to trading in the capital markets of the ESWCA region, the value of traded shares increased during the period 2000-2001 by 25 per cent and reached US$ 54 billion in 2001. At the same time, the number of traded shares grew by 76.9 per cent and reached 24.7 million in 2001.

It is anticipated that the capital markets of the ESCWA region will be affected by three major factors in 2002, namely, the continuing absence of peace in the Middle East region, the expected decline in oil prices and the return of some Arab emigrated capital to the region. Egypt, Jordan, the Syrian Arab Republic and, to a lesser extent, Lebanon, will continue to suffer from reduced touristic activity. The abundance of liquidity at banks and investors will help the economy of each of Bahrain, Kuwait, Qatar, and the United Arab Emirates. The Jordanian economy will continue to recover, supported by foreign capital inflows to the private sector. Lower oil prices and Government spending will have an impact on the economy of Saudi Arabia. The Egyptian market, despite the difficult conditions it is experiencing, is expected to present viable investment opportunities to investors in 2002.

D. DEBT DEVELOPMENTS

Public debt in a number of ESCWA member countries has risen to higher levels in recent years as fiscal deficits have continued to be fuelled by excessive spending and lower revenues. Debt ratios in some countries are considered to be extremely high by international standards and external debt growth, combined with high interest rates, is rapidly pushing up debt ratios in these countries.

1. *Overall debt*

The consolidated debt figures for seven countries for which regional data are available, namely Bahrain, Egypt, Jordan, Kuwait, Lebanon, Qatar, and the Syrian Arab Republic, show that the overall state of public debt has not improved during the past three years. The consolidated indebtedness of these countries grew from approximately US$ 143.5 billion in 1999 to US$ 157.1 billion in 2000 and US$ 159.3 billion in 2001 (see table 13). However, the rate of growth of indebtedness has slowed down during the past two years, despite continued fiscal reforms.

A number of ESCWA member countries have experienced a rise in their overall debt. The debt of Lebanon grew rapidly from a level of US$ 19.7 billion in 1999 to US$ 24.97 billion in 2000 and to US$ 28.3 billion by the end of 2001. Debt figures in each of Kuwait, Qatar and Bahrain almost doubled, reaching US$ 12.4 billion, US$ 6.6 billion and US$ 3 billion, respectively, in 2001. The debt portfolio of Egypt remains the largest at a total of US$ 73.4 billion, followed by Kuwait, Lebanon, and the Syrian Arab Republic (see table 13).

2. *Debt structure*

With regard to the structure of the total debt portfolio of the ESCWA region, the gross domestic debt of seven countries, namely Egypt, Jordan, Kuwait, Lebanon, Qatar, the Syrian Arab Republic and the United

Arab Emirates, amounted to US$ 87.9 billion at the end of 2001, down from US$ 90.4 billion in 2000 but up from US$ 76.6 billion in 1999. This reflects a partial reduction of approximately US$ 1.5 billion between 2000 and 2001 and implies that there has been a relative improvement in the combined domestic debt status of these countries.

TABLE 13. DEBT AND DEBT SERVICE OF SELECTED ESCWA MEMBERS, 2000-2001
(Millions of US dollars)

	Total debt		Domestic debt		Foreign debt		Debt service	
Country	2000	2001	2000	2001	2000	2001	2000	2001
Bahrain	2 339	3 000	1 994	2 500	345	500	..	..
Egypt	77 357	73 369	50 248	45 142	27 109	28 227	6 258	5 837
Jordan	8 460	8 620	1 697	1 931	6 763	6 689	531	567
Kuwait	13 120	12 399	12 975	12 228	145	171	857	784
Lebanon	24 966	28 322	18 017	18 716	6 949	9 606	2 784	2 860
Oman	..	..	..	..	3 555	4 000	..	..
Qatar	8 771	11 561	4 732	6 561	4 039	5 000	631	531
Syrian Arab Republic	22 063	22 063	791	816	21 272	21 247	..	..
West Bank and Gaza Strip	..	..	..	..	137	250	..	..
Yemen	..	..	..		4 935	5 000	..	..
Total	157 076	159 334	90 454	87 894	75 249	80 690	11 061	10 579

Source: Central banks of the respective ESCWA members.

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

Egypt holds the largest domestic debt portfolio of all ESCWA member countries, worth some US$ 45.1 billion in 2001. Egypt is followed by Lebanon with US$ 18.7 billion, Kuwait with US$ 12.9 billion, Qatar with US$ 6.6 billion, Bahrain with US$ 2.5 billion, Jordan with US$ 1.9 billion and the Syrian Arab Republic with US$ 816 million (see table 13).

Trends in domestic debt development indicate that its level has increased in all countries under consideration with the exception of Egypt, which witnessed a reduction of its domestic debt by more than US$ 5 billion between 2000 and 2001. Unfortunately, this improvement was mainly the result of the depreciation of the Egyptian currency in terms of the US dollar and not of significant proceeds from privatization or other sources.

The bulk of the domestic debt portfolio of the ESCWA region is made up of Treasury bills and bonds in national currencies issued by local governments, ranging from short- to long-term maturities.

On the other hand, the consolidated foreign debt figure for ten ESCWA member countries stood at nearly US$ 80.7 billion at the end of 2001, up from US$ 75.2 billion in 2000 (see table 13). Egypt held the bulk of this debt with approximately US$ 28.2 billion, followed by the Syrian Arab Republic with US$ 21.2 billion, Lebanon with US$ 9.6 billion, Jordan with US$ 7.6 billion, Qatar with US$ 5 billion and Oman with US$ 4 billion.

Developments in 2001 pointed to an increase in the foreign debt of all countries concerned, with the exception of Jordan and the Syrian Arab Republic.

The bulk of foreign debt in the ESCWA region is composed of direct loans from Governments and international financial institutions and, in the case of Lebanon, of eurobonds and other international debt issues.

The share of foreign debt in the total debt portfolio is growing rapidly in some countries and, in particular, in Lebanon where it reached 33.9 per cent in 2001, compared with 27.6 per cent in 2000. This falls within the overall fiscal policy of the Government aimed at restructuring the public debt portfolio in order to lower the burden of debt-servicing, as the cost of financing domestic debt is relatively higher than that of financing external debt.

3. *Debt ratios*

When deflated by GDP, the total debt ratio in a number of ESCWA member countries is high by international standards. The ratio ranges between a low level of 31.5 per cent in Kuwait and a high level of 171 per cent in Lebanon, with Jordan, Egypt and the Syrian Arab Republic, having debt ratios in excess of 100 per cent (see table 14). The average debt ratio of seven ESCWA member countries, namely Bahrain, Egypt, Jordan, Kuwait, Lebanon, Qatar, and the Syrian Arab Republic, rose from approximately 76.5 per cent in 1999 to 87.7 per cent in 2000 and 92.98 per cent in 2001.

TABLE 14. DEBT AND DEBT SERVICE RATIOS IN SELECTED ESCWA MEMBER COUNTRIES, 2000-2001
(*Percentage*)

Country	Debt to GDP		Debt service to revenues		Debt service to exports	
	2000	2001	2000	2001	2000	2001
Bahrain	29.27	42.15	..	..	..	..
Egypt	101.14	111.30	21.65	23.78	88.60	83.10
Jordan	111.25	108.82	21.67	21.32	27.96	24.72
Kuwait	34.52	31.52	5.01	4.83	4.39	4.84
Lebanon	152.88	171.04	88.34	92.73	389.90	321.70
Qatar	53.01	71.54	15.07	8.30	5.44	5.42
Syrian Arab Republic	113.90	114.50	..	..	..	..
Average	85.15	92.98	30.35	30.19	103.30	87.96

Source: Central banks of the respective ESCWA member countries.

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

4. *Debt service*

Five ESCWA member countries, namely Egypt, Jordan, Kuwait, Lebanon, and Qatar, together had some US$ 10.6 billion in debt servicing in 2001. Both Egypt (US$ 5.8 billion) and Lebanon (US$ 2.9 billion) have high debt service levels, with the other countries having less than US$ 0.8 billion as debt service. However, debt servicing declined from a level of US$ 11.1 billion in 2000 to US$ 10.6 billion in 2001, reflecting the decline in interest rates on public debt in some countries and the restructuring of debt portfolio in others.

The average debt service to revenues ratio in Egypt, Jordan, Kuwait, Lebanon and Qatar stabilized at around 30 per cent in 2000 and 2001, 16 basis points lower in 2001 than in 2000 (see table 14). Nevertheless, the ratio is considered extremely high in Lebanon, where it is 92.73 per cent and, to a lesser extent, in Egypt, where it is 23.78 per cent.

When deflated by exports, debt servicing is considered high by international standards in Lebanon, where it is 321.7 per cent and, to a lesser extent, in Egypt, where it is 83.1 per cent. The average debt service-to-exports ratio for the five countries mentioned above was close to 88 per cent in 2001, compared with 103.3 per cent in 2000.

IV. TRADE AND FOREIGN DIRECT INVESTMENT

The global economic slowdown during 2001, the events of 11 September and continuing conflicts in the ESCWA region have had a dampening effect on trade and investment flows. However, while oil prices did not reach the same peaks as they did in 2000 and dropped significantly during the fourth quarter of 2001, oil revenues remained higher than expected and offset anticipated losses in trade performance at the regional level.

Globalization trends have brought about gradual changes in the structure of trade and investment in the region. In recent years, the forging of trade agreements has resulted in a slow but perceptible change in the direction of trade for a number of ESCWA member countries. Economic diversification has become a priority for several countries seeking to expand the breadth of their exports. Regional trade integration has also emerged as an important stepping stone to the opportunities presented by the global economy. For the most part, investment flows remained constant in 2001 and were consistently directed towards traditional investments in the oil and gas sector. Nevertheless, the potential for greater trade and investment is growing as member countries become increasingly adept at forging economic alliances inside and outside the region.

A. RECENT TRADE PERFORMANCE

1. *Exports*

The overall trade performance of the ESCWA region remained tied to fluctuating oil export revenues in 2001. While export growth rates declined for most member countries during that year relative to previous year gains, nearly all enjoyed a stronger export position in 2001 than was the case in the late 1990s. Qatar experienced the highest export growth performance in the region from 2000 to 2001, of 18 per cent. For the most part, this was due to the oil and gas sectors although export growth for GCC countries declined by an average of 2.5 per cent compared to 2000 levels (see table 15). This decline was due to the fall in the price of crude oil from its monthly peak of US$ 31.50/b in 2000 to US$ 17.60/b by the end of 2001 (see chapter II, table 3), which was the result of a 27 per cent fall in oil prices following the events of September 11. Kuwait was hit the hardest by the fall in oil prices and registered a 43 per cent decline in the value of its exports during 2001. However, on average GCC member countries still enjoyed an improvement in their export performance of 50 per cent or more in 2001, compared to 1999 and 1998 levels. This trend was most evident in Oman, Qatar, Saudi Arabia and the United Arab Emirates.

For the ESCWA member countries with more diversified economies, the trade record is mixed. For oil-exporting countries such as Egypt, the Syrian Arab Republic and Yemen, strong oil revenues and efforts to diversify exports contributed to steadying trade performance. Egypt led the group with 13 per cent export growth in 2001. Export growth rates for the Syrian Arab Republic and Yemen declined during 2001 by 0.1 per cent and 8.4 per cent, respectively. While oil exports continued to dominate the external sector in Egypt, export performance was also supported by an aggressive three-year plan aimed at the promotion of exports of other goods and services. This plan resulted in a cabinet reshuffle in late 2001 that emphasized the importance of foreign trade in Egypt's development strategy and deliberations on a new export promotion law in May 2002. However, bureaucratic export requirements and quality control continue to pose serious challenges to increasing Egyptian exports. Egypt has much to gain from enhancing its export performance, in particular as exports currently only contribute some 7 per cent to GDP.[28]

Non-oil based economies in the region had a more difficult time maintaining export performance in 2001, with Lebanon registering an 18 per cent decline in export growth in 2001. This was primarily due to the secondary effects of losses in the regional oil economy in 2001, evident in the decline of intraregional exports from Lebanon to Gulf States. Jordanian exports recorded a decline in export growth of just 0.2 per cent in 2001 because waning demand from regional markets was, in part, offset by increased exports to the United States.

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[28] *Middle East Monitor - East Med*, "Egypt economic outlook: shelter from the storm", May 2001, p. 2.

TABLE 15. TOTAL EXPORT FLOWS OF SELECTED ESCWA MEMBER COUNTRIES, 1998-2001
(Millions of US dollars)

Country/area	1998	1997-1998 growth rate (percentage)	1999	1998-1999 growth rate (percentage)	2000	1999-2000 growth rate (percentage)	2001[a]	2000-2001 growth rate (percentage)
GCC countries								
Bahrain	6 548	5.1	6 774	3.5	8 092	19.5	8 524	5.3
Kuwait	8 983	(37.8)	10 821	20.5	17 752	64.1	10 094	(43.1)
Oman	5 375	(28.1)	7 094	32.0	10 542	48.6	11 074	5.0
Qatar	4 868	(11.4)	6 065	24.6	11 527	90.1	13 612	18.1
Saudi Arabia	38 727	(36.0)	47 680	23.1	75 213	57.7	74 802	(0.5)
United Arab Emirates	25 885	(17.1)	27 823	7.5	41 090	47.7	41 962	2.1
Total	90 386	(30.5)	106 257	17.6	164 216	54.5	160 068	(2.5)
More diversified economies[b]								
Egypt	3 195	(18.2)	3 535	10.6	5 633	59.3	6 380	13.3
Iraq	4 951	75.6	9 564	93.2	14 097	47.4	..	..
Jordan	1 237	(7.2)	1 236	(0.1)	1 284	3.9	1 282	(0.2)
Lebanon	716	0.7	676	(5.6)	714	5.6	582	(18.49)
Syrian Arab Republic	2 890	(60.2)	3 464	19.9	4 981	43.8	4 978	(0.1)
Yemen	1 497	(39.6)	1 950	30.3	4 077	109.1	3 736	(8.4)
Total[b]	14 486	14.7	20 425	41.0	30 786	50.7	16 958[c]	(44.9)[c]
Total ESCWA region	104 872	(26.5)	126 682	20.8	195 002	53.9	177 026	(9.2)

Sources: IMF, *Direction of Trade Statistics Quarterly* (Washington, D.C., December 2001); and IMF, *Direction of Trade Statistics Yearbook* (Washington, D.C., 2001).

Notes: Parentheses ( ) indicate a negative figure.
Two dots (..) indicate that data are not available.

a/ ESCWA estimates.
b/ Excluding the West Bank and Gaza Strip, owing to the unavailability of reliable data.
c/ Excluding Iraq, owing to the unavailability of reliable data.

(a) *Intraregional trade*

The decline in oil revenue during 2001 had a pronounced effect on intraregional exports and, in particular, for the ESCWA member countries with more diversified economies that depend upon regional consumer demand to fuel exports. Intraregional export growth fell by 12.8 per cent compared to the first and second quarters of 2000 and 2001 (see table 16). Moreover, the share of intraregional exports as part of the region's total exports fell slightly during that same period to represent an estimated 7.1 per cent in 2001. Despite this decline, the structure of intraregional exports remained mostly constant, with exports from GCC countries continuing to represent over 80 per cent of intraregional exports during 2000 and dominate intraregional exports in 2001. Intraregional exports from Saudi Arabia and the United Arab Emirates continued to comprise the largest share.

Non-GCC member countries were hit the hardest by the decline in intraregional exports. Jordan, Lebanon and Yemen registered 27 per cent, 15 per cent and 44 per cent declines, respectively, in intraregional export growth in 2001. However, with the exception of Lebanon, losses to intraregional trade did not parallel declines in exports to non-ESCWA countries. This might indicate that ESCWA member countries are looking more towards global than regional markets in order to expand their export bases, despite efforts to establish an Arab free trade area. However, Egyptian intraregional exports to ESCWA member countries improved by 5 per cent during 2001 and its exports to Arab countries as a whole are estimated to have improved by some 13 per cent. Iraq, Lebanon, Saudi Arabia and the United Arab Emirates are the largest destination markets for Egyptian exports in the Arab region.

TABLE 16. INTRAREGIONAL EXPORT FLOWS OF SELECTED ESCWA MEMBER COUNTRIES, 2000-2001

	2000 (first and second quarter)			2001 (first and second quarter)			
Country/area	Millions of US$	Contribution to intraregional exports (percentage)	Share in country's exports (percentage)	Millions of US$	Contribution to intraregional exports (percentage)	Share in country's exports (percentage)	2000-2001 growth rate in intraregional exports (percentage)
GCC countries							
Bahrain	272	3.8	6.9	287	4.6	11.6	5.5
Kuwait	71	1.0	0.9	..	..	..	..
Oman	612	8.5	12.9	600	9.6	10.8	(2.0)
Qatar	359	5.0	6.7	346	5.5	5.1	(3.6)
Saudi Arabia	2 558	35.7	7.4	2 587	41.4	6.9	1.1
United Arab Emirates	1 945	27.2	10.1	1 457	23.2	6.9	25.1
Total	5 817	81.2	7.6	5 277	84.5	6.7	(9.3)
More diversified economies[a/]							
Egypt	202	2.8	7.2	212	3.4	6.6	5.0
Iraq	267	3.7	4.2	..	..	..	..
Jordan	275	3.8	46.2	200	3.2	31.2	(27.3)
Lebanon	150	2.1	43.0	127	2.0	32.5	(15.3)
Syrian Arab Republic	365	5.1	15.6	381	6.1	13.4	4.4
Yemen	84	1.2	4.2	47	0.8	2.5	(44.0)
Total	1 343	18.8	9.3	967	15.5	7.2	(28.0)
Total ESCWA region	7 160		7.9	6 244		6.8	(12.8)

Sources: IMF, *Direction of Trade Statistics Quarterly* (Washington, D.C., December 2001); and IMF, *Direction of Trade Statistics Yearbook* (Washington, D.C., 2001).

Notes: Parentheses ( ) indicate a negative figure.
Two dots (..) indicate that data are not available.

a/ Excluding Iraq in 2001 and the West Bank and Gaza Strip in both years, owing to the unavailability of reliable data.

Trade with Iraq has become increasingly important for intraregional trade performance in recent years. As a temporary response to the economic sanctions against Iraq, the United Nations oil-for-food programme was launched in 1997 in order to provide the country with imports for humanitarian purposes, paid for through the managed export of oil. During early 2001, United States oil firms became heavy purchasers of oil from Iraq under the terms of the programme as Iraqi crude oil prices were relatively lower than those of OPEC States during that period. In addition, ESCWA member countries became more active in their trade with Iraq, under the terms of the economic sanctions, with oil exports from Iraq contributing more to intraregional trade than those from Kuwait, Lebanon or Yemen. Egyptian humanitarian exports to Iraq currently total US$ 2 billion and are expected to reach US$ 3 billion by the end of 2002.[29] Trade between Iraq and the United Arab Emirates is expected to reach US$ 2 billion by the end of 2002. Syrian exports to

[29] *Al Watan*, "Three billion in exports from Egypt to Iraq" (Qatar, 26 February 2002), http://www.al-watan.com/issues/2002Feb26/news.asp?page=business1.html (in Arabic).

Iraq are set to triple in 2002, subsequent to the signing of a free trade agreement between Iraq and the Syrian Arab Republic in 2001. A similar free trade agreement signed with Egypt came into effect in August 2001. Jordan, Lebanon and the United Arab Emirates are expected to sign free trade agreements with Iraq during 2002.

Jordan is particularly interested in finalizing a trade agreement with Iraq. Such an agreement could serve as a possible extension to the annual US$ 600 million oil protocol that currently exists between the two countries under the terms of the United Nations sanctions. A new Jordanian-Iraqi oil protocol seeks to double Jordanian oil imports from Iraq, which would help to satisfy Jordan's growing oil demand. Iraq is the primary source of oil and oil derivatives for Jordan, which consumes 5 million tons annually. The protocol is also expected to increase Iraqi imports from Jordan and focus on higher value-added products such as construction materials, textiles, electrical equipment and pharmaceuticals. Jordan exports humanitarian products worth some US$ 450 million to Iraq annually,[30] making Iraq the third largest destination market for Jordanian exports following Saudi Arabia and India.

While intraregional commerce with Iraq has increased, trade with the West Bank and Gaza Strip fell dramatically in 2001. While complete figures are not available, reports indicate that losses to regional trade caused by the cycles of conflict have already had repercussions on the region. The estimated value of Jordanian exports to the West Bank and Gaza Strip declined by 26 per cent during 2001, falling from US$ 27 million to US$ 20 million. The decline is mainly attributed to Israeli blockades and closures in the West Bank and Gaza Strip.

(b) *The direction of trade*

The geographic distribution of exports in 2000 and 2001 remained broadly similar to that of previous years and, in particular, among GCC countries. However, there was a perceptible change in export destination markets favoured by the ESCWA member countries with more diversified economies. This change could indicate that recently forged trade agreements are taking effect. Japan and Asia continued to receive most exports from GCC countries, mainly oil, which represented 58 per cent of the combined exports of the subregion in 2000 (see table 17). Each of the United States and Europe receive, on average, 1 per cent of exports from GCC countries, with only Kuwait and Saudi Arabia maintaining important export links to these two markets. Oman witnessed a 10 per cent shift in its exports towards developing countries in Asia, which was partly reflected in a decline in its exports to other Middle Eastern countries. Japan is the largest importer of oil from Oman, with China ranking second.

With regard to other oil-exporting ESCWA member countries, Yemen continued to depend upon Asian oil demand to fuel exports, although its exports to the United States increased by 5 per cent between 1999 and 2000 and are estimated to have reached 10 per cent of its total exports in 2001. Mineral fuels account for 97 per cent of Yemeni exports, with Asian countries (mainly China, India and Thailand) importing in excess of 80 per cent of the country's total exports. Under the oil-for-food programme, 84 per cent of oil exports from Iraq went to industrialized countries in 2000, although in 2002 the balance is shifting in favour of ESCWA member countries that have forged special trade arrangements with Iraq.

The direction of trade for the ESCWA member countries with more diversified economies is more varied. Apart from oil prices, trade agreements, product quality issues and market access requirements have emerged as important factors influencing the geographic orientation of exports, particularly of non-oil based commodities. The direction of Syrian export flows, for example, has remained mostly constant since 1999 with most exports going to Germany, Italy and France in the EU. However, this reflects the structural shift in Syrian exports that has taken place over the past decade, during which oil exports have emerged as the main

[30] *The Jordan Times*, "Kingdom wants to increase oil imports from Iraq in 2002" (Amman, 31 October 2001).

foreign-exchange earner and the loss of traditional trading alliances with former regimes in Eastern Europe have forced a change in the country's trade orientation. Egypt has witnessed growth in its exports to industrialized countries in recent years and, in particular, to the EU. Egyptian exports to the EU increased by 11 per cent between 1999 and 2000, with estimates pointing towards even greater growth during early 2001. Italy has traditionally been the top destination market for Egypt. However, trends indicate that Egyptian exports are increasingly gaining access to the United States market and may even surpass exports to Italy in 2002.

TABLE 17. GEOGRAPHIC DESTINATIONS OF EXPORTS FROM ESCWA MEMBER COUNTRIES, 2000
(*Percentage of total exports*)

		Industrialized countries					Developing countries						
Country/area	World (Millions of US dollars)	Total for industrialized countries	United States	Japan	EU	Other	Total for developing countries	Africa	Asia	Europe	Middle East	Western hemisphere	Other
GCC countries													
Bahrain	8 092	11.9	3.9	2.6	4.6	0.7	28.9	2.4	19.3	0.5	6.6	0.1	59.2
Kuwait	17 752	55.9	15.2	25.5	14.6	0.6	44.1	0.1	41.8	0.9	0.8	0.5	0.0
Oman	10 542	22.5	2.4	17.5	1.3	1.3	77.5	0.9	63.4	0.0	13.1	0.0	0.0
Qatar	11 527	51.0	3.1	45.3	1.0	1.6	39.2	0.8	31.9	0.1	6.3	0.1	9.8
Saudi Arabia	75 213	54.5	17.3	17.1	17.6	2.5	44.8	2.6	32.7	1.2	6.8	1.5	0.7
United Arab Emirates	41 090	42.0	2.2	32.8	4.9	2.1	44.7	1.7	32.5	0.8	9.5	0.2	13.3
Total	164 216	47.1	10.7	23.2	11.2	2.0	45.6	1.8	34.9	0.9	7.2	0.8	7.3
More diversified economies[a/]													
Egypt	5 633	61.1	14.4	2.2	43.6	0.8	28.2	2.6	11.2	4.5	8.8	1.0	10.8
Iraq	14 097	83.9	40.9	4.3	35.0	3.8	16.0	0.2	9.2	0.7	4.4	1.6	0.0
Jordan	1 284	10.0	4.9	1.0	4.0	0.1	87.6	4.9	32.6	1.7	48.0	0.4	2.3
Lebanon	714	36.3	6.9	0.7	27.6	1.1	62.5	6.7	4.2	6.9	44.1	0.6	1.3
Syrian Arab Republic	4 981	63.5	2.9	0.3	59.6	0.6	33.7	1.3	1.5	13.7	16.9	0.2	2.8
Yemen	4 077	12.3	6.2	2.1	1.3	2.8	84.9	1.9	76.2	1.1	4.2	1.6	2.8
Total	30 786	62.8	23.0	2.7	34.6	2.4	34.3	1.4	18.1	3.7	10.1	0.2	2.9
Total ESCWA region	195 002	49.6	12.6	20.0	14.9	2.0	43.8	1.8	32.2	1.3	7.6	0.8	6.6

Sources: IMF, *Direction of Trade Statistics Quarterly*, December 2001; and IMF, *Direction of Trade Statistics Yearbook*, 2001.

Note: EU signifies the 15 member States of the European Union as of 2000, while Europe signifies countries in Europe not members of the EU.

a/ Excluding the West Bank and Gaza Strip, owing to the unavailability of reliable data.

For non-oil exporting ESCWA member countries, the pattern of trade has increasingly shifted in favour of developing countries although ESCWA member countries continue to receive the greatest share of Jordanian and Lebanese exports. Lebanese exports to Italy, France and Germany also remained strong in 2000 and 2001. However, while Jordan and Lebanon have come to depend increasingly on GCC countries and traditional markets in the EU for their goods, both are also turning to Asia as an alternative export market, mainly to China and India. Phosphate and potash exports dominate Jordanian trade with India as several joint ventures exist between both countries to develop the Jordanian sector. Pakistan and Malaysia are also emerging as important destination markets for Jordan. However, the greatest potential for Jordanian exports is in the United States market, following the ratification of the United States – Jordan Free Trade Agreement in December 2001.

2. *Imports*

On the import side of the trade balance, most GCC countries continued to demand more imports in 2001. This increase in import demand was made possible by high oil revenues gained during the previous year. However, while GCC countries witnessed over 13 per cent growth in imports in 2001, imports to the countries with more diversified economies remained tempered and fell, on average, by 5 per cent. Qatar recorded the highest annual increase in imports in 2001 at 23 per cent, following several years of low or negative import growth (see table 18). Saudi Arabian imports also increased significantly in 2001, although not as much as in 2000 when oil revenues surpassed expectations. The continued strong demand for imports is partly due to the decision by the Saudi Arabian Supreme Economic Council (SEC) to reduce the basic customs duty from 12 per cent to 5 per cent in May 2001.[31] Many items are now also free of customs duties in Saudi Arabia including foods, heavy machinery and raw materials, which has facilitated the import of building materials and machinery and contributed to boosting investment.[32] However, selected commodities still enjoy a 20 per cent protective tariff against competing imports.

TABLE 18. TOTAL IMPORT FLOWS OF ESCWA MEMBER COUNTRIES, 1998-2001
(Millions of US dollars)

Country/area	1998	1997-1998 growth rate (percentage)	1999	1998-1999 growth rate (percentage)	2000	1999-2000 growth rate (percentage)	2001[a]	2000-2001 growth rate (percentage)
GCC countries								
Bahrain	3 470	(16.9)	3 446	(0.7)	3 579	3.9	3 468	(3.1)
Kuwait	8 617	4.9	7 616	(11.6)	5 685	(25.4)	6 346	11.6
Oman	5 682	13.2	4 674	(17.7)	5 375	15.0	5 320	(1.0)
Qatar	3 409	(18.7)	3 500	2.7	3 252	(7.1)	4 008	23.2
Saudi Arabia	30 012	5.4	28 031	(6.6)	36 192	29.1	42 858	18.4
United Arab Emirates	14 255	7.7	18 291	28.3	19 149	4.7	21 140	10.4
Total	65 445	(29.4)	65 558	0.2	73 232	11.7	83 140	13.5
More diversified economies[b]								
Egypt	16 479	25.1	15 962	(3.14)	21 660	35.7	21 818	0.7
Iraq	1 808	59.0	1 830	1.22	2 746	50.1	..	..
Jordan	3 800	(6.1)	3 672	(3.37)	4 470	21.7	4 000	(10.5)
Lebanon	7 060	(5.2)	6 206	(12.10)	6 228	0.4	6 346	1.9
Syrian Arab Republic	3 895	(3.2)	3 832	(1.62)	5 345	39.5	5 634	5.4
Yemen	2 167	20.0	2 700	24.60	2 323	(14.0)	2 582	11.1
Total	35 209	8.8	3 ,202	(2.86)	42 772	25.1	40 380	(5.6)
Total ESCWA region	100 654	(19.5)	99 760	(0.9)	116 004	16.3	123 520	6.5

Sources: IMF, *Direction of Trade Statistics Quarterly*, December 2001; and IMF, *Direction of Trade Statistics Yearbook*, 2001.

Notes: Parentheses ( ) indicate a negative amount.
Two dots (..) indicate that data are not available.

a/ ESCWA estimates.
b/ Excluding the West Bank and Gaza Strip, owing to the unavailability of reliable data.

[31] *Middle East Economic Digest*, "Customs tariffs down to 5 per cent", 8 June 2001, p. 22.

[32] Economist Intelligence Unit, *Country Report*: *Saudi Arabia*, "Saudi Arabia at a glance: 2002-03" (London, November 2001).

Jordan registered the greatest decline in import demand in 2001, with import levels nearing those of the mid-1990s. However, estimates indicate that imports into the West Bank and Gaza Strip fell even more dramatically in 2001 and during the first few months of 2002, following numerous closures and the inability of numerous importers to obtain import certificates from the necessary authorities. Statistics recently released by the World Bank and IMF indicate that Palestinian imports grew steadily during the late 1990s, increasing from US$ 265 million in 1997 to more than US$ 377 million in 2000. However, the renewal of conflict in the region forced imports to plummet in 2001 to just US$ 189 million. This drop has had a particularly detrimental effect for Jordanian exporters who have traditionally maintained strong ties to the Palestinian economy.

By contrast, Syrian imports increased by some 5 per cent in 2001, reflecting stronger economic growth than in previous years. Despite this increase, the Syrian Arab Republic was still able to maintain its trade surplus. This was achieved partly through higher oil revenues and partly by the introduction of new measures aimed at encouraging more diversified domestic production in order to curb imports. Egyptian imports grew at a moderate rate in 2001, after climbing 36 per cent in 2000. Faced with a rise in imports, the Egyptian People's Assembly has sought to extend a temporary embargo on garment imports from January 2002 to January 2003, urging that an extension should be negotiated before the WTO. The reason cited for the proposed extension is that the local clothing industry is overstocked and that the economic situation has deteriorated after the events of 11 September.

Lebanese imports increased from negative to almost zero growth between 1997 and 2000 and experienced growth of some 2 per cent in 2001, although levels still remained 15 per cent lower than imports in 1997 due to the economic crisis that the country is currently experiencing. For the most part, this increase in demand for imports is in response to sweeping reductions in custom duties that took effect in April 2001. While the reduction of import levies lowered State revenues in 2001, it is expected that the new policy will contribute to jumpstarting the process of economic recovery. As part of its fiscal reform policy, the Lebanese Government introduced a value-added tax (VAT) in February 2002 on goods and services imported or domestically produced, at a flat rate of 10 per cent. The introduction of VAT will reduce dependence on customs duties and help Lebanon integrate into the global marketplace with greater ease.[33] Lebanon imports mostly mineral products such as oil, as well as electrical equipment, machines and transportation equipment from France, Italy and Germany.

B. GLOBALIZATION AND REGIONAL INTEGRATION

Increasing trends towards globalization and regional integration have served to expose a number of key challenges to improving the trade performance and competitiveness of ESCWA member countries. These challenges are evident in the ways in which the region approaches economic decision-making, economic recovery in the face of conflict and the opportunities presented by new ITs. However, export diversification and international trade agreements remain the cornerstones of national strategies aimed at securing the benefits of globalization and regional integration.

The inability of ESCWA member countries to take full advantage of opportunities presented by e-commerce and electronic approaches to trade facilitation has placed the region at a disadvantage, compared to other regions that have adopted more aggressive policies on information and communication technologies (ICTs). The General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries estimates that the current value of e-commerce in the Arab world amounts to some US$ 400 million, of which a high proportion is conducted by ESCWA member countries. However, these transactions represent

[33] As the shift from customs duties to VAT may have undue impact on lower income segments of society, some items have been exempted from the tax, namely basic foodstuffs, raw agricultural products, medical and educational services and public transport.

less than 0.04 per cent of the global e-commerce market.[34] Most of this activity is conducted within the financial services sector, which means that travel, media, entertainment and merchandise sectors have yet to fully explore e-commerce options in order to expand their regional and global client bases.

Nevertheless, significant potential exists that could facilitate better integration in global and regional markets. For instance, GCC countries spent approximately US$ 1.2 billion on ITs in 2001, not including telecommunications.[35] In the United Arab Emirates, Dubai Media City has emerged as a regional platform for high-tech ICT industry trade. Teledensity and computer and interest use increased significantly in Egypt, Jordan and Lebanon, with Egypt recently becoming the second largest market for computers after China. However, major obstacles remain. Many industries have yet to integrate ICTs into their internal processes, which is a necessary first step towards improving trade and efficiency. Nevertheless, increasing awareness of e-commerce instruments has generated forecasts that the demand for such services will increase eight-fold by the end of 2003 to exceed US$ 3 billion in transactions.[36]

1. *Economic diversification for export diversification*

While there is no doubt that the oil economy continues to dominate regional trade performance and investments, ESCWA member countries are also forging into new areas in an effort to diversify their economic bases and exports. A number of countries are now active in the IT and electronics sectors, with plastics, base metals, pharmaceuticals and chemical sectors gaining ground and even surpassing traditional exports centred on the textile, garment and agro-food industries. Re-exports also represent an important part of trade performance and have various implications for the implementation of trade agreements, in particular for GCC countries as customs duties are reduced. These trends represent gradual but important structural shifts in the composition of exports and support greater economic diversification in the region.

The oil-exporting countries in the Gulf have steadily sought to diversify their exports for almost a decade, with varied levels of success. Saudi Arabia remains largely dependent on oil revenues, which represented some 90 per cent of export earnings, 70 per cent of State revenues and almost 40 per cent of GDP in 2001.[37] However, the broad outlines of macroeconomic policy for the short to medium term drawn in Saudi Arabia's Seventh Five-Year Development Plan emphasizes the need for economic diversification away from oil, increased engagement of the private sector in the economy, privatization and the indigenization of the labour force. The agriculture, dairy produce and electronics sectors continue to be targeted for expansion, although these now suffer from excess capacity. Only nationals are permitted to work in the Saudi Arabian agricultural sector, in support of the national labour indigenization policy and efforts at export diversification. Intraregional exports in these sectors are strong, particularly with regard to Gulf countries such as the United Arab Emirates, which has also sought to develop these industries as a means of diversifying exports. A number of GCC countries have also targeted the garments sector through re-exports as a means of diversifying exports.

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[34] World Internet commerce for 2001 is estimated at US$ 1,233.6 billion; see ESCWA, *Trade Facilitation and E-Commerce in the ESCWA Region* (E/ESCWA/ED/2001/2) (New York: United Nations, 2001), p. 5.

[35] *Al-Bayan*, "1.2 billion dollars in expenditures for GCC countries on information technology last year", http://www.albayan.com.ae/albayan/2002/04/23/eqt/2.htm (in Arabic).

[36] Massoud Derhally, "Arab e-commerce to reach US$ 3 billion by 2003", www.itp.net/news/101962977897000.htm.

[37] Matt Appleby and David Eyers, *Middle East News Online*, "Saudi Arabia faces a tough 2002: catalyst for change?" (6 March 2002), http://www.middleeastwire.com/saudia/business/stories/20020306_meno.shtml.

Base metals, such as aluminium, have also become increasingly important export commodities for GCC countries. Aluminium represented some 50 per cent of non-oil income for the United Arab Emirates in 2001, with Bahrain and Saudi Arabia also registering impressive growth in their aluminium sectors. However, controversy has recently surrounded efforts to expand aluminium exports from the Gulf to Europe. The EU maintains high tariffs on aluminium imports citing that the energy-intensive processes of the industry are subsidized by cheap oil and natural gas prices in the Gulf. These subsidies are the result of a dual pricing policy on oil products maintained by most countries in the Gulf, namely, the practice of keeping domestic prices lower than export prices for oil products, a policy not necessarily at odds with the WTO agreement on subsidies. Nevertheless, this practice has been a cause for concern for industrialized trading partners, as most countries in the Gulf maintain lower domestic oil prices as a means of supporting local industries and economic diversification.

The Egyptian Government is also committed to diversifying its economy and promoting private-sector export-led growth. The economic plan for 2001-2003 seeks to increase trade in goods and services annually by 19 per cent. The Syrian Arab Republic continues to use import substitution incentives as a means of diversifying exports and, recently, reduced taxes on cotton exports and cut raw cotton production as a means of encouraging more diversified production and exports in the textile and garments sectors.

2. *Membership of and accession to the WTO*

The support of the ESCWA region for trade liberalization and engagement in the trend towards globalization is evident in its support for the WTO. At present, all ESCWA members are either members of or seeking membership in the WTO, with the exception of Iraq and the West Bank and Gaza Strip. Seven countries are already members, namely, Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar and the United Arab Emirates. Four countries are in the process of accession, namely, Lebanon, Saudi Arabia, the Syrian Arab Republic and Yemen.

The accession of Saudi Arabia to the WTO is under way. The Government is currently engaged in bilateral negotiations with a number of WTO members in order to address the concerns of States members with regard to Saudi Arabian trade and investment policies. Among the issues being examined are Saudi Arabia's tariff structure, insurance policies, export licensing requirements, industrial subsidies, sanitary and phytosanitary (SPS) regulations and its list of banned imports. Saudi Arabian law prohibits the importation of alcohol, distillery equipment, narcotics, pork, pornographic material, and certain sculptures. Moreover, special approval is required for the importation of books, chemicals, foodstuffs, horses, livestock, movies, periodicals, perfumes, pharmaceuticals, religious books, seeds and wireless equipment. In order to facilitate the process of economic reform and negotiations with the WTO, the Government established the SEC in August 1999. Saudi Arabia has also taken a number of steps in order to comply with the basic requirements of the WTO, one of which was the introduction of a new anti-dumping law and a landmark foreign investment law, ratified in April 2000.

Lebanon deposited its formal trade memorandum with the WTO secretariat in May 2001 and has already adopted several policies in support of the accession process. The new Lebanese customs law, which came into effect in April 2001, reduces tariff levels so that they follow WTO targets more closely. The law also seeks to facilitate trade exchanges by incorporating ITs into the customs approval process. The Syrian Arab Republic officially requested membership in the WTO in 2001 and should finalize its trade memorandum, to be submitted to the WTO by the middle of 2002. Among the key negotiations that the Syrian Arab Republic will face before accession to the WTO will include matters relating to its foreign trade regulations, investment laws and means of intellectual property protection. Yemen has been engaged in accession talks with the WTO since 17 July 2000. However, Yemen has yet to submit a trade memorandum to the WTO that would allow it to move ahead with the accession process.

Concerns have been voiced by ESCWA member countries with regard to the application of particular WTO agreements and items for negotiation on the Doha Development Agenda, agreed in Qatar in November 2001. Egypt and Kuwait have been leaders in the region and active in negotiations involving non-tariff barriers (NTBs) and technical barriers to trade (TBTs) that limit the access of the region's exports to industrialized countries and, in particular, the EU which is the region's largest trading partner. The access of agricultural products to the European market is an issue of particular concern, as are the product and process standards related to conformity with environmental, health and safety measures applied in destination markets (see box 3). Rules of origin are also of primary concern for member countries that have developed their textile and garment industries, in particular for Gulf countries actively engaged in garment sector re-exports. There are also issues related to the harmonization of regional and bilateral agreements subscribed to by ESCWA member countries and their commitments under the WTO.

Box 3. Trade and environment and standards: the case of genetically modified organisms

The ability of countries, companies and consumers to mandate the environmental characteristics of products and production processes has become an increasingly contentious issue in recent years. Manufacturers in the ESCWA region are faced with the need to comply with a host of increasingly stringent environmental measures that are both regulatory (mandated by Governments) and voluntary (required by corporate and individual consumers). These measures can be classified as product standards, process and production measures or those related to conformity assessment, or the processes by which countries and importers ensure compliance with identified environmental, health and safety measures. Lack of awareness and access to information about destination market regulations and product standards are among the chief obstacles facing exporters in the region. The table below summarizes the findings of a recent survey of private firms, which catalogues the most common types of environmental, health and safety measures that regional manufacturers consider to pose obstacles to trade. The survey focused on three important industries and subsectors in the ESCWA region, namely, the canned and packaged food subsector of the agro-food industry, the garments subsector of the textiles industry and the pharmaceuticals subsector of the chemicals industry. Labelling and packaging requirements were consistently the most troublesome for regional manufacturers to comply with when exporting to industrialized countries or neighbouring ESCWA markets.

For instance, on 1 December 2001, Saudi Arabia began to implement a labelling requirement on the import of all genetically modified organisms (GMOs) in food products and, also, banned the importation of all GMO animal products on the basis that they pose potential risks to human health. This means that all products containing GMO plant ingredients must now clearly inform consumers of their contents, including the use of GMO ingredients. A similar policy exists in Egypt. The rationale for the regulation is that the Government would prefer to provide the public with full information about the use of GMOs and allow consumers to make purchasing decisions based on that information. Manufacturers of products using GMOs, however, cite this as discriminatory as no scientific proof exists that GMOs pose adverse health effects.

While this labelling requirement, associated with the perception of a potential health risk, may raise concerns from some trading partners as Saudi Arabia seeks membership in the WTO, the implications for ESCWA exporters is much more mundane. In view of the new standard, food and beverage manufacturers in the ESCWA region and elsewhere who wish to export to Saudi Arabia must now find mechanisms to certify whether their products are GMO-free. While such testing and conformity assessment institutions might exist in industrialized countries, the capacity to conduct such testing remains non-existent in the ESCWA region. This situation increases the cost of trade transactions between member countries and effectively serves as an NTB to trade. Assuming that it is rigorously enforced, the measure may have significantly detrimental implications for agro-food industry exports from Jordan and Lebanon to Saudi Arabia, which is the largest market of those countries for these products.

Box 3 (*continued*)

TABLE. MOST CHALLENGING ENVIRONMENTAL, HEALTH AND SAFETY STANDARDS FOR EXPORTERS IN ESCWA MEMBER COUNTRIES

	Product standards		Process standards		Conformity assessment	
	Regulatory	Voluntary	Regulatory	Voluntary	Regulatory	Voluntary
Canned and packaged food industry	Expiry date Colourants Labelling Packaging Pesticides Residues GMOs	Eco-labelling certification	GMOs Sterilization Sanitation	Organic inputs	Inspection Testing GMOs	Inspection and testing by importer Eco-labelling certification
Garment industry	Carcinogenic dyes Labelling Packaging	Eco-labelling certification	Labelling Rules of origin	ISO 14000 Eco-labelling certification		Eco-labelling certification Inspection and testing by importer
Pharmaceutical industry	Expiry date Drug stability Bovine-derived materials Labelling Packaging		Good manufacturing Process certification Good lab practices certification Drug Registration Licensing	ISO 9000 ISO 1400 Good lab practices certification		Inspection and testing by importer in foreign country Inspection and testing of patented firm with licensing agreement for local production

Source: ESCWA, *The Impact of Environmental Regulations on Production and Exports in the Food Processing, Garment and Pharmaceuticals Industries in Selected ESCWA Member Countries* (E/ESCWA/ED/2001/14, 2001).

An important breakthrough in WTO rules and regulations is that countries engaged in accession talks with the WTO are able to participate in future negotiations outlined within the Doha Development Agenda, although they are still only able to stand as observers in negotiations on previous WTO agreements. Items for negotiation related to trade in services, tourism, pharmaceuticals, agriculture and fisheries are among the priority concerns of ESCWA member countries. However, in order to take advantage of this opportunity, increased capacity and improved training is needed in order to ensure that trade negotiators in the region are better informed of the implications that certain WTO provisions and items for negotiation have for ESCWA member countries and the Arab region.

3. *Regional trade agreements*

In addition to their participation in global trade regimes, ESCWA member countries are increasingly turning to regional integration as a stepping stone to greater integration in the global economy. While Egypt, for example, has already acceded to the WTO, it is also a member of the Euro-Mediterranean Partnership, the Common Market for Eastern and Southern Africa (COMESA) and the Greater Arab Free Trade Area (GAFTA). Bilateral trade agreements are also becoming more common. These trends indicate greater concern by member countries to address the implications of globalization and trade liberalization.

(a) *The Euro-Mediterranean Partnership*

Five ESCWA members are part of the Euro-Mediterranean Partnership and four, namely Egypt, Jordan, Lebanon and the West Bank and Gaza Strip have already signed association agreements with the EU. Negotiations between the Syrian Arab Republic and the EU are still underway. For Lebanon and the Syrian

Arab Republic, many of the issues under discussion with the EU are being negotiated with a view to strengthening their requests for membership in the WTO.

The Government of Egypt signed the Euro-Mediterranean Association Agreement on 25 June 2001. The agreement still has to be ratified by the People's Assembly and the parliaments of the fifteen member States of the EU and is not expected to come into force for another two years. The EU accounts for some 40 per cent of Egyptian imports and 30 per cent of its exports. Egypt anticipates that the agreement will boost exports to European countries and FDI inflows into Egypt. Results are expected in the short-term, as Egyptian goods will enjoy immediate duty-free access to the EU market, while tariffs on Egyptian imports from the EU will be phased over a sixteen-year period. Import duties on raw materials and capital goods from Europe will be removed during the first three years after the agreement is ratified, tariffs on intermediate goods will be lifted between the fourth and ninth year, while tariffs on finished goods will be eliminated gradually, starting the sixth year after ratification. Egypt has also been able to extract some important agricultural concessions from the EU that are expected to increase exports in that sector.

Despite the fact that the association agreement between Egypt and the EU has yet to come into force, Egypt is already accruing benefits. By virtue of its signing, Egypt now has greater access to financial assistance provided by the EU under the MEDA programme, the principal financial instrument of the EU for the implementation of Euro-Mediterranean Partnership agreements.[38] The MEDA line comprises 5,350 million euros (US$ 4,570 million) for activities between 2000 and 2006.[39] Egypt regularly received some 25 per cent of MEDA funds and now enjoys access to additional preferential grants and loans provided by the EU and the European Investment Bank (EIB). Access to these financial instruments will assist Egypt in becoming better prepared for the implications that trade liberalization will have for domestic competitiveness.

Lebanon concluded an association agreement with the EU in early 2002. Lebanon has long standing trade ties with the EU, its major import partner and an important destination market for its exports. According to the agreement and the generalized system of preference (GSP), some 85 per cent of all Lebanese exports to the EU will benefit from preferential treatment. Moreover, the agreement provides Lebanon with a five-year grace period to decrease and restructure its tariff schedule. It is hoped that the agreement will help to facilitate the entry of intermediate goods and investment into Lebanon and open new markets for Lebanese exports.

Negotiations between the Syrian Arab Republic and the EU are advancing and are expected to conclude by the end of 2002. The Syrian Arab Republic decided to begin negotiations with the EU with regard to a possible association agreement in December 1997. This agreement could take many years to conclude, as it will require significant changes in the Syrian economy and the ways in which the Syrian external sector is managed. The subject of negotiations between the EU and the Syrian Arab Republic has been varied, with progress already achieved in talks covering tariffs, competition regulations and rules of origin.

Jordan and the West Bank and Gaza Strip have completed association agreements with the EU but have not been able to take full advantage of the new accord in the context of the continuing conflicts in the region. In addition, the free trade agreement signed between the United States and Jordan has served to shift the focus of Jordanian exporters from Europe to the western shores of the Atlantic Ocean.

(b) *The GCC customs union*

At the subregional level, the GCC announced in December 2001 that it had agreed to form a customs union that would create a single market by 2005 and single currency by January 2010. The formation of the

[38] See http://europa.eu.int/comm/external_relations/euromed/meda.htm#2.

[39] *Middle East Economic Digest*, "EU deal to boost exports/FDI" (London, 6 July 2001), p. 16.

union is part of the GCC's long-term strategy aimed at facilitating economic relations and negotiations with regional and global trade organizations and blocs. It is expected that the realization of the customs union would improve the outlook for forging a trade agreement between the GCC and the EU, which has been a long-time objective of a number of Gulf countries. The EU is the largest trading partner of the GCC countries and enjoys a US$ 10 billion trade surplus with them.

The customs union will establish a three-tier tariff structure for the six GCC countries at rates of zero per cent, 5.5 per cent, and 7.5 per cent, with an average common customs duty on imports of 5 per cent. The agreement will also allow GCC countries to eliminate all levies on the import of raw materials and industrial machinery to be used by industries within those countries. Trade in manufactured goods between GCC countries will also be free of custom duties, provided that more than half of the factory of the manufacturer is owned by a GCC national.[40]

In order to achieve these tariff targets, Saudi Arabia will need to significantly reduce its customs levels from their average of some 12 per cent. Conversely, the agreement will require the much more liberal trade regime of the United Arab Emirates to increase its tariffs rates from their average of only 4 per cent. This will have various implications for trade competitiveness in the region, as most GCC countries produce similar non-oil commodities for export. The tendency of Saudi Arabia towards import substitution policies will also be threatened, although it was able to secure a delay in the removal of import duties on sugar and cement until 2005. Moreover, the adoption of a shared tariff structure may set back successful efforts by the United Arab Emirates to become a platform into the Arab market and expand re-exports. The communiqué on the agreement also specifies that member States would work towards harmonizing economic standards by 2005 in order to lay the groundwork for a single currency by 2010. Product standards and customs procedures are also set to be coordinated in order to facilitate trade flows within the subregion.

(c) *GAFTA*

This is an initiative of the League of Arab States aimed at promoting regional trade integration between Arab countries through the creation of GAFTA by the end of 2006. The agreement calls on members to reduce tariff rates by 10 per cent annually, starting in 1998, with all customs duties to be eliminated within ten years.[41] While progress in reducing tariffs has been achieved, more negotiations are necessary in order to resolve inconsistencies between GAFTA and WTO rules, reduce NTBs between member States and establish clear dispute resolution procedures.[42]

The agreement complements regional efforts outlined within the Euro-Mediterranean Partnership to create a Mediterranean Free Trade Zone (MFTZ) and encourage trade between southern Mediterranean countries. Talks are also under way to launch a Mediterranean Arab Free Trade Area (MAFTA), which would group together Egypt, Jordan, Morocco and Tunisia to maximize the benefits of GAFTA and the Euro-Mediterranean Association Agreements. Other agreements have also been forged in order to strengthen intraregional cooperation between Arab countries. In 2001, Egypt, Jordan and Tunisia agreed to abolish customs duties by 2002 in order to encourage the development of GAFTA. Jordan, Morocco and the Syrian Arab Republic signed a memorandum of understanding on improving maritime transport between the countries in November 2001, which would serve to facilitate intra-Arab trade across the Mediterranean region. Jordan and the Syrian Arab Republic signed another memorandum of understanding with Saudi Arabia in November 2001 regarding the development of a railway link to connect the three countries in order

[40] *Middle East Economic Survey*, "GCC finally agrees on timing of tariff unification and common currency", vol. XLV, No. 1, 7 January 2002.

[41] League of Arab States, *The 68th Meeting of the Arab Economic and Social Council*, 10-13 September 2001, Document No. 2 (Cairo, League of Arab States, 2001), p. 14.

[42] For further information on GAFTA, see ESCWA, *Free Trade Areas in the Arab Region, Where Do We Go From Here?* (E/ESCWA/ED/2001/4).

to facilitate intraregional trade. A similar trade and transport memorandum was signed between Egypt, Jordan and the Syrian Arab Republic in December 2000.

4. *Bilateral trade agreements*

A number of bilateral trade agreements have been signed, ratified or come into effect during the past year, which has contributed to regional efforts aimed at strengthening trade liberalization and regional trade integration. Among the most singular of the agreements is the United States – Jordan Free Trade Area agreement, which was signed in October 2000 and ratified in December 2001. This was the first such agreement to be concluded by the United States with an Arab country and the third such agreement in its history, the others being the North American Free Trade Area (NAFTA) agreement and the free trade agreement with Israel. The agreement calls for phasing out custom duties on goods and services traded between the two countries, in four stages, by 2010. The terms stipulate that only goods and services originating in one of the two countries are subject to the agreement, with the exception of cigarettes, cars and alcoholic beverages. Although it is probable that it will take several years for Jordanian industries to take advantage of the opportunities presented to them by this preferential access to the United States market, the process should be smooth as Jordanian and United States firms are already experienced in bilateral commerce based on the preferential export regime established by QIZs in Jordan.

During 2001, Jordan also aggressively pursued trade agreements and protocols with other countries in order to boost exports, including the European Free Trade Association (EFTA) signed in June 2001. It is also continuing negotiations with each of Bulgaria, Iraq, Kuwait, Lebanon, Morocco and Saudi Arabia. Lebanon has signed bilateral free trade agreements with the Syrian Arab Republic (effective 1999), Egypt (effective 1999), Kuwait (effective 2000), and the United Arab Emirates (effective 2001) and recently signed an agreement with Iraq.

During 2001, the Syrian Arab Republic agreed to establish free trade agreements with each of Iraq, Morocco and Saudi Arabia, which will contribute to boosting intra-Arab trade exchanges and encourage a more outward orientation of the Syrian economy. The agreement between Saudi Arabia and the Syrian Arab Republic commits to establishing a joint free trade zone in which customs duties on exports will be decreased by 50 per cent during the first year and completely eliminated by 2003. The agreement also calls for joint investment projects to be strengthened and for the movement of goods to be facilitated. The free trade agreement signed between Jordan and the Syrian Arab Republic agrees to the elimination of tariffs on 99 per cent of goods traded between the two countries. However, four items are exempted, namely biscuits, chocolates, clothes and mineral water, which will undergo gradual tariff exemptions starting at 60 per cent. The agreement enters into force in 2002. The agreement between Jordan and the Syrian Arab Republic is likely to have an impact on uncompetitive small and medium-sized enterprises in Jordan producing similar products to those produced by Syrian manufacturers, as the volume of Syrian exports to Jordan was almost double that of Jordanian exports to the Syrian Arab Republic in 2001.[43] However, this situation bodes well for increasing the export potential of competitive Jordanian industries.

The Syrian Arab Republic also agreed with Indonesia in 2001 to set up a joint trade commission, which will facilitate exports to Asia. Bahrain and Malaysia signed an agreement on trade, banking and oil in November 2001, which Bahrain hopes will help it to gain better access to Asian markets.

Egypt and countries in the Gulf are at present studying the establishment of a free trade agreement between them, which would contribute to bolstering intraregional trade. The value of trade between Egypt and the United Arab Emirates increased from US$ 138 million to US$ 212 million between 1995 and 2000.[44]

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[43] Rana Awwad, *Jordan Times*, "Jordan, Syria sign FTA", posted on *Middle East News Online* (Amman, 9 October 2001), http://www.middleeastwire.com/jordan/business/stories/20011009_4_meno.shtml.

[44] *Gulf News* (online edition), "Egypt eyes free trade agreement with Gulf", (Dubai, 31 October 2001), http://www.gulfnews.com/Articles/news.asp?ArticleID=30983.

The increased intensity of support for regional and bilateral trade agreements among ESCWA member countries in recent years should help the region become better prepared to take advantage of opportunities presented by the global trade regime.

C. FOREIGN DIRECT INVESTMENT

1. *FDI flows*

Inflows of FDI in the ESCWA region are still modest compared with other regions in the world. The region attracted only US$ 3.6 billion in 2000, which corresponds to about 0.3 per cent of FDI worldwide and some 2 per cent of FDI inflows to developing countries, which have attracted some 20 per cent of world FDI. In addition to its low level in the region, FDI inflows are concentrated in a few countries, namely Egypt and Saudi Arabia. These two countries alone absorbed around 62 per cent of the total inflows to the region, while three others, namely Bahrain, Jordan and Qatar, together received some one third of the total inflows.

Inflows of FDI to the region recorded a significant increase in 2000, jumping from US$ 1.1 billion in 1999 to US$ 3.6 billion in 2000, but failing in that year to reach the high levels of US$ 5.4 billion and US$ 6.6 billion recorded in 1997 and 1998, respectively (see table 19). Data on FDI inflows to the region in 2001 are not yet available. However, the outlook with regard to FDI in the ESCWA region last year was not encouraging. Inflows have been severely affected by the new political environment in the region as a result of the events of 11 September and, also, the Palestinian intifada which has continued for 18 months.

TABLE 19. FDI INFLOWS TO ESCWA MEMBERS, 1998-2000
(Millions of US dollars)

Country/area	1998	1999	2000
GCC countries			
Bahrain	180	448	500[a/]
Kuwait	59	72	16
Oman	101	21	62[a/]
Qatar	347[a/]	144[a/]	303[a/]
Saudi Arabia	4 289	(782)	1 000[a/]
United Arab Emirates	253[a/]	(13)	100[a/]
More diversified economies			
Egypt	1 076	1 065	1 235
Iraq	..	..	..
Jordan	310	158	300
Lebanon	200	250	180[a/]
Syrian Arab Republic	80	91	84[a/]
West Bank and Gaza Strip	..	..	..
Yemen	(266)	(329)	(201)
Total ESCWA region	6 629	1 125	3 579

Source: UNCTAD, *World Investment Report 2001* (United Nations publication, Sales No. E.01.II.D.12).

Notes: Parentheses ( ) indicate a negative amount.
Two dots (..) indicate that data are not available.

a/ ESCWA estimates.

The modest level of FDI and the disparity in its distribution among ESCWA member countries is caused by a number of other factors, including a deficient regulatory framework, an inadequate business environment, poor institutional frameworks, unsatisfactory market access and unfavourable comparative costs.

2. *Major reforms to improve the business and investment environment for FDI*

The desire of ESCWA member countries to attract FDI is evident in the economic reforms that they have undertaken and their liberalization of FDI policies. Major improvements have been made in the region in order to attract better foreign investment. A number of member countries have taken steps to improve the business and investment environment, including the relaxation of measures restricting FDI, provision of incentives to foreign investment, simplification of administrative procedures to establish and operate foreign companies and the legal framework to protect private investment. Moreover, member countries are implementing new laws in order to increase their openness to foreign investments.

During the past three years, economic policies in Jordan have become more liberal and administrative barriers on investment have been reduced. In Oman, the Government is giving high priority to FDI in view of its impact on technology transfer and economic diversification. In Lebanon, a new investment law was adopted in August 2001 that provides specific incentives to projects established in the industrial, agriculture, tourism and IT sectors.

In 2001, the Syrian investment law (No. 10/1991) was amended by Decree No. 7 to ease exchange controls and foreign currency transfer. Companies can now be allowed, by a decision of the Supreme Investment Council, to open bank accounts abroad, provided the amounts deposited are not greater than 50 per cent of the capital paid in cash in foreign currency. Companies can also be allowed, by a decision of the Council, to convert part of their deposits in foreign currency to Syrian pounds (LS) at the exchange rate (market rate) of neighbouring countries in order to cover their local requirements.

Saudi Arabia is also undergoing numerous changes. Economic reforms are under way. The Foreign Investment Act established the new law on foreign investment and was adopted by the Council of Ministers on 10 April 2000. The reforms it introduces to the regulations governing foreign investment are considered radical, as Saudi Arabia has recently started to give priority to FDI inflow and economic diversification. It is anticipated that the regulations will be further relaxed in the future.

The United Arab Emirates also took a number of steps in 2001 to attract FDI. On 29 October 2001, Dubai inaugurated an e-government portal. This portal will give people access to a wide range of online services including office rental and online applications for Government services, trade licences and visas. The implementation of e-government will have a positive impact on FDI flows to Dubai and has already helped existing investors save time and increase efficiency. Another initiative is Dubai Media City, launched in January 2001 as the focal point of media activity in the region. Companies working in Dubai Media City enjoy unique commercial advantages including 100 per cent business ownership and guaranteed 50-year exemption from personal, income and corporate taxes.

(a) *Increasing role of investment promotion agencies*

Investment promotion agencies in the ESCWA region are playing an increasing role in attracting foreign capital investments. The Jordan Investment Board (JIB) has taken several steps to simplify administrative procedures in Jordan. The Investment Development Authority of Lebanon (IDAL) has begun work on facilitating the issuance of work permits for expatriates.

In Bahrain, the newly-established Economic Development Board (EDB) is responsible for the promotion of FDI in the country. Its promotion policy concentrates on six sectors, namely, IT and telecommunications, tourism, health care, education services, financial services and downstream industries. It has also recently established a one-stop-shop for investors. Although the labour law requires that 25 per cent of workers in a company should be Bahraini nationals, foreign companies can obtain exemption from this law through EDB and employ 100 per cent foreign labour when the project requires skills not available in Bahrain.

In Saudi Arabia, the Government has approved the formation of the Saudi Arabian General Investment Authority (SAGIA), which oversees all matters related to investment in Saudi Arabia. Its mandate includes the formulation of Government investment policies, promotion of foreign investment, provision of information about investment opportunities, development of databases and conducting statistical surveys. It has established a one-stop-shop to help foreign investors complete all the necessary steps for licensing and registering companies.

(b) *Tax incentives regime*

In ESCWA member countries, changes have also been introduced in the treatment of FDI through improvements to the tax regime. In Lebanon, incentives contained in the new investment law consist mainly of tax reductions and exemptions the extent of which depends on the geographical area in which a project is established.

In Jordan, the Aqaba Special Economic Zone (ASEZ) was established in May 2001 in order to promote FDI.[45] All projects enjoy special treatment in terms of duties, taxes and registration and are exempt from social service tax, annual land and building taxes, customs duties and VAT. However, there is a 5 per cent taxation rate on all net business income, with the exception of banking, insurance and land transport which are subject to income tax at the prevailing rate and 7 per cent sales tax on final consumption of selected personal goods and services.

In the Syrian Arab Republic, the period of exemptions from taxes and customs duties is extended for projects of special significance to the national economy in terms of their contribution to GDP, exports, employment opportunities, technology transfer and safeguarding the environment.

In Saudi Arabia, tax on profit is imposed on foreign investors and taxation rates are bracketed. Taxation rates in the tax bracket for profits exceeding 1 million Saudi Arabian riyals (SRls) have recently been reduced from 40 to 30 per cent and those in the SRls 500,000 – 1 million bracket have been reduced from 40 to 25 per cent. Since June 2001, under Ministerial Resolution No. 1/398 foreign investors can carry forward operational losses incurred. On the other hand, foreign investment receives the same treatment as national investment with regard to incentives, advantages and guarantees. Foreign and Saudi companies are exempted from customs duties when importing raw materials, equipment and other inputs needed for projects.

3. *Foreign commercial ownership and foreign ownership of land and real estate*

In 2001, Lebanon relaxed restrictions on the ownership of land and real estate by foreigners. In that same year, major steps were taken in Bahrain in order to ease the entry of foreign investors. Full foreign ownership of projects is now permitted with the exception of a small number of sectors, such as trade. Foreign investment in telecommunications will be permitted by June 2002,[46] and a new law is to be issued in the near future allowing foreign ownership of land and real estate in five areas of Bahrain, for tourist projects and residential purposes. The Government recently allowed foreign universities to operate in the country. Recent amendments to Syrian law make it possible for Arab and other foreign investors to own and rent the lands and real estates required in order to establish or expand projects.

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[45] Requirements for entry and operations of foreign investors are eased to a large extent in this zone, where there is a one-stop-shop for business registration and licensing procedures and businesses are 100 per cent under foreign ownership. A simplified foreign work permit and visa regime also operates in this zone.

[46] According to the EDB, foreign investors continue to have interest in Bahrain despite the events of 11 September and some 20 American and Canadian companies have recently expressed interest in investing in Bahrain. International companies are particularly interested in investing in telecommunications, tourism and infrastructure.

In Jordan, land can be leased in ASEZ for a period of up to 50 years and purchased for hotel, commercial, health, educational and residential developments. With regard to commercial ownership, in 2001 the Government allowed foreign investors to own 100 per cent of capital in the mining sector with the exception of phosphate extraction, which remains closed to foreign ownership.

In Saudi Arabia, full foreign ownership is permitted. Companies wholly owned by foreign investors can also benefit from soft loans with favourable financing schemes from the Saudi Industrial Development Fund. Nevertheless, a number of activities are still barred to foreign investment, including three areas in the industrial sector and 19 activities in the service sector. It is anticipated that the Government will soon reduce the number of barred activities. Recently, the Government approved the exploration and production of gas by foreign companies. Major activities that will be opened to foreign investment in the future include telecommunications services.

In 2001, the Government of Oman allowed foreign participation in companies up to 70 per cent, raising the former ceiling of 49 per cent imposed under the amended Foreign Capital Investment Law No. 102/94. With effect from 1 January 2001, representative offices of foreign companies are permitted to maintain a commercial presence in the country. A greater number of activities are now open to foreign investment. In order to encourage investment from GCC countries, their nationals are given preferential treatment to other foreigners. The Ministry of National Economy issued a decision (Ministerial Decision No. 69/2001) permitting citizens of GCC countries to engage in all economic activities and professions, with some exceptions, with effect from 1 January 2002. Citizens of GCC countries receive the same treatment as nationals in every respect, including the possibility of full ownership of projects. Prohibited activities for GCC citizens include insurance, shipping, advertising and real estate services as well as commercial agencies, customs clearance, social and cultural activities and travel and tourism agencies.

4. *FDI and privatization*

Privatization activity has regained momentum in the ESCWA region. An increasing number of countries in the region have committed themselves to allowing the private sector to lead growth and are reducing direct government involvement in the economy through privatization, encouraging private sector participation in infrastructure and reforming their institutions in order to make them more hospitable to private investment.

In order to improve the efficiency of State monopolies and shift some of the burden of infrastructure development on to the private sector, the Egyptian Government has allowed build-own-operate-transfer (BOOT) projects. It has awarded three BOOT power plant projects, one to predominantly United States interests and the other two to the French. The airport BOOT project has already been awarded.

The Syrian Arab Republic introduced the provision of protection against nationalization and confiscation to its national law and Saudi Arabia is in the process of reorganizing and restructuring major State companies for privatization, which it is anticipated will attract considerable amounts of FDI. Privatization will include telecommunications.

A privatization programme of Oman was started in 1996 and continued through 2001, with the aim of attracting FDI as well as technology transfer and know-how. The telecommunications sector is being privatized, although the Government will retain a 51 per cent share. An IT park has been established in order to promote national and foreign investment in IT and, in particular, software development with emphasis on the establishment of technology business incubators.

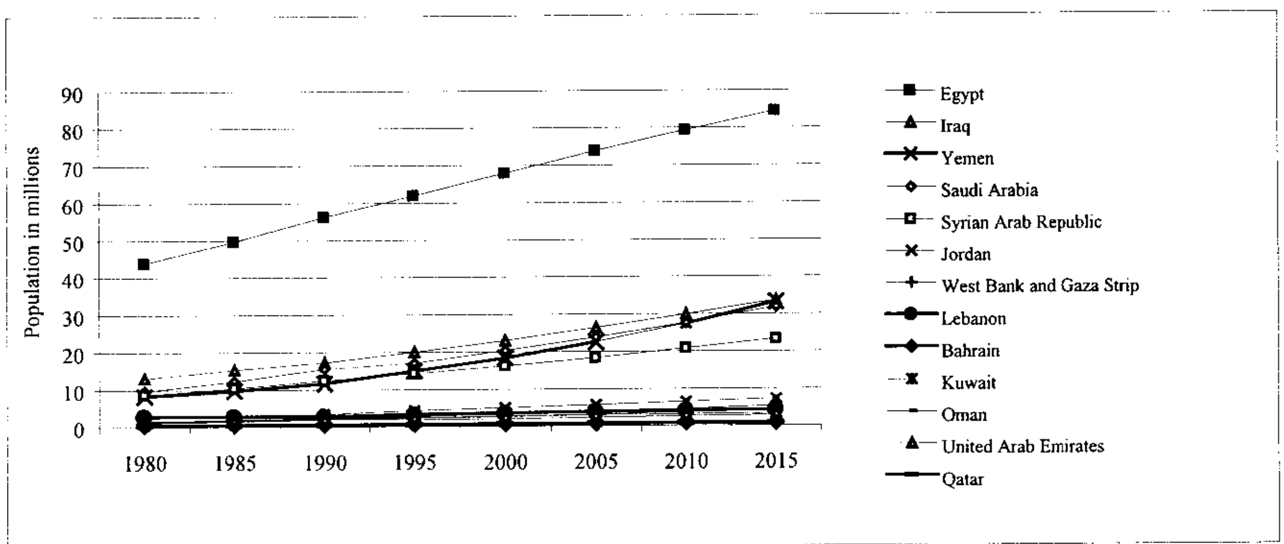
V. SOCIAL DEVELOPMENTS IN THE ESCWA REGION

A. POPULATION SIZE AND DEMOGRAPHICS

Between 1980 and 2000, the total population of the ESCWA region increased by 71.8 million to an estimated 165.9 million, representing 2.73 per cent of the total world population. This figure is projected to reach 234.4 million in 2015, or 3.25 per cent of the world population.

The size of the population varies considerably between ESCWA member countries. In 2000, the population of Egypt alone stood at 67.9 million, representing 41 per cent of the total population of the ESCWA region, while each of Iraq, Saudi Arabia, the Syrian Arab Republic and Yemen represented between 10 and 14 per cent of the total. The least populated countries in the region were Bahrain, with a population of 640,000 and Qatar, with a population of 565,000. It is estimated that by 2015, the population of Egypt will have grown by 16.5 million to reach 84.4 million. Egypt will thus remain by far the most populous country in the region. Iraq will remain in second place, with a projected total population of 33.6 million, followed by Yemen, where it is anticipated that the population will almost double to 33.1 million and so outstrip population growth in Saudi Arabia, where it is estimated to reach 31.8 million (see chart 7).

Chart 7. Total population in the ESCWA region, 1980-2015

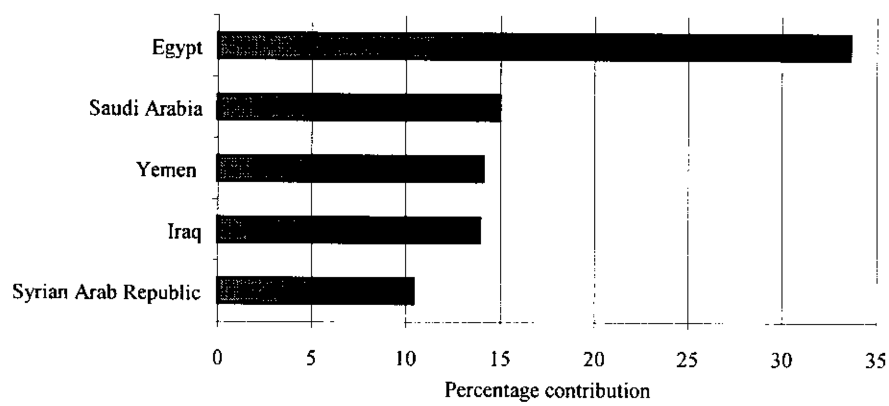


Source: Based on *World Population Prospects: The 2000 Revision* (ST/ESA/SER.A/198), United Nations publication, Sales No. E.01.XIII.8. Projections based on medium variant of the population projections.

Between 1980 and 2000, the population of the ESCWA region grew at an annual rate of 2.9 per cent, the highest rate in any region of the world during the past two decades. However, since 1985 the average annual population growth rate in the region has been declining and is projected to reach 2.17 per cent by 2015. Between 1995 and 2000, the population growth rate in ESCWA member countries ranged from 1.8 per cent in Egypt and 2 per cent in Lebanon and Qatar to 3.5 per cent in Saudi Arabia and 3.8 per cent in the West Bank and Gaza Strip and 4.2 per cent in Yemen. The lowest population growth rate in the region remains higher than the world average of 1.4 per cent, which, it is estimated, will fall to 1.1 per cent by 2015.

The high population growth rate between 1980 and 2000 served to increase the total population of the ESCWA region by some 72 million, or 3.6 million annually. Egypt contributed 34 per cent of this annual increment between 1980 and 2000, while Saudi Arabia contributed 15 per cent and Yemen 14.1 per cent and Iraq and the Syrian Arab Republic 14 and 10 per cent, respectively. It is estimated that the population will grow during the period 2000-2015 by a further 69 million, with Egypt continuing to lead population increase with an additional 16.5 million, or 24 per cent, followed by Yemen, anticipated to take second place with a contribution of 14.7 million or 22 per cent (see chart 8).

Chart 8. Top contributors to population increase in the ESCWA region, 1980-2000



Source: Based on the *World Population Prospects: The 2000 Revision* (ST/ESA/SER.A/198), United Nations publication, Sales No. E.01.XIII.8.

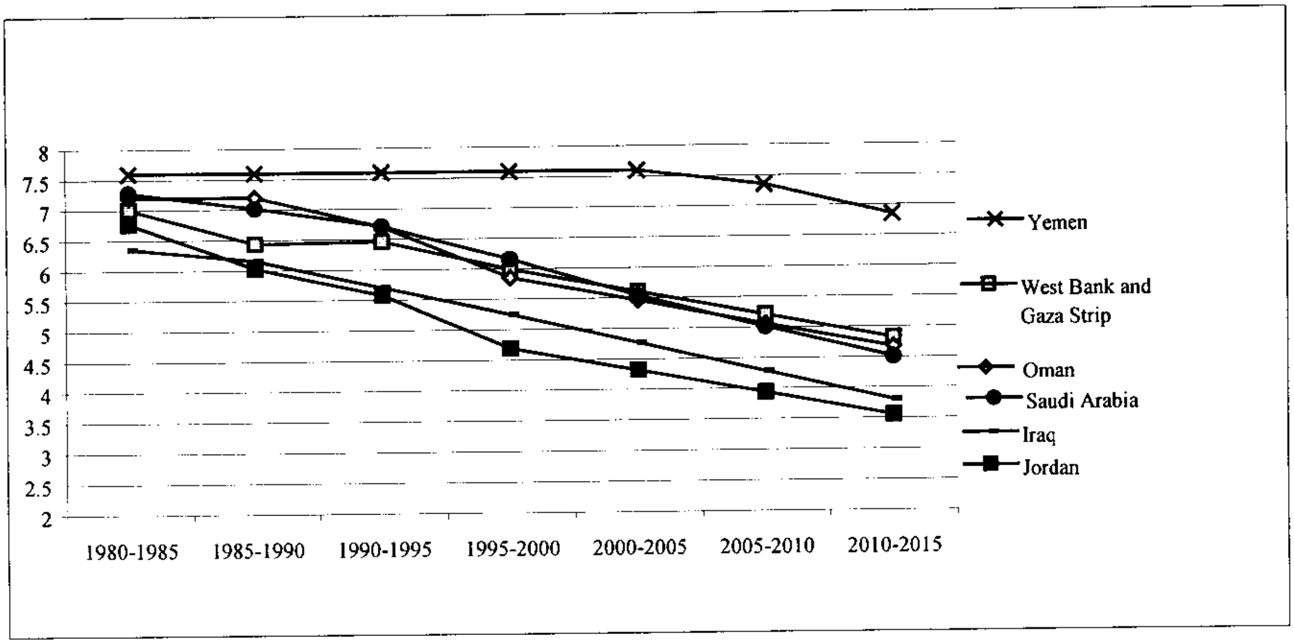
1. *Population indicators*

The total fertility rate (TFR) is defined as the average number of children that a woman bears during her reproductive life. Estimates for the period 1980-2000 indicate that the average TFR in ESCWA member countries continued to decline from 6.05 children per woman during the period 1980-1985 to 4.43 in the period 1995-2000. In other words, the average woman in the region today is giving birth to two less children than was the case twenty years ago. However, the regional average TFR in 2000 remained well above the replacement level of 2.1 children per woman and well above the world average of 2.7 children per woman. It is anticipated that the TFR will continue to decline and will reach 3.42 by 2015. Despite this moderate decline, the current and projected TFR remains comparatively high and the population momentum this creates will exert significant pressure in the future on available resources for development.

The average TFR of the ESCWA region conceals significant differences in the fertility patterns of different countries of the region (see chart 9). While it is anticipated that Bahrain, Egypt and Lebanon will reach the replacement level of 2.1 children by 2015, in Yemen it is anticipated to decline by a scant 0.7 births per woman. Between 1980 and 2000, the drop in fertility levels was most pronounced in Bahrain, Jordan, the Syrian Arab Republic and the United Arab Emirates, where the TFR decreased by two or more. The TFR in the West Bank and Gaza Strip and Yemen is among the highest in the world and has remained so since 1980.

During the period 2000-2005, life expectancy at birth in the ESCWA region was estimated at 72.8 years for women and 69.7 years for men. The decline in the mortality rate during the past two decades in the ESCWA region has been impressive: today, women live 7.4 years and men 7.6 years longer than was the case two decades ago. During that same period, the average difference in life expectancy between women and men in the ESCWA region was 3.16 years, while the comparable average difference in the European Union countries was approximately 8.2 years.

Chart 9. Total fertility rates in selected ESCWA members, 1980-2015

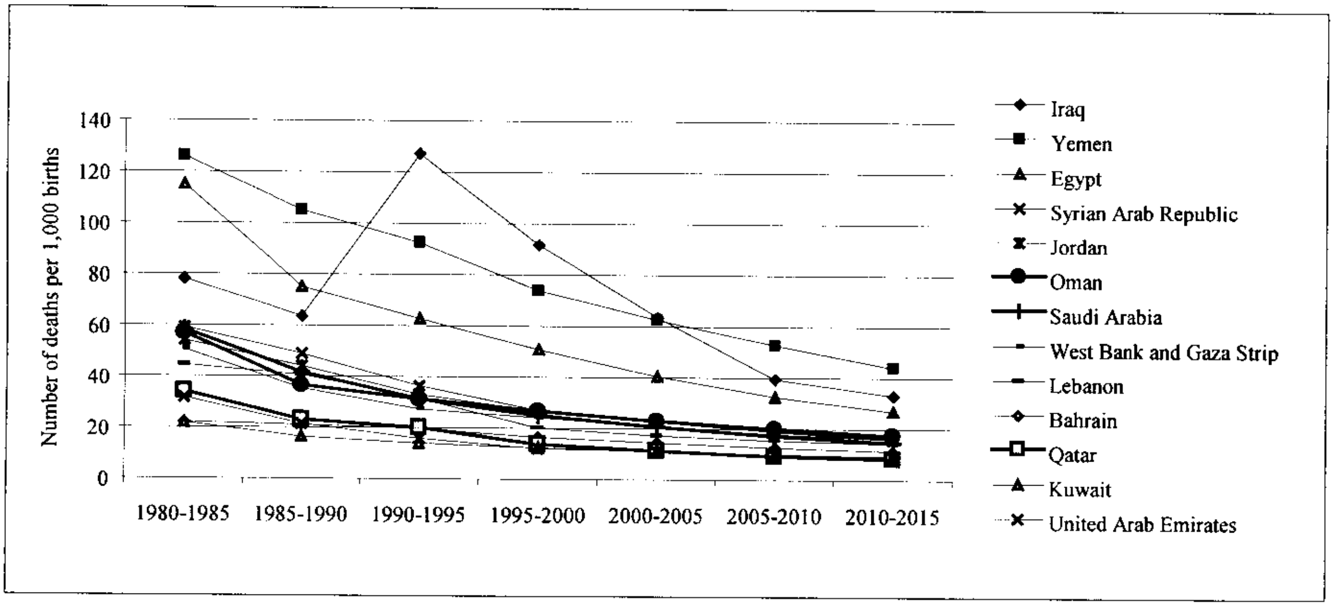


Source: Based on the *World Population Prospects: The 2000 Revision* (ST/ESA/SER.A/198), United Nations publication, Sales No. E.01.XIII.8. Projections based on medium variant of the population projections.

During the period 1980-2000, several countries in the region recorded significant improvements in life expectancy. An increase of 10.3 years was registered in Yemen. In Egypt and Saudi Arabia, average life expectancy at birth rose by 9.7 years and 8.4 years, respectively. By contrast, life expectancy in Iraq dropped during the same period: life expectancy for men is 4.3 years less and for women 3 years less in 2000 than was the case in 1980. This situation is, for the most part, the result of the negative impact of the economic sanctions imposed on Iraq since the early 1990s. Life expectancy in Iraq is 60.3 years for women and 57.2 years for men or 17.9 years and 16.9 years, respectively, below that in Kuwait. Although, life expectancy has increased remarkably in Yemen during the past 20 years, at 60.4 years for women and 58.2 years for men during the period 1995-2000, it remains low in comparison to the regional average. Life expectancy in Iraq and Yemen is not anticipated to reach the lower goal of 65 years by 2005 set in the Programme of Action of the International Conference on Population and Development (Cairo, 1994). Life expectancy in Egypt will remain below the higher goal of 70 years. Life expectancy for women and men is estimated above 70 years in just four countries in the ESCWA region, namely Bahrain, Kuwait, Lebanon and United Arab Emirates.

The infant mortality rate (IMR) is defined as the number of infants per 1,000 births who die in the first 12 months of life. During the past two decades, IMR has decreased significantly in the ESCWA region (see chart 10). During the period 1980-1985, regional IMR was 61.4 for males and 54.2 for females. At the time of writing, the IMR for males in the region was estimated at 34.1 and for females at 30.4, below the world average of 59.6. The exception was Iraq, where IMR increased from 75.6 to 94.1 for males and 80.8 to 89.1 for females between 1980 and 2000.

Chart 10. Infant mortality rates in the ESCWA region, 1980-2015



Source: Based on the *World Population Prospects: The 2000 Revision* (ST/ESA/SER.A/198), United Nations publication, Sales No. E.01.XIII.8. Projections based on the medium variant of the population projections.

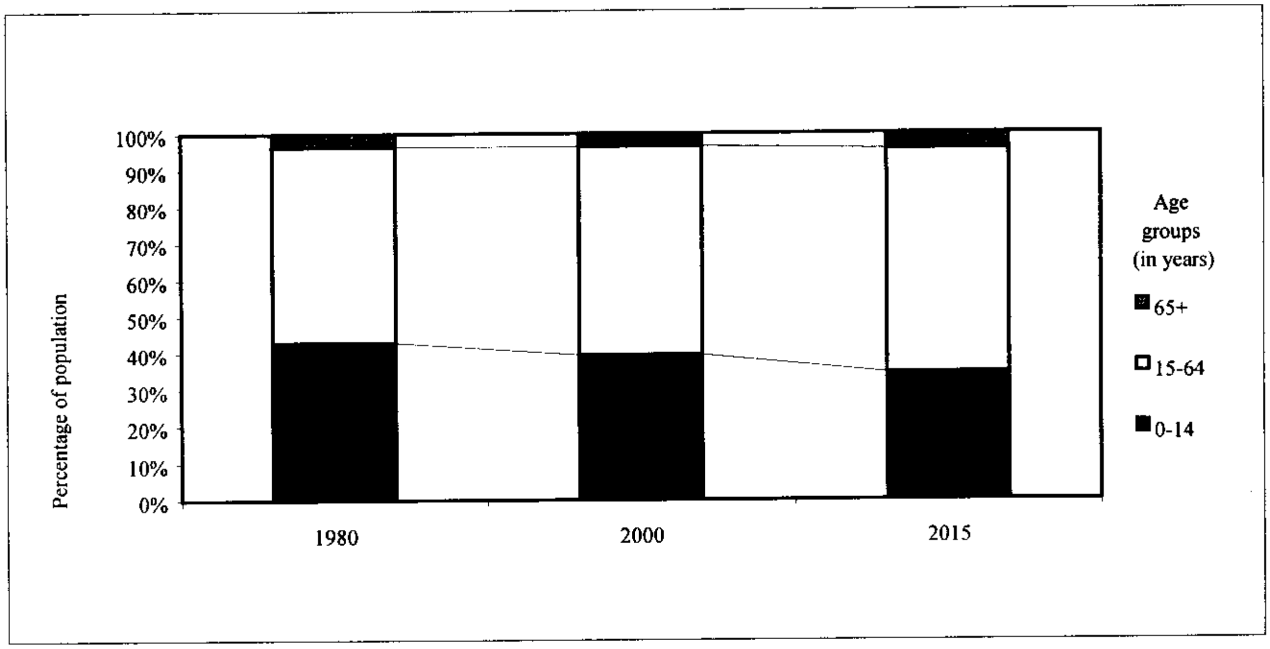
Between 1995 and 2000, significant variations in IMR were evident among ESCWA member countries. With the exception of Iraq and Yemen, where IMR was 92 and 74, respectively, IMR in the remaining member countries was below the world average. However, the lowest IMR in the region was recorded in the United Arab Emirates, where it was 11.9, followed by Kuwait, where it was 12 and Qatar, where it was 13.6. However, these low rates remain above the average IMR of 8.3 in the developed countries. Between 1980 and 2000, the greatest absolute reduction in IMR was in Egypt, where it fell from 115 to 50.9, followed by Yemen, where it was reduced from 126 to 73.8 and Saudi Arabia, where it was reduced from 58.4 to 24.9. Without exception, the reduction of IMR was greater for males than females. It is projected that by 2015, IMR in Yemen, Iraq and Egypt will reach 43.9, 33 and 26.8, respectively, as compared with the world average of 43.

High fertility rates and low mortality rates have served to create an imbalance in the age structure of the population of the ESCWA region. The traditional demographic balance was based on a high fertility rate combined with a high mortality rate. That balance has been disrupted by the rapid decline in infant mortality and increased life expectancy, which has considerably increased the population of the working age group (15-64 years).

During the period 1980-2000, this age group increased from 53.6 per cent to 57.1 per cent of the total population and is projected to reach 61.3 per cent in 2015. The working age group is increasing more rapidly than all other age groups: some 50 million people will join the economically active population between 2000 and 2015. However, although the proportion of children under age 15 dropped from 43 per cent in 1980 to 40 per cent in 2000 and is anticipated to drop further to 34.5 per cent in 2015, the absolute number of the population under 15 years increased from 40.3 million to 65.4 million in 2000 and is expected to reach 81 million by 2015. The youth age group (15-24 years) represented an estimated 20 per cent of the population in 2000.

Moreover, although the proportion of older persons (65 years and above) in the ESCWA region is growing at a slower pace, in absolute terms, than is the case in other regions, the number of older persons doubled between 1980 and 2000 reaching some 6 million. It is projected that this number will increase to almost 10 million in 2015 (see chart 11). In relative terms, the proportion of older persons will increase from 5.6 per cent in 2000 to an estimated 8.9 per cent in 2025, when the older persons age group is extended to include those over the age of 60 years.

Chart 11. Distribution of broad age groups in the ESCWA region, 1980-2015



Source: Based on the *World Population Prospects: The 2000 Revision* (ST/ESA/SER.A/198), United Nations publication, Sales No. E.01.XIII.8. Projections based on the medium variant of the population projections.

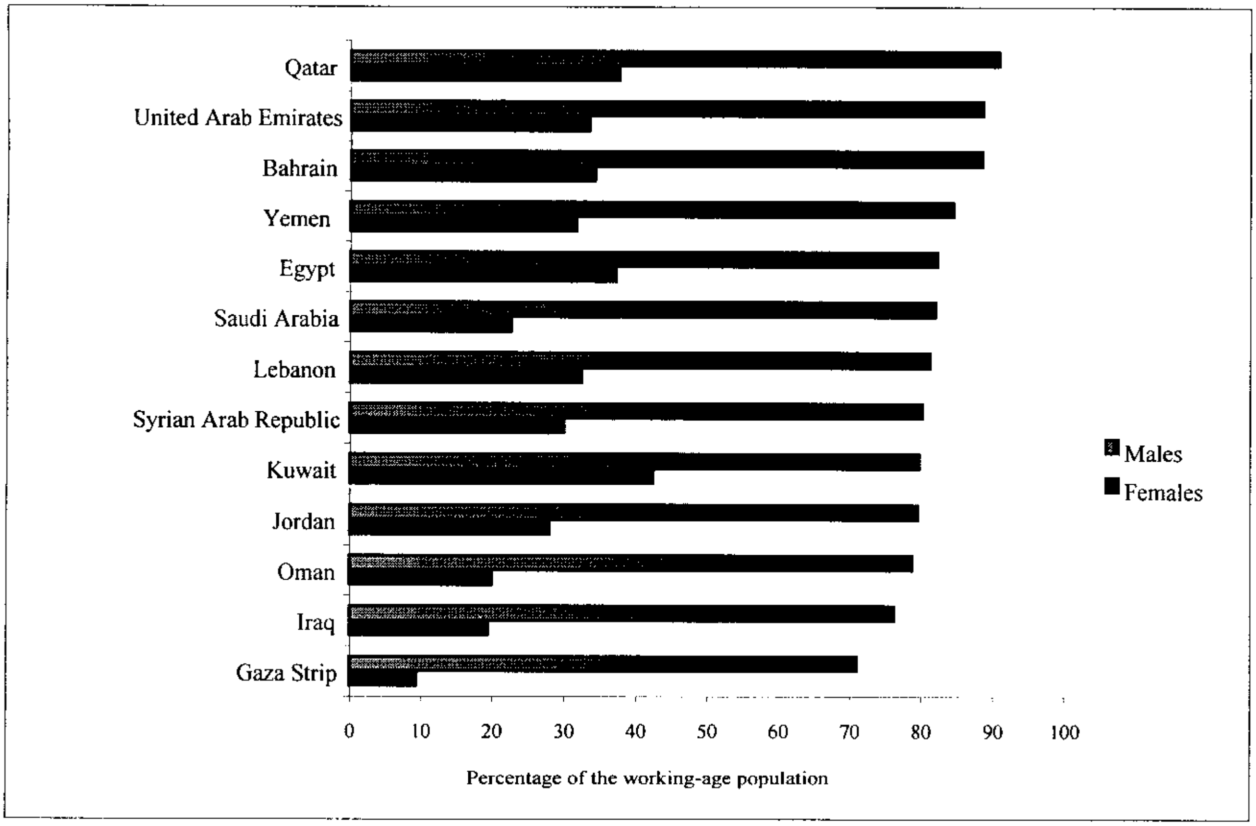
2. *Population growth and dynamics*

Although fertility rates in the ESCWA region have declined during the past two decades, they have remained relatively high in most member countries and will contribute to strong population growth in coming decades. Even if fertility rates were to fall immediately to replacement level, population growth in the region would remain relatively high due to population momentum. Population momentum is the result of high fertility rates in the recent past that have created a large young population, including a large number of women of reproductive age. This situation lends momentum to population growth. The continuing growth of population in the region is not only due to the fact that women continue to give birth to more than two children but, also, because the number of women giving birth is greater.

The projected change in the age structure of the ESCWA countries is associated with the increase in the size of the working age group (15-65 years), which will have serious implications for the socio-economic situation and for the development process as a whole. An increase in the population of reproductive age will sustain population momentum. An increase in the economically active population will either serve to increase the number of new entrants into the labour market, provided that new jobs exist, or create an imbalance between supply and demand for labour, which will exacerbate unemployment. An increase in the youth population, combined with early marriage and high fertility rates, will further contribute to population growth and also create increased demand for secondary and higher school education.

The increase in labour force supply will have a particular impact on employment opportunities for women. Recent experience in labour supply and the absorptive capacity of the labour market shows that supply has exceeded demand for the female labour force in almost all countries of the region, creating the potential for under-utilization of female labour. Unemployment in the region is highest among the young population and women and female labour force participation is among the lowest in the world. The gender gap in employment ratios is exceptionally high (see chart 12).

Chart 12. Estimated labour force participation in the ESCWA region, by sex, 2000



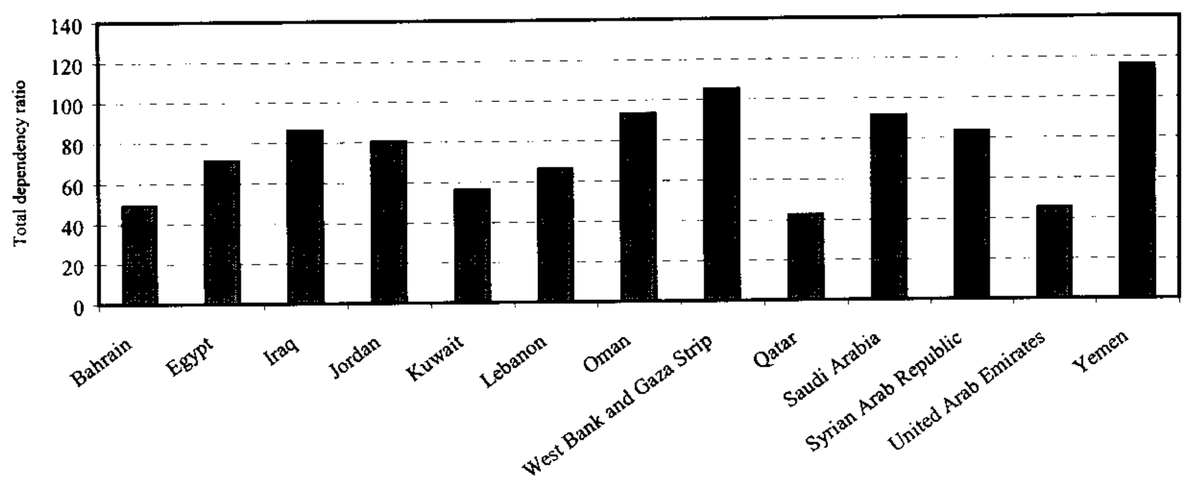
Source: International Labour Organization (ILO), *World Labour Report 2000* (ISBN 92-2-110831-7).

It is not anticipated that ageing will become an issue in the ESCWA region in the foreseeable future as the proportion of older persons to the total population is growing at a slow pace, in absolute and relative terms. In absolute terms, the number of older persons (65 years and above) will increase by 4 million to 2015 and in relative terms, by 1.7 per cent of the total population. However, if one sets the cut-off point for this age group at 60 years and above, the proportion of older persons will grow from some 5.8 per cent of the total population in 2000 to an estimated 8.9 per cent in 2025. This perspective emphasizes the need to devise long-term policies for older persons in advance.

The projected decline in fertility rates combined with slow growth of the elderly population means that some ESCWA member countries will experience an overall decline in the dependency ratio, at different points in time. The dependency ratio is defined as the proportion of persons in need of support by the working population (children under 15 plus older persons over 60) divided by the working population (15-59 years). As the number of dependent children (aged 0-14) is declining faster than the old-age dependency ratio is increasing, the overall dependency ratio will decline over time. In the ESCWA region, it fell from 87 to 81 between 1995 and 2000. This situation reduces the pressure to provide for dependent young persons and older persons and, so, frees public funds for additional investment in socio-economic development.[47]

The most recent ESCWA statistics indicate that dependency ratios vary among member countries, owing to disparities in youth unemployment rates and rates of emigration (see chart 13). In 2000, dependency ratios were highest in Yemen and the West Bank and Gaza Strip, where they ranged between 106 and 116 per cent, and lowest in Qatar, United Arab Emirates and Bahrain, where they ranged between 42 and 49 per cent.

Chart 13. Total dependency ratios in ESCWA members, 2000



Source: ESCWA, Statistical Information System (unpublished database).

B. SOCIAL INTEGRATION GROUPS

1. *Older persons*

(a) *Demographic background*

The dawn of the twenty-first century has further contributed to globalization and breaking down barriers between States. In this context, all the Arab countries have become aware of the urgent need to modernize their socio-economic and political infrastructures. They are faced by new challenges, in parallel with huge demographic development. This development will have a long-term impact on Arab societies and requires considerable attention and preparation in order to take the necessary measures and so limit its possible negative impact.

Some achievements have been made in this regard in the Arab countries during the last quarter of the twentieth century, including the reduction by half of death rates and the increase in life expectancy at birth from 55 in 1975 to 67 in 2000, anticipated to rise to more than 73 by 2025 and 76 by 2050. Fertility rates have decreased considerably, from 6.8 in 1975 to 3.7 in 2000 and are expected to reach 3.2 by 2025. The natural population increase fell from 3.1 per cent in 1975 to 2.3 per cent in 2000 and is expected to fall to 1.4 per cent by 2025.

[47] United Nations Development Programme (UNDP), *Human Development Report 2000* (New York, Oxford University Press, 2000).

(b) *Review and assessment of the situation with regard to ageing*

A recent evaluation was made by ESCWA of the achievements of the Arab countries with regard to the implementation of the 1982 Vienna International Plan of Action on Ageing and regional plans of action on ageing adopted in 1993 in Cairo. This evaluation indicated that a number of Arab countries had formulated national plans on ageing, pursuant to the recommendations of the Vienna Plan. Some had begun to incorporate ageing-related issues into their social policies and implement the six priorities identified in the Vienna Plan, namely, social, income and employment security; training, education and media; health; housing; the family; and social welfare, as described below.

Social, income and employment security systems. While the majority of ESCWA member countries provide pensions, a number do not offer age-related disability benefits. Some Arab countries did not mention any type of benefit for female workers or wives of those working in the public, private or other sector. In many countries, the focus was on the provision of material assistance to older persons, with a view to strengthening their productive capacities, establishing a sophisticated system for retirement and the provision of material assistance to poor older persons not covered by the social security system. Both the cooperative and the private sectors took part in such work. Some countries gave priority to guaranteeing pension coverage to young migrant workers, while others offered loans and security facilities for older persons with no other coverage. In most countries, women do not enjoy the same guarantees and pension benefits as men and are, therefore, deprived in most cases of the right to protection as they grow older. The Gulf States pioneered the provision of social welfare services for older persons, although the voluntary sector plays a minimal role and the private sector no role in the provision of such services. Very few countries have cooperatives that can provide social welfare services for older persons or offer any incentives to youth to participate in caring for older persons. There is also a lack of emergency hotlines for older persons, geriatric wards in hospitals and specialized emergency services and programmes to promote voluntary work and self-help.

Training, education and media. Most Arab countries give priority to the eradication of illiteracy in older persons, self-reliance and training in self-help techniques. The Gulf States alone offer programmes for older persons to study and acquire modern information and computer skills. They are also unique in their provision of training for older persons for productive work and creation of a database on their situation. Some countries indicated that they had research centres on ageing while others indicated that geriatric medicine had become a specialization in medical faculties. In some countries, information on ageing had been included in educational curricula. Governments bear most of the burden of such activities while the voluntary sector makes a limited contribution and the private sector a token contribution. All countries are conducting awareness campaigns, in cooperation with the public and private sectors, in order to raise public awareness and knowledge of ageing-related issues and some are publishing magazines aimed at older persons.

Health. Most ESCWA member countries provide free health services or medical insurance for older persons, early diagnosis of geriatric illnesses and subsidized audio-visual appliances. In most Arab countries, campaigns to raise awareness of good nutrition have received substantial support from all sectors. Some countries have imposed health specifications and standards on foodstuffs and domestic utensils and supply older persons with nutritious meals and other basic needs. In most Arab countries, clinics for older persons provide them with medication and diagnostic services. In some countries, services are also provided outside such clinics as part of the health service.

Housing. The housing, urbanization and living environment does not receive sufficient attention to meet the needs of older persons. Some countries that can afford to do so provide older persons with financial assistance in order to enable them to continue living in their own homes or with relatives and subsidize heads of households who support ageing parents. Other countries have provided special housing units for older persons. However, buildings are not designed with the capabilities of older persons in mind, nor are material facilities made available for their own homes to be adapted to their needs. No provision is made for transportation facilities to health and social centres.

The family. Most countries provide support for the family and older men. However, the same level of support is not provided for older women. The voluntary sector plays an outstanding role in providing support and services for older persons. In general, the position of older persons in the Arab family remains more secure than in other societies and Arab NGOs continue to direct their activities towards caring for older persons, by, *inter alia,* establishing old persons' homes and leagues, while believing that the family must take most of the responsibility for caring for older persons.

Social welfare. In some countries, particular attention has been given to certain social welfare services including cooperatives, which have either been given material support or benefited from exemption from taxes and other constraints. Older persons have been given the opportunity to be involved in their local communities and are provided with guidance, advice and emergency services. With regard to the role of institutions in the welfare of older persons, some countries have established special departments for them in hospitals, and nursing homes. A number of such institutions have been established with support from the voluntary or private sectors.

The majority of Gulf States have emphasized the importance of strengthening partnership and synergy between government and private sectors. They have adopted policies that do not expand provision of social welfare homes and preferred to implement programmes for family care in the home and assure the health needs of older persons. Some have focused on formulating a plan of action for improving the situation of older persons and have reviewed provision of psychological and health care, establishing mobile health units for continuous care. Attempts are being made to ensure that older persons are connected to their communities and train them to become self-reliant. The majority of the remaining ESCWA member countries have indicated that they are pursuing policies to support the families of older persons and safeguard family cohesion. They also support the establishment of care facilities for displaced persons, provision of free medicines and creation of awareness of the situation and needs of older persons. Some have focused on renovating homes for older persons, improving the capacities of those who work with such persons, training a body of technical specialists in geriatric medicine, running media awareness campaigns, formulating emergency plans, carrying out studies and research, arranging for surrogate families and providing day-care centres and homes for older persons, while aware that in implementing such plans numerous legal and other obstacles will arise due to the paucity of financial support and the prevailing security situation in a number of those countries and the fact that priority is not being given to implementation of the Vienna Plan.

Some Gulf States have not formulated separate work plans or special programmes on ageing, but have incorporated such plans into national development plans or the programmes of government departments. Certain other countries have given no indication of their approach to the issue of ageing. Priorities differ among the Arab countries, reflecting the discrepancy between the needs of older persons and the intentions of the countries in which they live to improve care provision for them. This discrepancy is clear in international cooperation measures in important areas and the ranking in importance of areas for cooperation. It appears that the majority of Arab countries attach importance to mutual cooperation and coordination, the preparation of studies in support of development programmes, the establishment of income-generation projects and specialized training in health and social issues.

All ESCWA member countries emphasized that international cooperation was a fundamental dimension of their future work with older persons. Some have chosen multilateral cooperation, while others have preferred bilateral cooperation and yet others have opted for cooperation with all parties, entities and partners. The majority of ESCWA member countries have aimed to develop specific policies and sound assistance programmes for older persons and provide them with health care schemes as well as social and economic welfare services. The disparities between these diverse strategies arise from the different needs and capabilities of each country and, also, the services needed in order to care for older persons.

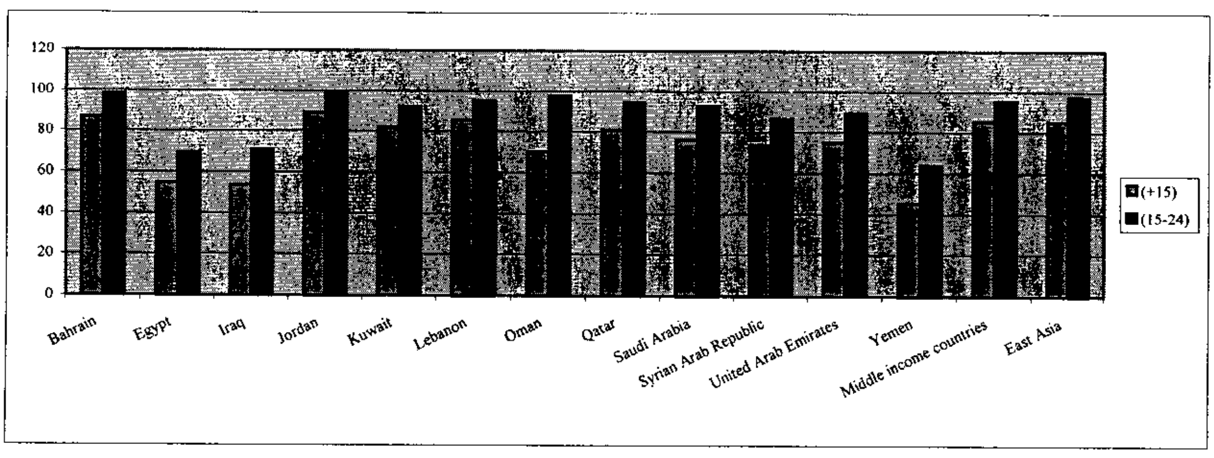
Evaluation of the current level of responsibility undertaken by the various parties concerned with ageing-related issues, including the public and private sectors, civil society institutions, voluntary organizations and NGOs and the family, has shown that, in certain Gulf States, the government sector assumes the heaviest responsibility, followed by the family and the other sectors. The situation is different in the remaining ESCWA member countries, where the responsibilities of governments vary and the family remains the principal support, assisted to some extent by civil society and the religious sector. In the Gulf States, therefore, it is the government and the family that deal with ageing-related issues while in the other ESCWA member countries responsibility is more widely dispersed. The Arab countries are aware of their responsibility to care for older persons and endeavour, to the extent their capacities permit, to fulfil that responsibility. However, the requirements are extensive and exceed current potential.

The ways in which older persons are integrated into public life vary from one ESCWA member country to another. Older persons are not mere receivers of care but are actively involved in their local communities as trainers and tutors of youth, volunteers and advisers. They participate in cultural and artistic life and work in small, multi-generational enterprises, although these are not common. With regard to policies concerning older women, some Arab countries indicated that they had taken this issue into consideration when formulating comprehensive policies. However, priorities varied. Family care was of primary concern, followed by health, financial security, the protection of human rights and the role of women in the local community.

2. *Youth*

The ESCWA region is characterized by a large youth population. It is estimated that some 19 per cent of the total population of the region are young persons aged between 15 and 24 years.[48] Chart 14 indicates that in 1999 the youth literacy rate in all countries of the ESCWA region was considerably higher than the total adult literacy rate, showing a much higher level of education among Arab youth today than was the case with the previous generation. This is considered to be an indicator of modest success at least in human resources development, which targets youth. The rise in literacy is even more pronounced among the younger female population, as reflected in the heightened awareness of young Arab women of their rights and potential to contribute to national development. Young Arab women today differ from their mothers. There is a wide generation gap in terms of literacy and education, which has caused inter-generational conflicts at home and in society. This situation is compounded by the social transformations caused by globalization, the information revolution and urbanization, in the context of a value system that is slow to change with regard to traditions and norms.

Chart 14. Youth and adult literacy rates, 1999

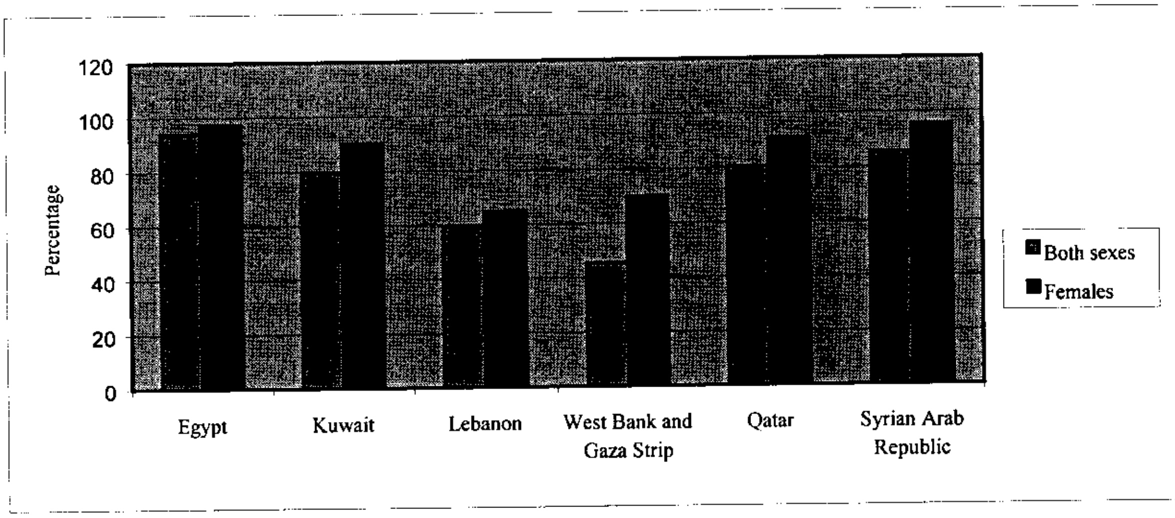


Source: United Nations Development Programme (UNDP), *Human Development Report 2001* (New York, Oxford University Press, 2001), ISBN: 0-19-521836-1.

[48] ESCWA, *Empowering Arab Youth*, 2001.

Unemployment among youth is one of the most critical issues in many ESCWA member countries and, in particular, in those with more diversified economies. Most of the unemployed in the region are young, first-time job seekers. This situation reflects a sudden increase in the youth labour supply caused by the coming of age of the Arab baby-boomer generation and the entry of a greater number of women into the labour market. In 1998, 98 per cent of the total unemployed Egyptian women were first-time job seekers, most of whom were new graduates. In Lebanon, 43 per cent of the total unemployed in 2000 are first-time job seekers and a majority of those are youth (see chart 15). In jobs requiring specialized skills, which are not readily acquired due to the low priority given to vocational and technical training in many ESCWA member countries, youth face difficulties. Employment agencies and private human resources companies do not function effectively in most countries.

Chart 15. Percentage of first-time job seekers to total unemployment in recent years



Source: ESCWA, *Globalization and Labour Markets in the ESCWA Region* (E/ESCWA/SD/2001/5).

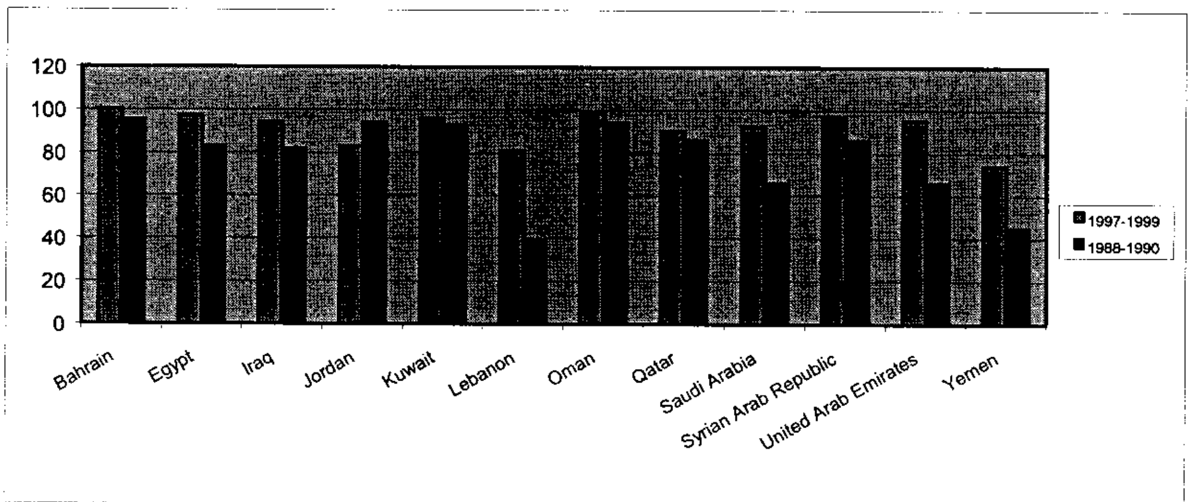
C. MAIN INDICATORS OF SOCIAL DEVELOPMENT

1. *Health and nutrition*

During the 1990s, health conditions in the ESCWA region continued to improve owing to increased investments in health, enhanced awareness and success in public health campaigns. A case in point is early childhood immunization campaigns against four of the officially designated basic diseases, namely, tuberculosis, tetanus, poliomyelitis and measles, for one-year-old children (see chart 16). Although the majority of ESCWA member countries made significant improvements regarding immunization, socio-economic disparities with respect to geographic coverage (place of residence) and level of education of parents were depicted. Various studies indicate that immunization coverage was better for children whose parents were better educated and for families living in urban areas, as opposed to rural areas.

Improvements in the provision of health services can also be depicted in an increase in the number of doctors in the region. Table 20 shows that with the exception of Iraq, where there are 51 doctors per 100,000 population as a result of the economic sanctions and, also, Yemen, where there are just 23 doctors per 100,000 population as a least developed country, the ratio in the remaining ESCWA countries ranged between 210 in Lebanon and 100 in Bahrain. This situation compared favourably with the world average of 122 doctors per 100,000 population. However, the picture is less positive with regard to the supply of nursing staff in the majority of labour-exporting countries in the ESCWA region. The ratio of nurses to doctors in the majority of the GCC countries, as labour-importing countries and, also, Yemen, is better than or close to the world ratio of 2:1. In the remaining ESCWA member countries, most of which export labour, the ratio is not impressive. The lowest in the region is in Lebanon, where it is 3:5. In the other ESCWA member countries, it remains far below the world ratio that ranges between 1:1 and 1:5. These figures indicate that there are far fewer nurses than doctors in Lebanon and there is a tendency for qualified nurses and other paramedical staff to migrate from labour-exporting countries to GCC countries, Europe or North America where they receive better remuneration and enjoy higher social status. This is creating a shortage of nurses in the labour-exporting countries of the region, with serious implications for the adequate provision of services. This is of particular significance in poor rural communities, where nurses are much needed for the provision of primary health care and integration of preventive measures in health care programmes.

Chart 16. Progress in full polio immunization, 1988-1990 and 1997-1999
(*Percentage*)



Source: United Nations Children's Fund (UNICEF), *The State of the World's Children*, 1991, 1992 and 1999.

TABLE 20. AVERAGE NUMBER OF MEDICAL PERSONNEL (DOCTORS AND NURSES) PER 100,000 PERSONS, 1990-1999

	Bahrain	Egypt	Iraq a/	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	World	OECD
Doctors	100	202	51	166	189	210	133	126	166	144	181	23	122	222
Nurses a/	289	222	64	224	468	122	290	354	348	212	321	51	248	..

Sources: UNDP, *Human Development Report 2000* (New York, Oxford University Press, 2000); and UNDP, *Human Development Report 2001* (New York, Oxford University Press, 2001).

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

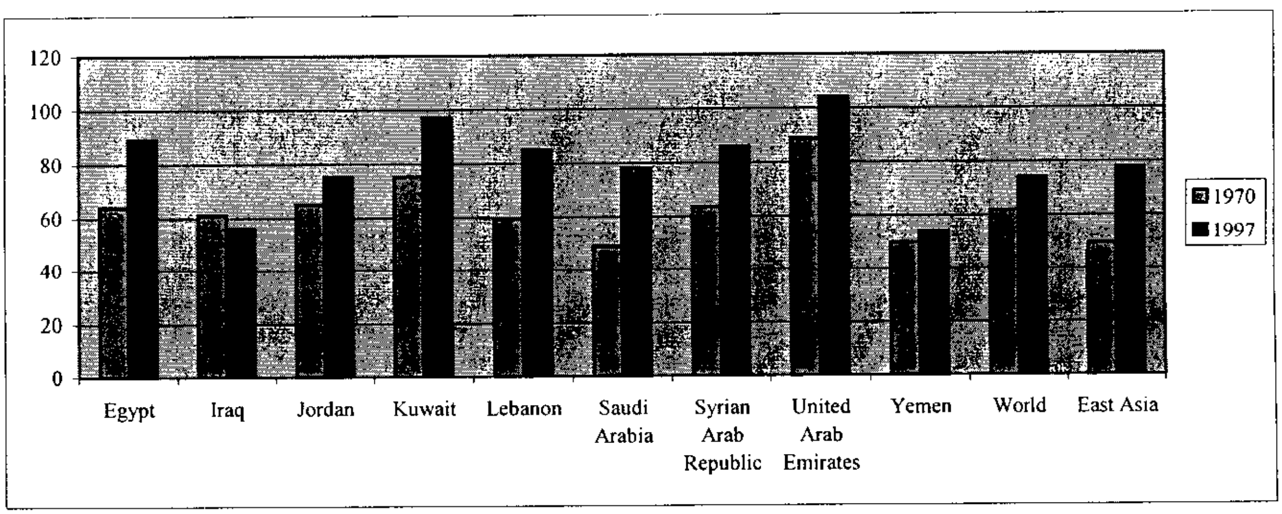
a/ 1992-1995 data.

On the demand side, data indicate that as the education of women increases, the extent of utilization of medical services rises. In Kuwait, 100 per cent of babies born to college educated women are delivered and attended by a physician, while only 50 per cent of deliveries of illiterate women are attended by a medical doctor. Maternal mortality in the latter group remains very high in some countries, notably in Yemen where it is 1,400 per 100,000 births.[49] This figure also indicates the direct relationship between the education of women, utilization of medical services and maternal mortality.

Another indicator of the health services situation in some countries in the ESCWA region is that pharmacies frequently dispense drugs and medicine without prescription or proper diagnosis by physicians. This situation, which can be attributed to weak central supervision and inadequate regulation, contributes to the precarious health situation in some ESCWA member countries. The health services situation has deteriorated considerably in Iraq as a result of the continuing economic sanctions and, also, in the West Bank and Gaza Strip as a result of the Israeli incursions. Since March 2002, medical services have been almost totally paralysed in the West Bank and there has been physical damage to some hospitals.

The nutrition situation in the countries of the ESCWA region is closely linked to the scope of coverage and quality of health services provided by governments. There are indications that the situation has improved significantly during recent decades in most ESCWA member countries, with the exception of Iraq and Yemen, reflected in the increase in overall calorie intake and the change in dietary patterns from low-cost cereal intake to higher-cost protein intake (see chart 17). At the country level, the overall standard of nutrition in the region as measured in overall caloric intake per capita is close to that of developed countries, notwithstanding the urban-rural divide. In Iraq, economic sanctions have constrained the production and supply of agricultural products and foodstuffs and limited their distribution and this has served to reduce the present nutrition situation to below the level it had reached 30 years ago. During the period 1970-1997, a significant shift in eating habits took place in countries of the region, from heavy concentration on cheaper cereal intake with a higher calorific content to higher protein intake, in line with the general trend in world patterns. However, in Iraq, absolute protein intake in 1997 was less than that in 1970. In the West Bank and Gaza Strip, abject poverty and food insecurity have served to increase malnutrition and this is reflected, *inter alia*, in a rise in low birth weights, estimated at 10.4 per cent.[50]

Chart 17. Daily per capita supply of protein in grams
(Change during the period of 1970-1997)



Source: UNDP, *Human Development Report 2000* (New York, Oxford University Press, 2000).

[49] ESCWA, *Compendium of Social Statistics and Indicators, No. 4* (E/ESCWA/STAT/1997/6).

[50] Food and Agriculture Organization of the United Nations (FAO), *Special Alert No. 321: Rapidly Deteriorative Food Situation in West Bank and Gaza Strip*, 15 April 2002.

Nutrition-related impairments such as anaemia and goitre are present in the ESCWA region. Malnutrition among mothers and infants, particularly micro-nutrient deficiencies in vitamins A and C and iodine and iron in low-income households, insufficient birth spacing by less educated women and the prevailing practice of close kin or family intermarriage (consanguinity) are among the main causes of childhood impairment and disability. Data indicate that iodized salt consumption in the region is relatively low, which contributes to the incidence of goitre. This is particularly notable in Iraq, where a mere 10 per cent of households consume iodized salt, compared with some 40 per cent in the Syrian Arab Republic and Yemen. These figures are low in comparison with the world average of 70 per cent and that of Latin America and the Caribbean, where 88 per cent of households consume iodized salt.[51]

Other impairments exist but tend to be genetically or culturally related, such as blindness and mental retardation, mostly due to consanguinity. In 1996, some 20 per cent of women in Lebanon were married to a close relative, usually a first cousin.[52] Data indicate that the proportion of inter-family marriages rises among less educated women. Some 25 per cent of illiterate Lebanese women are married to a relative as against 12 per cent of those with a secondary school or higher diploma. In Jordan, the national rate of consanguinity is close to 50 per cent.

A balanced diet and good eating habits are necessary in order to lead a healthy life and their absence can give rise to health problems, such as obesity. This phenomenon is increasing in particular among youth in some countries of the region, such as the GCC countries, Jordan and Lebanon and is being attributed to the spread of fast food outlets and the tendency for youth to eat junk food on a regular basis. Another health hazard is smoking, especially among males. Strong anti-smoking campaigns are needed in order to raise public awareness.

2. *Disability*

In biological terms, the prevalence of disability should be almost equal among men and women. However, this does not appear to be the case in the ESCWA region. Disability in the region continues to rise in magnitude and scope beyond the expectations of population and health experts. This situation can for the most part be attributed to the combination of poverty and armed conflicts, which are rampant in the region.

The majority of disabled persons or persons with special needs are not empowered in terms of school enrolment and economic participation. Women with special needs suffer from double jeopardy and discrimination, the first is related to their disability and the second to gender. The number of women with special needs is largely underestimated due to a gender-based and/or disability-based social stigma related to denial by families to recognize or accept disability in the family.

Although data on disability in the region is scarce and unreliable, there appears to be a higher prevalence of disability in Lebanon, Oman and the West Bank and Gaza Strip and a gender gap during 1999-2000, where disabled men outnumber disabled women in the majority of ESCWA member countries (see chart 18). This gap is wider in Lebanon and the West Bank and Gaza Strip than elsewhere. In principle and based on biological and physical factors, there should be parity in disability between women and men. Moreover, as life expectancy for women is longer than that for men, older women who survive their husbands are more likely to become disabled with old age. One would expect disabled women to outnumber disabled men, rather than the contrary. This gender gap warrants some explanation.

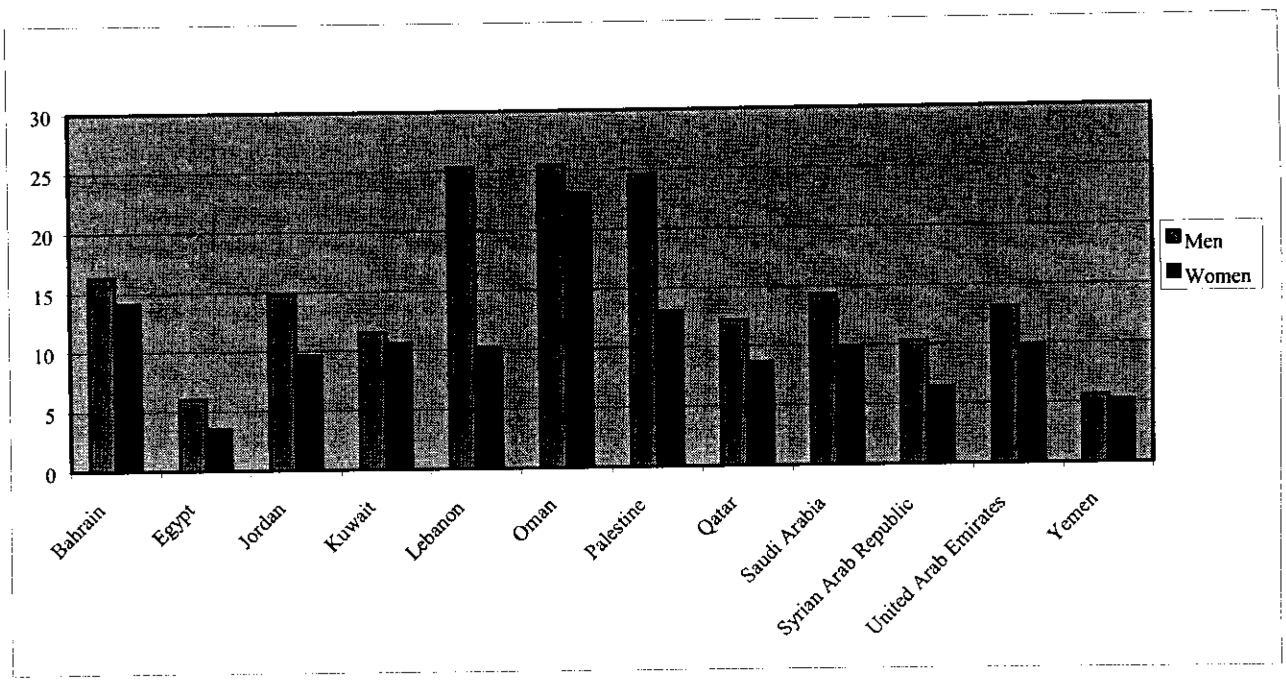
Statistical inaccuracy, laxity in registration and deliberate attempts to conceal disability or not to make public the disability of family members have caused the actual number of persons with special needs and, in particular, women with special needs, to be underestimated. Concealment of female disability by families

[51] United Nations Children's Fund (UNICEF), *The State of the World's Children 2001*, ISBN 92-806-3633-2.

[52] Pan Arab Project for Child Development (PAPCHILD), *Lebanon Maternal and Child Health Survey* (Lebanon, 1996).

seems to be quite common, in particular, where the disability is congenital and in more conservative rural areas or deprived social settings. This might contribute to explaining the slight numerical prevalence of disabled men over disabled women. However, the gender gap is wide in Lebanon and the West Bank and Gaza Strip. One possible explanation for this situation might be the 15 years of civil strife in Lebanon and the ongoing Palestinian intifada, which has left men with disabilities due to injury. The gap is especially visible in Lebanon, where the number of disabled men is more than double that of disabled women. Another significant factor relates to differences in definition and coverage of disability among the countries of the region, which makes meaningful comparisons or explanations difficult.

Chart 18. Prevalence of disability among women and men per 1,000 population, 1999-2000



Source: ESCWA, *Selected Social Indicators on the Quality of Life in the ESCWA Region* (wall chart) (E/ESCWA/STAT/2001).

In Oman there is an unusually high incidence of disability among men and women. This situation can be attributed to different conceptions and coverage of disability, statistical inaccuracies in reporting, or the high number of persons registered disabled in order to benefit from the generous financial subsidies and other fringe benefits accorded to registered disabled citizens.

The *Oman Family Health Survey* indicated that underreporting and lack of clarity with regard to the definition of disability in the family could explain the high incidence of disability in Oman.[53] Disability is associated with old age and it tends to rise with age. The number of persons registered disabled more than doubled in the age group 60-69 and quadrupled in the age group 70 and above, compared to the age group 50-59. The situation was the same for males and females.

[53] Oman, Ministry of Health, *Oman Family Health Survey*, 1995.

3. *Education and illiteracy*

Another indicator of social development in the region is the level of education and illiteracy rates, in particular for women and girls. Since the adoption in 1984 of the ECWA Strategy for the Development of Arab Women in Western Asia to the Year 2000, which set the target of achieving education for all by the year 2000, and its reiteration in the Arab Plan of Action for the Advancement of Women to the Year 2005, adopted in 1994, the majority of ESCWA member countries have taken measures and adopted policies aimed at encouraging the equal access of women and men to education and the eradication of illiteracy. According to ESCWA estimates, the total adult literacy ratio (15+) improved from 70 per cent in 1995 and stood at 76 per cent in 2000 (82 per cent for men and 68 per cent for women). The gender gap is still wide in some ESCWA member countries and illiteracy is still very high in comparison with other regions.

Box 4. ESCWA and the promotion of ICTs for blind persons

ICTs have advanced in the twenty-first century, making it possible to increase the access of persons with special needs, including the blind and the eyesight-impaired, to such ICTs at relatively low cost.

New, innovative technologies offer considerable hope that disabled persons will have the fullest access to the mainstream path in the developmental process.

Pursuit of the theme Information Technology for All is considered a powerful tool for human development, particularly when associated with policy formulation and application rather than charity.

ESCWA is diffusing ICTs for blind persons in the region with the aim of:

(a) Educating and empowering blind persons;
(b) Upgrading their skills and capabilities;
(c) Increasing their job opportunities;
(d) Improving the quality of their lives.

1. *Project: Braille computer and Arabic speech synthesizer training for blind adults in Lebanon*

The project aims to empower Arab disabled persons by:

(a) Encouraging their participation in the electronic world (Internet, e-commerce, virtual learning and e-livelihoods);

(b) Keeping them up to date with rapid technological advancements in ICTs;

(c) Encouraging the formulation of national laws or guidelines in order to accommodate the needs of disabled users in the ESCWA region, including promotion of universal design and accessibility of ICTs in the Arab countries;

(d) Promoting public awareness and debate among Arab disabled persons with regard to their human rights through the Internet, and encouraging e-democracy;

(e) Stimulating debate on the formulation of appropriate national laws and legislation on information accessibility, along similar lines as in the industrialized countries;

(f) The Americans with Disabilities Act of 1990 (ADA) mandated federal agencies to accommodate the special needs of workers with disabilities, including through the acquisition and adaptation of accessible computer equipment and peripherals;

(g) The Japanese Electronic Equipment Accessibility Guideline was adopted by the Japanese Ministry of Economy, Trade and Industry. The guideline was intended to encourage Japanese computer manufacturers to provide built-in or other forms of accessible peripherals for users with physical and sensory disabilities.

Box 4 *(continued)*

2. *Implementation of the project in Lebanon*

(a) ESCWA is implementing the project in collaboration with Al-Hadi Institution for Deaf and Blind, affiliated with the Mabarrat Association;

(b) The Arab Gulf Programme for United Nations Development Organizations (AGFUND) is co-funding the project; Al-Hadi Institution hosts the Braille and speech synthesizer computer training centre;

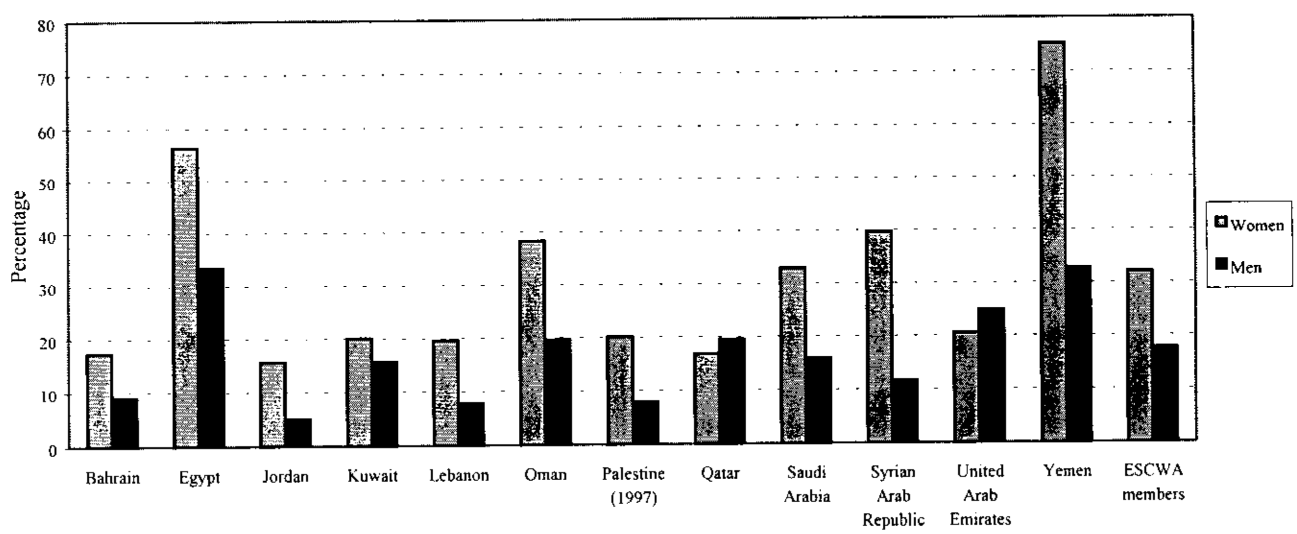
(c) Approximately 40 students per academic year are trained to read electronic texts on Braille screens, download information from the Internet to read or print with a Braille embosser, read electronic newspapers, surf the Internet, follow their banking transactions and even purchase travel tickets online.

Similar projects have been successfully implemented by ESCWA in Jordan and the West Bank and Gaza Strip.

ESCWA aims to replicate this good experience in other countries in the region.

At the country level, while the educational standards and enrolment rates in most ESCWA countries have improved since the 1970s, illiteracy rates, especially for women, are still alarming, notably in the least developed and conflict-stricken areas. Statistics show that some 75 per cent of women in Yemen and 56 per cent in Egypt were still illiterate in 2000. This persistent high illiteracy may be largely attributed to the fact that while the illiteracy elimination campaigns launched by the Governments encouraged the school enrolment of children and youth, they took few measures to address adult illiteracy, particularly for women. Moreover, primary school dropout rates remain very high in some countries, mainly Yemen, due to poverty and lack of accessibility to school facilities in rural and bedouin areas. Customs and traditions including early marriage for girls, combined with poverty and financial constraints in families, constitute impediments for access to education of girls and contribute to the high illiteracy rates among women (see chart 19).

Chart 19. Illiteracy rates (15+) among women and men in ESCWA members, 2000



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), *Statistical Yearbook 1999* (Lanham, Bernan Press, 1999).

Net primary school attendance of girls in Yemen was just 39 per cent in 1995-1997, compared with 79 per cent for boys in that same year (see table 21). The school dropout rate and, in particular, among girls, at primary and secondary levels in some ESCWA member countries remains high, compared with countries with equivalent GDP per capita.

TABLE 21. NET PRIMARY SCHOOL ENROLMENT AND ENTRANTS REACHING GRADE 5, 1995-1997
(Percentage)

	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	World	East Asia
Boys	96	83	98	86	89	..	86	96	81	96	98	79	85	98
Girls	98	72	88	86	86	..	86	92	73	92	98	39	79	96
Grade 5	99	92	72	98	97	91	95	92	66	92	95	74	75	87

Source: UNICEF, *The State of the World's Children 2001*.

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

Gross enrolment ratios in secondary education have increased since 1980, for boys and girls. According to UNESCO estimates, the average enrolment rate of girls in secondary education increased from 47 per cent in 1980 to 65 per cent in 1995-1996 in ESCWA member countries, excluding the West Bank and Gaza Strip and Yemen. However, this figure remains below world and developed countries averages. The percentage of girls reaching secondary level is highest in the United Arab Emirates at 81 per cent, followed by Qatar at 79 per cent. It is lowest in Yemen, where 14 per cent of girls are enrolled at secondary level.

Net secondary school enrolment ratios in the majority of ESCWA countries remain equal to or below the 1997 world average of 68 per cent, with the exception of Bahrain, where it is 84 per cent and Egypt, where it is 75 per cent (see table 22). There was significant deterioration in net secondary school enrolment ratios in Jordan and Kuwait between 1980 and 1997. This situation can be attributed to the successful attempts of the Jordanian Government to encourage youth to attend vocational schools and, also, to the economic recession which discourages youth from investment in secondary or higher education as the immediate return to be gained from doing so is not evident. There appears to be a preference for informal skills training (apprenticeships) or vocational education as an alternative to formal high schools. Some choose to enter income-generating activities at an earlier age, through fear of unemployment.[54] The aftermath of the second Gulf War may partially explain the deterioration in Kuwait, since many young nationals as well as non-nationals covered in the population statistics which included Palestinians and Egyptians left the country in large numbers. In addition, the Government encouraged boys at secondary school age and above by giving them financial incentives to join the military service.

TABLE 22. NET SECONDARY SCHOOL ENROLMENT RATIO, 1980 AND 1997
(Percentage)

	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	World	High-income countries
1980	..	..	..	53	81	..	..	..	37	37	..	35	60	97
1997	84 a/	75	43	41	63	66 a/	57 a/	69 a/	59	59	69 a/	42	68	96

Sources: World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York, Oxford University Press, 2001); and UNDP, *Human Development Report 1999 and 2001* (New York, Oxford University Press, 2001).

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

a/ Data for 1995-1997.

[54] Nour Dajani Shehabi, UNESCO expert on education, informal discussion in April 2002, Beirut.

In order to meet the challenges that globalization poses to the ESCWA region, the relevance of education to market demands should be accorded greater attention. However, data indicate that the number of existing technical and vocational training institutions in the region is limited. Vocational and technical education cater to those who drop out from secondary or higher education for academic or financial reasons. Enrolment in technical schools as a percentage of total secondary level education in most ESCWA member countries, with the exception of Egypt and Jordan, is not comparable to that in developed industrial countries. In the 1990s, the rate ranged between a high of 23.3 per cent in Jordan and 20.9 per cent in Egypt to a low of 0.3 per cent in Kuwait and 0.8 per cent in the United Arab Emirates. The comparable rate in Japan was 28 per cent and in the Netherlands 70 per cent.[55]

Enrolment rates in higher education have improved in several ESCWA member countries in recent years, compared with other developing countries, although they remain below those of developed countries. In the recent past, a number of ESCWA member countries, particularly the GCC countries, have established a network of higher educational institutions and universities and offer relatively low-cost education to all. The gross enrolment ratio in higher education ranged from 1 per cent in Yemen to 15 per cent in the Syrian Arab Republic and 27 per cent in Lebanon in 1996.[56]

Gross enrolment ratios in tertiary education in the ESCWA region have also increased since 1980, for men and women. The average rate of female enrolment at this level doubled between 1980 and 1996, rising from 10 to 20 per cent. The percentage of female students reaching the tertiary level is at its highest in the GCC countries. In Qatar, it expanded from 17.1 per cent in 1980 to an average 42 per cent in 1995-1996, and in Kuwait it doubled from 14.8 per cent to 28.3 per cent over the same period of time. The lowest enrolment ratios were recorded in Yemen, where just 1.1 per cent of females enrolled during the academic year 1995/1996. Data indicate that from 1994 to 1997, tertiary level enrolment ratios were much higher for women than they were for men and, in particular, in the GCC countries. In Kuwait and Bahrain, female enrolment was almost double that of men and in Qatar and the United Arab Emirates, it was between five and six higher than that of men.[57] This can be attributed to the fact that men in those countries are allowed to travel abroad whereas women are not, or are not allowed to work. Women therefore prefer to pursue higher education until they get married.

TABLE 23. NUMBER OF UNIVERSITY STUDENTS BY FIELD OF STUDY, 1990/1991 and 1998/1999
(*Percentage*)

Field of study	ESCWA member countries 1990/1991	ESCWA member countries 1998/1999	GCC countries 1990/1991	GCC countries 1998/1999
Education	12.4	15.4	26.6	11.6
Arts	36.4	39.3	32.2	48.5
Business	19.9	18.0	12.9	5.1
Sciences	5.8	6.0	9.9	10.3
Medicine	7.1	7.4	7.0	4.2
Engineering	11.6	9.8	7.3	14.4
Agriculture	3.0	2.9	1.6	4.0
Other	0.5	1.1	2.4	0.9

Source: ESCWA, *Statistical Abstract of the ESCWA Region 2000* (E/ESCWA/STAT/2000/6).

[55] UNDP , *Human Development Report 1997* (New York, Oxford University Press, 1997).

[56] ESCWA, *Review of the Youth Situation in the ESCWA Region from the Perspective of Human Resources Development* (E/ESCWA/SD/2000/4). Data based on UNESCO sources.

[57] UNDP, *Human Development Report 2000* (New York, Oxford University Press, 2000).

In the present ICT era, Internet connectivity levels can be used as an indicator of social development as it relates to education. Although data on connectivity are scant, they indicate that it remains at a low level in most ESCWA member countries and is most prevalent in higher-level educational institutions. Measured by Internet hosts per 1,000 persons in 2000, the United Arab Emirates registered the highest ratio in the region with 20.9, followed by Kuwait with 4.4 and Bahrain with 3.6. The comparable ratio for Finland was 200.2 and for Singapore 72.3.

Poor returns on investment in education in the ESCWA region can be attributed to a number of factors, including the widespread guarantee of public sector employment. Another factor is the poor quality of vocational and technical education and training, that fail to produce the skills required for the production and services industries and, also, educational systems that favour rote learning at the expense of critical thinking, analytical skills and entrepreneurship.

4. *Poverty*

Poverty remains a serious problem in the ESCWA region. Based on national sources in ESCWA member countries, the incidence of absolute poverty is estimated to range between 10 per cent and 40 per cent, with the exception of Iraq and the West Bank and Gaza Strip. In Iraq, due to the impact of the current economic sanctions imposed since the early 1990, it is estimated that some three quarters of the total population could be living below the poverty line. According to World Bank estimates, the incidence of poverty in the West Bank and Gaza Strip in 2002 is greater than 50 per cent, double the figure for 2000, and 30 per cent of the total labour force is unemployed. This situation is due to the intifada and the rapidly deteriorating political situation. If the impact of the second Gulf War and the current economic sanctions imposed on Iraq are taken into consideration, as well as the restrictions and heightened conflict situation in the West Bank and Gaza Strip, it is inevitable that poverty would rise.

Statistics on poverty levels during the early 1990s confirm that poverty levels in the region increased in the 1990s. In the GCC countries, poverty is estimated to have ranged between 10 and 20 per cent during that decade, in Egypt, Jordan, Lebanon and the Syrian Arab Republic between 30 and 50 per cent and in Iraq and the West Bank and Gaza Strip between 50 and 75 per cent. The prevalence of abject poverty, defined as an income insufficient to provide basic nutrition, was estimated as ranging between 5 and 10 per cent of the population in the region.[58] In Yemen, poverty reduction constituted a major concern and was identified as a priority for national development and nation-building. Yemen experienced political and economic instability caused by a devastating civil war in 1994, which cost an estimated US$ 11 to US$ 13 billion, as well as a high population growth rate and the return of 800,000 migrant workers as a result of the second Gulf War. A national poverty alleviation strategy is being formulated but it will be some time before its positive effects are felt.

There is no automatic connection between economic growth and human development, which varies from one ESCWA member country to another. Egypt had the highest rate of annual GDP per capita growth between 1975 and 1997 but a comparatively low rate of human development progress in the medium human development index category. Higher growth and more equitable income distribution are essential in order to bridge the gap. The World Bank estimates that a minimum of 1.25 average annual growth rate in real consumption is needed in order for the Middle East and North Africa (MENA) region to cut poverty in half during the coming 25 years. Halving poverty by 2015 was identified as a core goal in the United Nations Millennium Declaration.

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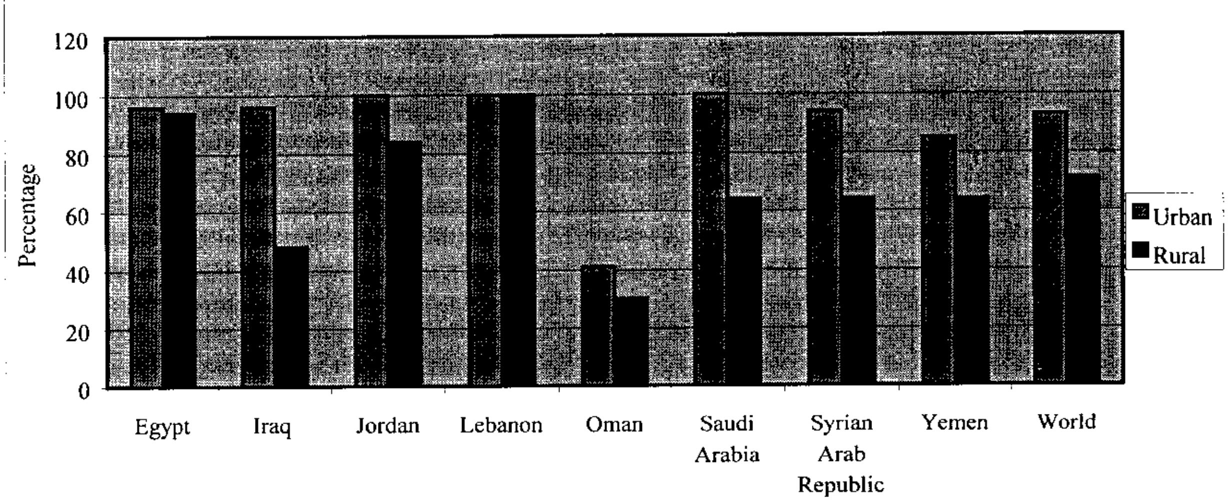
[58] ESCWA, "Poverty in the Arab world: towards understanding its determinants", paper submitted to the Arab Conference on Women and Poverty (Casablanca, May 2000).

The spread of poverty in the ESCWA region is a multidimensional phenomenon that has resulted from a complex set of interlinked social, economic, political, cultural and environmental determinants. Armed conflicts and civil strife are among the main causes of poverty. High illiteracy and unemployment rates have also led to an increase in poverty levels and, in particular, among women. Adult illiteracy rates (15+) in the region were high in 2000, according to ESCWA estimates, at 24 per cent (37 per cent for women and 21 per cent for men). High illiteracy has exacerbated unemployment, which has led to a high incidence of poverty. In most ESCWA member countries, illiteracy and unemployment rates were considerably higher for women. In addition to these factors, according to World Bank 1997 estimates, 54 million people lacked access to safe water and 29 million were deprived of access to health services, while more than 50 million in the Middle East breathed polluted air and 15 per cent of the population of the region was unemployed. Rapid changes are needed in order to absorb 50 million entrants into the Arab labour market by 2010.

Wide disparities remain between urban and rural areas with regard to the provision of basic services. Access to sanitation and safe drinking water are provided in all ESCWA member countries, with the exception of Yemen, at rates higher than the world average. However, some 35 per cent of the Syrian rural population had no access to safe drinking water in 1999, while the equivalent rate was just 4 per cent in urban areas. Human poverty and deprivation is a matter of serious concern in numerous rural communities of the ESCWA region (see chart 20).

Chart 20. Percentage of population with access to safe water in urban and rural areas, 1999



Source: UNICEF, *The State of the World's Children 2001*.

Rapid urbanization in ESCWA member countries has led to an increase in urban poverty, inadequate access to housing, insufficient basic urban services such as primary health care and water supply, the creation of shantytowns and squatter settlements, as well as the degradation of the urban environment. The urban poor face numerous obstacles to shelter including high prices of land for housing, lack of access to financial resources, lack of participation in planning and implementation of projects, inflexible building codes and standards and high cost of building materials.

The infrastructure of war-torn communities such as those in Iraq and the West Bank and Gaza Strip has deteriorated significantly. During the past decade, the standard of living in these countries has declined considerably because of the impact of prolonged periods of armed conflict. Physical damage caused by conflict at the end of December 2001 has been estimated by the World Bank at US$ 305 million. Public spending on social services as a percentage of GDP in ESCWA member countries has not increased significantly during the last 10 years and is decreasing in a number of countries. Political instability in the ESCWA region continues to dictate the proportion of budgets utilized for military expenditures and leaves a meagre balance for social services, education, health and poverty reduction.

Nevertheless, there have been some success stories in the ESCWA region with regard to the implementation of comprehensive human development programmes by Governments in collaboration with local and regional non-governmental organizations (NGOs). Oman has shown impressive results in human development and poverty reduction and has served as a model for progress in the region. Under the reformed system, Omani citizens are deriving benefit from comprehensive educational and health programmes, the establishment of which has instigated rapid improvements in the standard of living and equitable provision of basic social services, including social welfare schemes which, thirty years ago, were practically non-existent.

D. EMPOWERMENT OF WOMEN

1. *Current situation and obstacles*

The goal of achieving gender equality in the ESCWA member countries gained momentum during the 1990s and, in particular, following the Fourth World Conference on Women (Beijing, 1995). Compared to the situation in 1975, when the first World Conference of the International Women's Year was convened in New Mexico, the situation of women in the ESCWA region has improved significantly. A major impediment to assessing progress made with regard to the status of women at national and regional levels lies in conceptualizing and developing quantifiable indicators that are reliable, replicable, realistic, relevant, and comparable in coverage and concept. However, despite the paucity of sex-disaggregated data and gender indicators and the dearth of information on the situation of women in the ESCWA region, there have been some discernible improvements and, in particular, with regard to their access to education, health and employment. Illiteracy among women in the ESCWA region remains among the highest in the world, especially in rural and distant areas. Nevertheless, the relevant indicators in education, health and employment show that the situation of women continues to improve. However, education and health services should become more gender-sensitive.

Significant differences remain among ESCWA member countries as well as within socio-economic classes, with regard to the participation of women in economic activity, whether in agriculture, industry or in the services sector. Their contribution to the agricultural and informal sectors remains underestimated. The participation of women in public life and in decision-making in most ESCWA member countries remains at a low level and can be described as intangible and invisible. Legal awareness among women, especially in poor, rural and remote areas leaves much to be desired. Poverty in rural and remote areas as well as in urban slums, combined with high rates of illiteracy, constitutes a major impediment to their empowerment in the region. Moreover, their participation in the labour force remains largely in jobs traditionally labelled as female. Some 70 per cent of working women are employed in the services sector, while 20 per cent work in the agricultural sector and less than 10 per cent in the industrial sector. Female participation in public life and in decision-making in the region remains below expected levels and is the lowest in the world. The personal status codes, family laws and legislation that exist in the region are obsolete and discriminatory and do not reflect the rapid social changes taking place in society. Only eight ESCWA member countries have signed the Convention on the Elimination of All Forms of Discrimination against Women and they have done so with reservations. Saudi Arabia signed in September 2000 and, most recently, Bahrain, in June 2002. None of the ESCWA countries have signed the Optional Protocol to the Convention, adopted in October 1999.

Many countries in the ESCWA region are stricken by conflict and women in those countries are the most affected by this situation. The number of female-headed households has risen. Poverty has had a disproportionate impact on women. The impact of internal strife, wars and conflicts on the situation and status of women in Iraq, Kuwait, Lebanon, the West Bank and Gaza Strip and Yemen and the socio-economic turmoil that has characterized the region for decades cannot be ignored. During unemployment crises, women are the hardest hit. Statistics on urban unemployment at the regional level indicate that the rate of unemployment for women is double that for men. Women, therefore, need to be empowered in order to combat this situation. Gender mainstreaming remains a fluid concept and process in the region. Few countries have established gender focal points in their various departments although some have set up permanent national machineries for women, such as councils, commissions and/or follow-up committees to the Beijing Conference. Very few have provided the financial and human resources needed in order to ensure the effective functioning of those national machineries and very few of the national machineries that do exist have clear mandates of what their functions and terms of reference should be. Very few countries have realistic strategies and action plans for gender equality. Most ESCWA member countries are still in need of pro-active activities specific to women to be associated with gender-specific activities and gender mainstreaming efforts.

Arab society is undergoing rapid change and is in a state of transition. The participation of women in the development process and their integration remains within a cultural context of traditional values, attitudes and practices and their full participation is hindered by obsolete and discriminatory legislation. The family remains a central institution in Arab society, and women remain the nucleus of this institution as wives, sisters and mothers. Efforts are being exerted in order to raise awareness and sensitivity to gender issues and the different roles and functions performed by all stakeholders and individual members of society.

2. *Economic participation of women*

According to ILO estimates, the average rate of economic activity for women in the ESCWA region (15+) rose from some 15 per cent in 1980 to 18.39 per cent in 2000.[59] Although improvements were recorded in all ESCWA member countries, wide disparities remain. The largest proportional increases took place in the GCC countries where the rate of economic participation for women was relatively low in 1990. In the United Arab Emirates, the rate of female economic activity increased between 1990 and 2000, from 17 to 30 per cent. In Kuwait it grew during the same period from 22 to 27 per cent and in Bahrain from 18 to 22 per cent. Female economic activity rates in Oman were the lowest in the region in 2000, at 10 per cent and also in Saudi Arabia, where it was 12 per cent.

The measurement and quantification of the real contribution that women make to the economy continues to pose problems. Their contribution is, at best, underestimated as it is difficult to evaluate their role and impact on economic development, in particular in the agricultural and informal sectors and in the home. This difficulty can be attributed to the definition of the economically active population, which does not recognize housekeeping, child and family care, farm work and other tasks carried out by women that do not produce tangible or quantifiable returns and so do not enter into computation of national accounts.[60] Women, as housekeepers and mothers, make significant contributions to family welfare and childcare, care for the elderly and the sick, nutrition, and education of youth. One quarter of women in the region are unpaid family workers whose contribution to the economy is not taken into account when estimating GNP. Their

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[59] International Labour Organization (ILO), Bureau of Statistics, *Economically Active Population 1950-2010*, fourth edition (Geneva, 1996). Figures exclude the West Bank and Gaza Strip. Calculations of total rates for the region made by ESCWA.

[60] *Economically active population.* All men or women who supply labour for the production of goods and services, as defined by the United Nations System of National Accounts (SNA) during a specified period of time. According to the SNA, the production of economic goods and services should include all production and processing of primary products (whether for the market, for barter or for own-consumption), the production of other goods in the market and, in the case of households that produce such goods and services for the market, the corresponding production for own-consumption.

contribution to agricultural production also remains underestimated by women themselves, who do not assign real monetary value to their work and contribution to economic development as they are unaware of its importance.

According to ILO statistics, the actual participation of women (15+) in the labour force grew from some 16 per cent in 1980 to reach 23 per cent of the combined labour force of the ESCWA region in 2000.[61] An upward trend was depicted in the labour force participation of women in all ESCWA countries, without exception. The highest proportion was in Kuwait where 31 per cent of the total labour force was female in 2000, including expatriates, followed closely by Lebanon and Yemen with 30 and 28 per cent, respectively, the Syrian Arab Republic with 27 per cent and Egypt with 30 per cent and each of Jordan, Bahrain and Iraq, where the figure ranged between 20 and 24 per cent. The participation of women was lowest in Oman, the United Arab Emirates and Saudi Arabia where it ranged between 14 and 17 per cent of the total labour force. The relatively low participation of women can, for the most part, be attributed to the impact of globalization and generally unfavourable economic conditions, including recession, unemployment, structural adjustment, high population growth, higher demand for more skilled workers and, in the context of the technological revolution, jobs requiring advanced technical know-how. Other factors include inadequate training and rehabilitation for women, the dearth of child-care centres and, most of all, traditional constraints on their employment. Although unfavourable economic conditions and structural adjustment policies affect both women and men, it has been argued that they affect women differently, especially poor and rural women and those who are ill-equipped to keep pace with rapid technological changes.

The sectoral distribution of women in the labour market indicates that some 70 per cent of working women are employed in the services sector, 20 per cent in the agricultural sector and the remaining 10 per cent in the industrial sector, largely in the manufacturing sector in textiles and food production. This sectoral distribution indicates that a shift has taken place during the past two decades from the agricultural sector to the services sector, where jobs traditionally labelled as female are to be found which require limited skills and training and are generally low-paid. This shift in distribution can be attributed to a number of socio-economic and cultural factors, including the rapidly-changing economic environment which places fresh emphasis on the services sector, as well as the shift towards privatization and the growing role of the private sector in the economy. Other factors could include the gradual shedding of traditions and social customs which encouraged women to stay at home and out of the labour market, combined with the emergence of urbanization which has attracted families, including women, away from rural and agricultural areas to the cities and gainful employment during the past two decades. However, women remain 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 fields such as catering and social work.

The agricultural sector has also become less significant in the region as urbanization has increased and services have grown in importance. As a result, the participation of women in the agricultural sector has been reduced or remained stagnant, at best, while the region is still at an embryonic stage of industrialization. There is a positive correlation between the participation of women in the industrial sector and their level of education. The relation becomes stronger as the industrial sector expands and becomes more developed. The proportion of women in industry remains low in all developing countries, but this is even more the case in the ESCWA region, where they constituted barely 1 per cent of the total economically active population during the 1990s.

A number of factors mitigate against the greater participation of women in the industrial sector. Human resources planning and the type of education that women pursue can provide a basic explanation for their limited participation in that sector. Women tend to prefer academic rather than vocational education and

[61] ILO, Bureau of Statistics, *Economically Active Population 1950-2010*, fourth edition (Geneva, 1996). Figures exclude the West Bank and Gaza Strip. Calculations of total ratios for the region made by ESCWA.

literary rather than scientific formal training. Other factors that inhibit their participation in the industrial sector include their lack of adequate skills and training and the gradual replacement of unskilled labour-intensive industries by capital-intensive and technologically advanced ones that require skilled labour. Traditional constraints also serve to limit the potential contribution of women to an already narrow industrial base.

The participation of women in the services sector has grown from 50 to 70 per cent of the female labour force, compared with 50 per cent for the male labour force. Socially acceptable jobs traditionally labelled as female include teaching, nursing, clerical work, catering and social work. Such employment is available in the public, private or mixed sectors of the economy and is characterized by the more flexible working hours typical of nursing shifts and social work or part-time work such as teaching or private tutoring. Such work holds an added attraction for working mothers, who perform multiple roles in the family, as it allows flexibility to spend more time with children, take care of the family and perform household chores. This situation has led to what has been termed the feminization of the services sector. The heavy concentration of women in the services sector in the ESCWA region is unparalleled in other developing regions. Women account for an average of 15 per cent of the total economically active population in the services sector. This heavier concentration of women in the services sector may be attributed to more convenient working conditions in that sector as opposed to the high skill requirements of the industrial sector. The industrial sector is traditionally male-dominated and discourages the entry of women, which leads them to seek employment elsewhere.

Data on women in the informal sector are scarce and unreliable. However, in contrast to the situation in the formal sectors, women in the informal sector are more active in view of the fact that work in this sector is often associated with simple technology, minimum skill requirements, small capital, no major outlay of physical assets and does not require a fixed time schedule or base of operations. These characteristics of the informal sector, including cottage industries and handicrafts, encourage women to work although their contribution remains seriously underestimated in national accounts. Women's participation in the formal sectors is more complicated and complex, due to the multiple roles that they play including career, housekeeping and child-care. The situation is further complicated by working conditions that do not accommodate women's needs since they involve fixed work schedules, demanding working hours (35 to 43 hours per week) and a workplace away from home. This situation has given rise to an alternative, known as the third choice, for women with families. This involves adapting working conditions to family needs and ensuring that women have access to the necessary technologies and the opportunity to develop the skills needed to exploit them.

VI. CONCLUSIONS, OUTLOOK AND POLICY RECOMMENDATIONS

A. ECONOMIC

1. *Summary and conclusions*

Since the middle of 2000, there has been a marked slowdown in the world economy. This slowdown, which is more universal than that of the early 1990s, deepened following the events of 11 September in the United States. Most regions of the world suffered from a recession in 2001. Growth rates in the advanced and major advanced economies declined from 3.9 and 3.5 per cent, respectively, in 2000 to 1.2 and 1.1 per cent, respectively, in 2001. Economic activity in developing countries as a group also deteriorated, with growth rates declining from 5.7 per cent in 2000 to 4 per cent in 2001. Growth rates in Central and Eastern Europe declined from 3.8 per cent in 2000 to 3.1 per cent in 2001. The most notable decline in growth rate occurred in the Western hemisphere, where it fell from 4 per cent in 2000 to 0.7 per cent in 2001. For the most part, this fall was due to the economic crisis in Argentina. The unemployment rate in advanced economies increased from 5.9 per cent in 2000 to 6 per cent in 2001. Inflation rates tended to remain under control worldwide. Short-term interest rates in developing economies declined from 4.5 per cent in 2000 to 3.2 per cent in 2001. The United States dollar remained strong against the euro and the pound sterling in 2001. The events of 11 September had a severe impact on global trade in goods and services.

In the ESCWA region, overall economic growth fell from 4.5 per cent in 2000 to 2.1 per cent in 2001. This decline can be attributed to the poor performance of the oil sector and the impact of the events of 11 September, in particular on tourism, FDI inflows and non-oil exports. The lack of progress towards peace in the Middle East as well as the violence in the West Bank and Gaza Strip did not improve this situation.

Slower economic growth has exacerbated the unemployment problem in many countries of the region. At the same time, it has helped to maintain inflation rates at fairly low levels. Lower oil prices and lower production levels have sharply reduced oil revenues and this has worsened the budgetary positions of most Governments in the region. The performance of the external sector in the region in 2001 was below that in 2000, primarily because of the decline in oil exports.

As in 2000, the monetary practices applied in 2001 in ESCWA member countries aimed to strengthen the exchange-rate stability of national currencies, keep inflation at moderate levels, reduce interest rates and maintain monetary expansion at levels supportive to economic stability and growth. Most countries succeeded in maintaining these monetary goals and only three, namely, Egypt, Lebanon and Yemen, experienced some pressure on their national currencies in relation to the United States dollar. This was due mainly to the unfavourable economic conditions and weak tourism activity. The Lebanese pound remained relatively stable, as in the previous few years.

Most ESCWA member countries sustained their efforts to apply extensive fiscal reforms on both sides of the general budget, namely, revenues and spending. They focused on enhancing the tax base by introducing consumer taxes such as VAT and sales tax, among other reforms to the tax system. They also focused on rationing expenditure and, in particular, current expenditures in order to control the growth of public deficits and debt, as well as debt servicing.

However, the events of 11 September and their negative impact on the oil and tourism sectors in the ESCWA region had an adverse effect on the overall status of domestic general budgets. Many ESCWA member countries experienced deficits in their budgets, accompanied by higher levels and ratios of debt and debt servicing.

The events of 11 September also had negative impacts on the financial markets of most ESCWA member countries, as was also the case with the international markets in 2001. Capital markets in some member countries continued to play a significant role in financing the growth and development of domestic economies. However, the banking sector continued to lead in financing growth and development in the region while the insurance sector, pension funds and investment funds played a limited role.

Oil continued to dominate the exports of most ESCWA member countries. Regional exports declined because of the fall in oil prices and production in 2001. However, most countries intensified their efforts to promote non-oil exports and some enjoyed notable success in this regard. Member countries also faced serious difficulties in formulating FDI policies and strategies. The FDI data reporting system used in the region is in need of comprehensive improvement. The scarcity, unreliability and inconsistency of data is causing severe problems for policy makers wishing to study the impact of FDI on economic development and, in particular, the role of FDI in opening new markets, fostering exports, transfer of technology and improving skills and management techniques.

There is also a serious need to pursue active trade facilitation initiatives in the ESCWA region by standardizing customs procedures, harmonizing minimum product requirements, improving access to information on foreign markets and encouraging e-commerce. Pursuit of such policies would permit member countries to reap the benefits of regional integration and international trade more effectively.

2. *Outlook*

With the recovery of the United States economy in 2002, it is expected that the situation in the global economy will improve. Forecasts indicate that the United States economy will grow by 2.3 per cent in 2002, as against 1.2 per cent growth in 2001. This growth will push up the world growth rate from 2.5 per cent in 2001 to 2.8 per cent in 2002. However, there are limiting factors to this recovery. The rebound in oil prices in the first quarter of 2002, if sustained, could seriously affect global recovery. The situation in the EU will remain relatively stagnant as real GDP growth rates will register 1.5 per cent in 2002, down from 1.7 per cent in 2001. The economy in Japan will remain recessionary as real GDP levels are expected to decline by a further 1 per cent in 2002. Growth rates in developing countries are expected to improve in 2002, in line with the expected recovery of the world economy. The growth rate of developing countries as a group is expected to register a level of 4.3 per cent up from its 4 per cent level in 2001. Inflation is expected to remain under control in advanced economies in 2002 registering a 1.3 per cent rate, a decline from its 2.2 per cent level in 2001. Inflation is also expected to remain stable in developing countries with a negligible increase to 5.8 per cent in 2002 from its 5.7 per cent level in 2001. Interest rates are expected to remain at relatively low levels in advanced economies in 2002. With regard to exchange rates, the dollar is expected to depreciate further against the euro and the yen. International trade is expected to pick up in 2002 with the expected pick up in the United States economy, world trade volumes of goods and services are expected to increase by 2.5 per cent in 2002 after declining by 0.2 per cent in 2001.

The outlook is not bright for economic development in the ESCWA region in 2002. Real GDP in the region, excluding Iraq, is projected to grow by some 2 per cent in 2002, comparable to the growth of the preceding year and less than the annual population growth rate of 2.4 per cent. This real GDP growth rate will be attained by lower real GDP growth in the GCC countries and higher growth in the countries with more diversified economies. The real GDP of the GCC countries as a group is projected to grow by just 1 per cent in 2002, down from an estimated rate of 2 per cent in 2001 and the 5.1 per cent registered in 2000. Meanwhile, the real GDP of the countries with more diversified economies, excluding Iraq, is projected to grow by 3.9 per cent in 2002, compared with an estimated rate of 2.1 per cent in 2001 and the 3.5 per cent registered in 2000. The expected decline in the performance of the oil sector will have a more adverse effect on the GCC countries than on those with more diversified economies.

Of the GCC countries, it is anticipated that Qatar will have the highest real GDP growth rate in 2002 of a projected 5.5 per cent, while Kuwait will register negative real GDP growth of a projected 0.6 per cent. The real GDP growth rate of each GCC country is projected to be lower in 2002 than in 2001. Saudi Arabia has the largest economy in the region as a whole and its projected low real GDP growth rate of 0.5 per cent will be a major factor in bringing down the real GDP growth rate average for the GCC countries as a group.

Assuming that there will be an end to the violence in the West Bank and Gaza Strip by mid-2002, that border closures against Palestinian workers seeking employment in Israel will be lifted and that there will be a large influx of international aid for development and reconstruction, the West Bank and Gaza Strip are projected to register a real GDP growth rate of 10 per cent in 2002. While that would be by far the highest rate in the region in 2002, it would still reflect a real GDP level of 23 and 26.8 per cent below those registered in 2000 and 1999, respectively. Other member countries with more diversified economies are projected to register slightly higher GDP growth in 2002 than in 2001. The adverse effects of the events of 11 September are expected to decline gradually over the course of the year. This expectation is based on high projected world economic growth beginning in the second half of 2002 and the policies that several Governments have already put in place to mitigate the impact of the events of 11 September. In this regard, it is projected that Jordan will have the highest real GDP growth rate (4.5 per cent) while Lebanon and Yemen will have the lowest (2.5 per cent).

The oil sector is expected to perform relatively poorly in 2002 in comparison with 2001 and 2000. In 2002, the OPEC average crude oil price is expected to decline from its 2001 level by some 5 per cent, to approximately $22/b. The $22/b price average could be reached, provided that OPEC members achieve high rates of compliance with quotas agreed on 1 January 2002, given modest increases in quotas and production during the second half of the year in line with the anticipated world economic recovery and higher oil demand in the fourth quarter. If OPEC members do not increase quotas and production during the second half of 2002 and world economic growth accelerates significantly, oil prices for the year could average higher than $22/b. Nevertheless, it is expected that oil revenue will decline significantly in 2002, with adverse effects on the economic environment and government budgets in the ESCWA region.

Demand for labour in the region is expected to be low because economic growth is insufficient to absorb the annual increase in the supply of workers. At the same time, it is expected that employment opportunities abroad will be reduced in 2002, because of low economic growth in the United States and Europe and rising unemployment among their nationals. The policy of replacing expatriate workers with nationals will be intensified in GCC countries and Jordan, to the extent possible.

It is anticipated that inflation rates in most ESCWA member countries will remain under control in 2002 at between 2 and 3 per cent and that Governments will maintain prudent monetary and fiscal policies. Inflation rates are expected to remain at 2.5 per cent or lower in the GCC countries. Nevertheless, it is projected that inflation will accelerate in some of the member countries with more diversified economies and, in particular, Egypt and Lebanon. Devaluation of the national currency in 2001 and increased Government expenditure in 2002, aimed at stimulating economic growth and creating employment opportunities, could result in higher inflation in Egypt in 2002. Inflation is likely to rise in Lebanon because of the introduction of VAT.

It is anticipated that the global economic slowdown will deepen in 2002, mainly due to the impact of the events of 11 September, and that this will have implications for the economies of the ESCWA region. The first three months of this year have pointed clearly to this trend.

The Governments of the GCC countries are cutting down on spending, in line with expected lower oil revenues, in order to limit fiscal deficits. This development is expected to have a negative impact on overall economic activity and growth. Most ESCWA member countries with more diversified economies are facing difficult fiscal and economic conditions. Budget deficits and lower surpluses are expected to emerge in 2002 in most ESCWA member countries, together with growing indebtedness and greater dependence on foreign resources in the case of some countries, such as Lebanon.

The currencies of ESCWA member countries are expected to remain relatively stable. However, there will be continued pressure on the Egyptian pound, the Lebanese pound and the Yemeni rial.

A number of capital markets in the region are expected to grow in 2002, despite difficult economic conditions, while others will continue to suffer from a variety of adverse regional and international developments.

The banking sector in the region will continue to grow but at a slower pace, due mainly to unfavourable economic conditions in many countries.

It is expected that efforts aimed at expediting trade and economic cooperation in the ESCWA region will be intensified in 2002. Non-oil exports are expected to increase significantly and, in particular, from the countries with more diversified economies, most notably Egypt, Jordan and the Syrian Arab Republic. Nevertheless, oil exports are expected to be lower in 2002 than in 2001 and total regional exports are, therefore, expected to be lower. Higher imports and lower exports are expected to lead to further deterioration in the trade balance of many countries in the region. Moreover, the delayed impact of the events of 11 September and the continuing cycles of conflict in the region are expected to lead to a decline in trade performance. However, the tourism sector is expected to show marked improvement during the second half of 2002 and this will contribute to reducing the current account deficits of several countries.

Intraregional trade is likely to improve in 2002 and 2003. New trade protocols are being formalized between ESCWA member countries and, in particular, with Iraq. Egypt, Jordan and the Syrian Arab Republic are expected to reap the greatest benefits by exporting to the Iraqi market and importing relatively inexpensive Iraqi oil. The decline in Palestinian imports over the last couple of years will also need to be balanced by an increase over the coming years to meet basic needs, with goods and services likely to come from Jordan and other member countries. A number of bilateral trade agreements signed between the member countries will also come into effect and this should help to increase regional trade flows.

3. *Policy recommendations*

The following policy recommendations are provided for the consideration of decision makers in the ESCWA region. Some have already been implemented, to varying degrees, by some member countries.

Governments in the region should consider taking the following measures:

(a) Accelerate the process of economic diversification, particularly in the GCC countries, by reducing dependence on oil and placing greater reliance on gas, petrochemicals, aluminum, light industry and the services sector;

(b) Expedite structural economic reform;

(c) Accelerate privatization, in particular where the public debt to GDP ratio is dangerously high, as is the case in Lebanon. Public sector enterprises, including companies providing electricity, water, transport, telephone and other such facilities, should be transferred to the private sector in a manner that guarantees transparency and accountability and safeguards against monopoly;

(d) Make every effort, in countries where there are no plans for privatization, including the Syrian Arab Republic, to enhance efficiency in the public sector, partly through the gradual introduction of market-oriented objectives;

(e) Promote domestic, intraregional and international tourism by increasing marketing efforts aimed at attracting visitors from inside and outside the region and improving infrastructure in order to accommodate them better;

(f) Encourage the private sector, in particular in Saudi Arabia and other GCC countries, to repatriate some of their foreign-held assets and invest them in the local economy and regional and/or subregional projects.

During the coming period, monetary and fiscal authorities in the ESCWA region should work in order to secure further monetary stability and deepen fiscal discipline, which will better support economic growth and development.

In this context, the authorities concerned need to undertake the following basic steps and measures:

(a) Implement well-designed and strategic privatization programmes in order to cut down current spending and achieve outstanding revenues from the sale of state-owned enterprises;

(b) Continue fiscal reforms on both the revenue and spending sides of the budget in order to deepen efforts to enhance the revenue base and rationalize expenditures, especially for current purposes;

(c) Adopt well-designed and effective debt management policies geared towards controlling the growth of overall indebtedness, especially foreign debt and debt servicing;

(d) Continue to use and deepen the scope of indirect monetary tools in order to affect money and financial markets as well as overall economic activity. Open-market operations constitute a major step in that direction;

(e) Design and implement policies and strategies geared towards enhancing the financing of business enterprises in the productive sector by the domestic banking system;

(f) Undertake the measures necessary to ensure a soft entry into economic partnership agreements with the EU. This calls for a gradual lifting of customs duties, and compliance with European monetary and fiscal standards;

(g) Deepen domestic financial markets by supporting the growth of institutional investors (insurance companies, pension funds and investment funds) and further develop capital markets in order to back the banking sector in financing development.

During the past year, ESCWA member countries have advanced along the road towards trade liberalization and economic diversification. However, a number of policies remain to be adopted that would optimize achievement of the benefits of economic integration and globalization. In the first instance, export competitiveness should be enhanced by improving labour productivity and facilitating access to new technologies and production methods. This is especially important for labour-intensive industries and manufacturing sectors in the ESCWA region, which will face stiff competition in traditional markets from new entrants in the WTO, notably China. The private sector should be encouraged to play an important role in this regard. Moreover, while opening markets to foreign trade and investment are important steps towards improving export competitiveness, Governments should also take more aggressive steps to reduce trade barriers and constraints on foreign investment in order to remain competitive relative to other developing regions. In order to do so, greater efforts need to be made in order to increase institutional capacity for analysis, formulation and negotiation of effective trade policy.

Governments in the region should, therefore, consider policies that aim to:

(a) Accelerate the process of export diversification, particularly in the GCC countries, by moving away from heavy dependence on oil towards greater reliance on gas, petrochemicals, aluminium, and light manufacturing industries, in addition to the services sector. Special attention should be given to developing sectors that are not highly dependent on energy and water as primary inputs;

(b) Promote regional cooperation and economic integration by strengthening commitments to international trade agreements and facilitating the advancement of trade negotiations. Particular attention should be paid to building the capacity of trade negotiators, in order to gain a better understanding of the implications of proposed agreements for national competitiveness and ensure that negotiators are equipped with current information about the challenges facing private sector manufacturers and exporters in the region;

(c) Identify and prepare national and regional platforms for trade negotiations based on the priority concerns of ESCWA member countries and the Arab region. Sound preparation and technical analysis should, therefore, be provided in order to ensure that ESCWA member countries are well informed and able to approach agenda items in international trade negotiations from a proactive, rather than reactive, position;

(d) Attract and promote FDI and encourage joint ventures with major transnational corporations, paying special attention to facilitating access to information on national business and investment environments through the development of accessible databases on the investment record of the region.

B. SOCIAL

1. *Summary and conclusions*

The population of the ESCWA region has continued to grow at relatively high rates. Health conditions have continued to improve. Life expectancy has continued to rise gradually and now compares favourably with other developing regions. Nevertheless, much remains to be done in order to reduce the prevailing high rates of adult illiteracy, in particular among women, and combat poverty.

Rapid population increase and, in particular, among youth, has exacerbated the unemployment problem. Rising unemployment combined with cutbacks in real government expenditure on health, education and other social services have led to only minimum improvements in combating poverty in the region.

Steady progress has been achieved with regard to the empowerment of women in a number of member countries. Nevertheless, there remains considerable scope for further progress.

2. *Outlook*

Population growth will continue at a relatively high level if the fertility rate continues to exceed the replacement level. High fertility rates in the recent past have created a large young population in most ESCWA member countries. The number of people in their reproductive years will continue to grow for several decades and total births will, therefore, continue to increase. Despite the gradual decrease in the segment of the population aged under 15, there is slow growth in the segment aged over 65 and this is more apparent if older persons are taken to include 60 years and above. The present situation will serve to exacerbate the inflated population in the working age category.

The demographic and social changes occurring now will have significant implications for the role of the State in providing services to the needy and, also, the role of family in the near future. Due to budgetary constraints and foreseen changes in dependency ratios in the region, the current tendency to reduce public spending on social welfare needs will continue or become more pronounced. ESCWA member countries will be obliged to transfer part of the responsibility for the provision of social services from the State to other actors, particularly in view of the increased participation of women in the labour force and changing family structures and life styles. In the near future, Governments could start to take new approaches to providing for social welfare needs, for example through providing State funding and institutional and technical support for community initiatives and, also, efforts to enhance partnership with the family, the private sector (private hospitals, insurance companies), local authorities, NGOs, neighborhood associations and community groups. A trend towards more participatory development is anticipated.

3. *Policy recommendations*

It is imperative that ESCWA member countries upgrade skills and knowledge in order to meet the challenges of globalization and cope with rapid change in ICTs. Higher education policies must be geared towards matching educational curricula to labour market needs. More attention should be given to technical and vocational training, as opposed to formal education. Economic efficiency and competitiveness in the twenty-first century require initiative, risk-taking and entrepreneurial talent, as well as an education system that emphasizes critical analysis and views learning as a process. There are many indications that developing countries with education systems in which such skills are valued are more able and better equipped to compete in international labour markets. While each country in the region must determine its own particular needs, all must focus on achieving high academic standards and quality education that will enable workers to continue the learning process. The development of indicators that can measure student and system performance accurately is very important in order to identify changes and emerging challenges and to revise educational programmes in order to meet these challenges.

Special emphasis should be placed on the employment of women in jobs that take into consideration their needs and steps to ensure the long-term employability of youth should relate to improving the educational system in order to accommodate the increased demand and the changing requirements of the labour market. The increase in demand for education combined with a lack of appropriate training programmes has generated structural unemployment among youth. Youth employment is considered as the major safeguard against the social exclusion of youth in the ESCWA region.

With regard to the empowerment of women and mainstreaming gender for gender equality, the following recommendations are proposed for the consideration of decision makers in the region:

(a) Ensure access to basic services, and to decent education and health care, guided by the principle that the poor have a right to quality services conducive to enhance their main asset, namely, their labour and productivity;

(b) Ensure that investments conducive to economic growth are accompanied by appropriate human resources development strategies supporting access to decent work;[62]

(c) Ensure that appropriate legal frameworks, applicable to individuals and institutions, underpin social and economic investments;

(d) Ensure that poverty alleviation strategies effectively support empowerment of the poor;

(e) Ensure that the process of gender- and poverty-sensitizing data collection methodologies is supported by appropriate budget allocations;

(f) Ensure effective coordination between government institutions and NGOs/civil society.

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[62] Defined by the ILO as "labour in conditions of freedom, equity, safety and human dignity", http://www.ilo.org/public/spanish/region/ampro/cinterfor/publ/sala/dec_work/ii.htm.

ANNEX

COUNTRY TABLES:
SOCIO-ECONOMIC INDICATORS

BAHRAIN

Area (km²)

677.9	

Population (millions)

1980	0.347
1990	0.490
2000	0.640
2015	0.793

Population density (per km²)

1980	512
1990	723
2000	944
2015	1 170

Annual increment to the population (thousands) [a/] [b/]

1995-2000	59
2000-2005	50
2005-2010	46
2010-2015	49

Disability prevalence (per 1,000)

	men/women
1990-2000	16.3/14.1

Underweight children under 5 (%)

1990-1996[b/]	7

Total fertility rate (births/woman)

1980-2000	3.7
2000-2015	2.2

Infant mortality rate (per 1,000)

1980-2000	19.76
2000-2015	12.77

Urban population (%)

1970	79.0
1996	90.8
2030[a/]	95.8

Rural population (%)

1970	21.0
1996	9.2
2030[a/]	4.2

Life expectancy at birth (years) [a/] [b/]

1980-2000	71
2000-2015	75

Secondary school enrolment ratio (%)

1997	84

Labour force participation rate (%)

	female/male
1997	31.0/87.0

Adult literacy rate (%)

	female/male
1999	73/78

Human development index

1999 rank	40

Gender -related development index

1999 rank	41

Population with access to safe water (%)

1990-1996[b/]	..

Population with access to sanitation (%)

1990-1996[b/]	..

Population with access to health services (%)

1990-1996[a/]	..

GDP at constant 1998 prices (millions of US dollars)

1999	6 431
2000	6 766
2001[c/]	7 050
2002[a/]	7 276

Real GDP growth rate (%)

1999	4.0
2000	5.2
2001[c/]	4.2
2002[a/]	3.0

Per capita GDP at current prices (US dollars)

1998	9 632
1999	9 955
2000[c/]	11 569

Inflation rate (%)

1998	(0.4)
1999	(1.3)
2000	(0.7)
2001[c/]	1.3

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	1.55	27.81	23.01	5.44	42.18
1985	1.29	28.21	9.94	9.42	51.14
1995	0.86	15.38	17.55	4.85	61.36
2000	74.00	28.06	11.44	3.57	56.20

Government deficit/surplus as a percentage of GDP

2000	29.27
2001	(5.76)

Total exports flows (millions of US dollars)

1998	6 548
1999	6 774
2000	8 092
2001[c]	8 524

Total imports flows (millions of US dollars)

1998	3 470
1999	3 446
2000	3 579
2001[c]	3 468

Trade balance (millions of US dollars)

1998	3 078
1999	3 328
2000	4 513
2001[c]	5 056

Current account (millions of US dollars)

1998	(778)
1999	(421)

Total debt (millions of US dollars)

	Domestic	Foreign
2000	1 994	345
2001	2 500	500

Foreign currencies reserves (millions of US dollars)

2000	3 942
2001	4 168

Exchange rate (period average)[d]

2000	0.3750	BD/US$
2001	0.3750	BD/US$

Domestic liquidity (millions of US dollars)

2000	5 751
2001	6 133

Average interest rates (%)

2000	7.75
2001	4.92

Foreign direct investment (millions of US dollars)

1998	180
1999	448
2000[c]	500

Oil production (million barrels per day)

1998	0.18
1999	0.18
2000	0.18
2001[c]	0.18

Oil revenues (billions of US dollars)

1998	0.8
1999	1.71
2000	2.59
2001[c]	2.05

Proven oil reserves (billion barrels)

1/1/1998	0.2
1/1/1999	0.2
1/1/2000	0.2
1/1/2001	0.2

Natural gas reserves (trillion cubic metres)

1/1/1998	0.14
1/1/1999	0.12
1/1/2000	0.11
1/1/2001	0.11

Market capitalization (millions of US dollars)

2000	6 660
2001	6 636

Renewable water resources (million cubic metres)

Surface water	0.2
Groundwater	100
Total	100.2

Annual water per capita (cubic metres) (renewable resources/population)

1997	173
2015[a]	131
2025[a]	99

Sustainability indicator (%) (water use/renewable resource)

1997	309
2015[a]	349
2025[a]	608

Internet users (per 1,000 people)

2000	61.8

Expenditures for R and D as a percentage of GNP

..

Aircraft movement (arrivals and departures)

1995	53 835
1998	56 139

Merchant fleet (number)

1/1/1997	13
1/1/2000	13

Number of vehicles (per 1,000 people)

1999	..

Length of road network (km)

1995	2 922
1998	3 164

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 = Bahrain dinars.

Area (km²)

1 000 000	

Population (millions)

1980	43.749
1990	56.223
2000	67.884
2015	84.425

Population density (per km²)

1980	44
1990	56
2000	68
2015	84

Annual increment to the population (thousands) [a/] [b/]

1995-2000	6 188
2000-2005	6 065
2005-2010	5 528
2010-2015	5 161

Disability prevalence (per 1,000)

	men/women
1990-2000	6.0/3.5

Underweight children under 5 (%)

1990-1996[b/]	15

Total fertility rate (births/woman)

1980-2000	4.2
2000-2015	2.5

Infant mortality rate (per 1,000)

1980-2000	75.93
2000-2015	33.26

Urban population (%)

1970	42.0
1996	44.8
2030[a/]	61.8

Rural population (%)

1970	58.0
1996	55.2
2030[a/]	38.2

Life expectancy at birth (years) [a/] [b/]

1980-2000	62
2000-2015	70

Secondary school enrolment ratio (%)

1997	75

Labour force participation rate (%)

	female/male
1997	21.6/73.4

Adult literacy rate (%)

	female/male
1999	38/64

Human development index

1999 rank	105

Gender-related development index

1999 rank	97

Population with access to safe water (%)

Urban	1999	96
Rural	1999	94

Population with access to sanitation (%)

Urban	1999	98
Rural	1999	91

Population with access to health services (%)

1990-1996[a/]	99

GDP at constant 1998 prices (millions of US dollars)

1999	86 928
2000	91 188
2001[c/]	94 379
2002[a/]	98 154

Real GDP growth rate (%)

1999	5.1
2000	4.9
2001[c/]	3.5
2002[a/]	4.0

Per capita GDP at current prices (US dollars)

1998	1 362
1999	1 436
2000[c/]	1 513

Inflation rate (%)

1998	3.8
1999	2.8
2000	2.4
2001[c/]	3.0

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing [d/]	Construction	Others
1975	27.98	3.13	16.63	4.62	47.64
1985	17.75	24.72	..	4.94	52.60
1995	16.12	24.71	..	4.81	54.37
2000	15.33	27.28	..	5.46	51.92

Government deficit/surplus as a percentage of GDP

2000	(1.47)
2001	(2.48)

Total exports flows (millions of US dollars)

1998	3 195
1999	3 535
2000	5 633
2001[c]	6 380

Total imports flows (millions of US dollars)

1998	16 479
1999	15 962
2000	21 660
2001[c]	21 818

Trade balance (millions of US dollars)

1998	(13 284)
1999	(12 427)
2000	(16 027)
2001[c]	(15 438)

Current account (millions of US dollars)

1998	(2 566)
1999	(1 635)

Total debt (millions of US dollars)

	Domestic	Foreign
2000	50 248	27 109
2001	45 142	28 227

Foreign currencies reserves (millions of US dollars)

2000	14 382
2001	14 083

Exchange rate (period average)[e]

2000	3.6900	LE/US$
2001	4.4900	LE/US$

Domestic liquidity (millions of US dollars)

2000	87 662
2001	80 770

Average interest rates (%)

2000	10.83
2001	10.79

Foreign direct investment (millions of US dollars)

1998	1 076
1999	1 065
2000	1 235

Oil production (million barrels per day)

1998	0.81
1999	0.77
2000	0.77
2001[c]	0.76

Oil revenues (billions of US dollars)

1998	1.73
1999	2.56
2000	2.59
2001[c]	1.92

Proven oil reserves (billion barrels)

1/1/1998	3.0
1/1/1999	3.5
1/1/2000	3.5
1/1/2001	3.7

Natural gas reserves (trillion cubic metres)

1/1/1998	0.82
1/1/1999	1.02
1/1/2000	1.22
1/1/2001	1.44

Market capitalization (millions of US dollars)

2000	32 787
2001	25 002

Renewable water resources (million cubic metres)

Surface water	55 500
Groundwater	4 100
Total	59 600

Annual water per capita (cubic metres) (renewable resources/population)

1997	925
2015[a]	698
2025[a]	658

Sustainability indicator (%) (water use/renewable resource)

1997	106
2015[a]	115
2025[a]	145

Internet users (per 1,000 people)

2000	6.5

Expenditures for R and D as a percentage of GNP

1991	0.22

Aircraft movement (arrivals and departures)

1995	166 020
1997	274 583

Merchant fleet (number)

1/1/1997	212
1/1/2000	197

Number of vehicles (per 1,000 people)

1999	30

Length of road network (km)

1995	55 384
1998	59 704

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/ Including mining.
e/ LE = Egyptian pounds.

Area (km^2)

89 186

Population (millions)

1980	2.225
1990	3.254
2000	4.913
2015	7.191

Population density (per km^2)

1980	25
1990	36
2000	55
2015	81

Annual increment to the population (thousands) [a/] [b/]

1995-2000	935
2000-2005	1 037
2005-2010	1 092
2010-2015	1 111

Disability prevalence (per 1,000)

	men/women
1990-2000	14.8/9.6

Underweight children under 5 (%)

1990-1996[b/]	9

Total fertility rate (births/woman)

1980-2000	5.8
2000-2015	3.9

Infant mortality rate (per 1,000)

1980-2000	39.45
2000-2015	19.37

Urban population (%)

1970	51.0
1996	72.0
2030[a/]	83.5

Rural population (%)

1970	49.0
1996	28.0
2030[a/]	16.5

Life expectancy at birth (years) [a/] [b/]

1980-2000	67
2000-2015	72

Secondary school enrolment ratio (%)

1997	41

Labour force participation rate (%)

	female/male
1997	21.9/76.2

Adult literacy rate (%)

	female/male
1999	81/93

Human development index

1999 rank	88

Gender-related development index

1999 rank	88

Population with access to safe water (%)

Urban	1999	100
Rural	1999	84

Population with access to sanitation (%)

Urban	1999	100
Rural	1999	98

Population with access to health services (%)

1990-1996[b/]	97

GDP at constant 1998 prices (millions of US dollars)

1999	8 182
2000	8 575
2001[c/]	8 935
2002[a/]	9 337

Real GDP growth rate (%)

1999	2.8
2000	4.8
2001[c/]	4.2
2002[a/]	4.5

Per capita GDP at current prices (US dollars)

1998	1 673
1999	1 648
2000[c/]	1 655

Inflation rate (%)

1998	3.1
1999	0.6
2000	0.7
2001[c/]	1.8

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	8.09	5.13	10.58	5.98	70.29
1985	4.68	3.25	12.16	7.39	72.53
1995	3.68	3.33	12.87	6.37	73.75
2000	1.95	2.63	13.22	3.40	78.81

Government deficit/surplus as a percentage of GDP

2000	(3.78)
2001	(3.51)

Total exports flows (millions of US dollars)

1998	1 237
1999	1 236
2000	1 284
2001[c]	1 282

Total imports flows (millions of US dollars)

1998	3 800
1999	3 672
2000	4 470
2001[c]	4 000

Trade balance (millions of US dollars)

1998	(2 563)
1999	(2 436)
2000	(3 186)
2001[c]	(2 718)

Current account (millions of US dollars)

1998	14
1999	405

Total debt (millions of US dollars)

	Domestic	Foreign
2000	1 697	6 763
2001	1 931	6 689

Foreign currencies reserves (millions of US dollars)

2000	2 763
2001	2 578

Exchange rate (period average)[d]

2000	1.4104	JD/US$
2001	1.4104	JD/US$

Domestic liquidity (millions of US dollars)

2000	10 486
2001	11 095

Average interest rates (%)

2000	7.66
2001	6.02

Foreign direct investment (millions of US dollars)

1998	310
1999	158
2000	300

Oil production (million barrels per day)

1998	—
1999	—
2000	—
2001[c]	—

Oil revenues (billions of US dollars)

1998	—
1999	—
2000	—
2001[c]	—

Proven oil reserves (billion barrels)

1/1/1998	—
1/1/1999	—
1/1/2000	—
1/1/2001	—

Natural gas reserves (trillion cubic metres)

1/1/1998	0.01
1/1/1999	0.01
1/1/2000	0.01
1/1/2001	0.01

Market capitalization (millions of US dollars)

2000	4 950
2001	6 314

Renewable water resources (million cubic metres)

Surface water	475
Groundwater	275
Total	750

Annual water per capita (cubic metres) (renewable resources/population)

1997	168
2015[a]	78
2025[a]	70

Sustainability indicator (%) (water use/renewable resource)

1997	118
2015[a]	168
2025[a]	235

Internet users (per 1,000 people)

2000	13.5

Expenditures for R and D as a percentage of GNP

1989	0.26

Aircraft movement (arrivals and departures)

1995	..
1998	..

Merchant fleet (number)

1/1/1997	3
1/1/2000	7

Number of vehicles (per 1,000 people)

1999	66

Length of road network (km)

1995	7 133
1998	7 133

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.

Area (km^2)

17 818

Population (millions)

1980	1.375
1990	2.143
2000	1.914
2015	2.766

Population density (per km^2)

1980	77
1990	120
2000	107
2015	155

Annual increment to the population (thousands) [a/] [b/]

1995-2000	282
2000-2005	236
2005-2010	212
2010-2015	202

Disability prevalence (per 1,000)

	men/women
1990-2000	11.5/10.6

Underweight children under 5 (%)

1990-1996[b/]	6

Total fertility rate (births/woman)

1980-2000	3.7
2000-2015	2.4

Infant mortality rate (per 1,000)

1980-2000	16.07
2000-2015	9.96

Urban population (%)

1970	78.0
1996	97.1
2030[a/]	98.4

Rural population (%)

1970	22.0
1996	2.9
2030[a/]	1.6

Life expectancy at birth (years) [a/] [b/]

1980-2000	74
2000-2015	77

Secondary school enrolment ratio (%)

1997	63

Labour force participation rate (%)

	female/male
1997	39.0/78.8

Adult literacy rate (%)

	female/male
1999	83/95

Human development index

1999 rank	43

Gender-related development index

1999 rank	40

Population with access to safe water (%)

1990-1996[a/]	..

Population with access to sanitation (%)

1990-1996[a/]	..

Population with access to health services (%)

1990-1996[b/]	100

GDP at constant 1998 prices (millions of US dollars)

1999	25 249
2000	26 158
2001[c/]	26 602
2002[a/]	26 443

Real GDP growth rate (%)

1999	(0.6)
2000	3.6
2001[c/]	1.7
2002[a/]	(0.6)

Per capita GDP at current prices (US dollars)

1998	11 350
1999	13 112
2000[c/]	16 957

Inflation rate (%)

1998	0.2
1999	3.0
2000	1.8
2001[c/]	1.7

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	0.25	70.52	5.60	2.11	21.52
1985	0.61	49.38	5.94	4.02	40.05
1995	0.43	39.59	11.21	3.07	45.70
2000	34.00	48.17	10.57	2.01	38.91

Government deficit/surplus as a percentage of GDP

2000	10.56
2001	14.74

Total exports flows (millions of US dollars)

1998	8 983
1999	10 821
2000	17 752
2001[c]	10 094

Total imports flows (millions of US dollars)

1998	8 617
1999	7 616
2000	5 685
2001[c]	6 346

Trade balance (millions of US dollars)

1998	366
1999	3 205
2000	12 067
2001[c]	3 748

Current account (millions of US dollars)

1998	2 215
1999	5 062

Total debt (millions of US dollars)

	Domestic	Foreign
2000	12 974	145
2001	12 228	171

Foreign currencies reserves (millions of US dollars)

2000	6 571
2001	9 284

Exchange rate (end of year rate)[d]

2000	0.3050	KD/US$
2001	0.3070	KD/US$

Domestic liquidity (millions of US dollars)

2000	26 745
2001	29 999

Average interest rates (%)

2000	7.22
2001	5.53

Foreign direct investment (millions of US dollars)

1998	59
1999	72
2000	16

Oil production (million barrels per day)

1998	2.05
1999	1.87
2000	1.98
2001[c]	2.04

Oil revenues (billions of US dollars)

1998	8.47
1999	11.08
2000	18.16
2001[c]	13.24

Proven oil reserves (billion barrels)

1/1/1998	96.5
1/1/1999	96.5
1/1/2000	96.5
1/1/2001	96.5

Natural gas reserves (trillion cubic metres)

1/1/1998	1.49
1/1/1999	1.48
1/1/2000	1.48
1/1/2001	1.56

Market capitalization (millions of US dollars)

2000	20 237
2001	20 747

Renewable water resources (million cubic metres)

Surface water	0.1
Groundwater	160
Total	160.1

Annual water per capita (cubic metres) (renewable resources/population)

1997	89
2015[a]	62
2025[a]	57

Sustainability indicator (%) (water use/renewable resource)

1997	439
2015[a]	500
2025[a]	874

Internet users (per 1,000 people)

2000	52.7

Expenditures for R and D as a percentage of GNP

1997	0.16

Aircraft movement (arrivals and departures)

1995	31 676
1998	32 837

Merchant fleet (number)

1/1/1997	61
1/1/2000	57

Number of vehicles (per 1,000 people)

1999	462

Length of road network (km)

1995	4 941
1998	4 967

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/ KD = Kuwaiti dinars.

LEBANON

Area (km^2)

10 400

Population (millions)

1980	2.669
1990	2.713
2000	3.496
2015	4.219

Population density (per km^2)

1980	257
1990	261
2000	336
2015	406

Annual increment to the population (thousands) [a/] [b/]

1995-2000	273
2000-2005	232
2005-2010	209
2010-2015	219

Disability prevalence (per 1,000)

	men/women
1990-2000	25.3/10.2

Underweight children under 5 (%)

1990-1996 [b/]	..

Total fertility rate (births/woman)

1980-2000	3.1
2000-2015	2.1

Infant mortality rate (per 1,000)

1980-2000	34.12
2000-2015	15.61

Urban population (%)

1970	59.0
1996	88.0
2030 [a/]	93.9

Rural population (%)

1970	41.0
1996	12.0
2030 [a/]	6.1

Life expectancy at birth (years) [a/] [b/]

1980-2000	69.0
2000-2015	74.0

Secondary school enrolment ratio (%)

1997	66

Labour force participation rate (%)

	female/male
1997	27.2/76.0

Adult literacy rate (%)

	female/male
1999	77/91

Human development index

1999 rank	65

Gender-related development index

1999 rank	66

Population with access to safe water (%)

Urban	1999	100
Rural	1999	100

Population with access to sanitation (%)

Urban	1999	100
Rural	1999	87

Population with access to health services (%)

1990-1996 [b/]	95

GDP at constant 1998 prices (millions of US dollars)

1999	16 330
2000	16 330
2001 [c/]	16 558
2002 [a/]	16 972

Real GDP growth rate (%)

1999	1.0
2000	0.0
2001 [c/]	1.4
2002 [a/]	2.5

Per capita GDP at current prices (US dollars)

1998	4 370
1999	4 386
2000 [c/]	4 380

Inflation rate (%)

1998	4.5
1999	0.2
2000	(0.4)
2001 [c/]	0.2

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	9.16	—	16.59	4.00	70.25
1985	8.84	—	12.64	3.32	75.21
1995	12.58	—	11.40	9.35	66.66
2000	10.39	—	10.00	2.98	76.62

Government deficit/surplus as a percentage of GDP

2000	(23.85)
2001	(16.94)

Total exports flows (millions of US dollars)

1998	716
1999	676
2000	714
2001[c]	582

Total imports flows (millions of US dollars)

1998	7 060
1999	6 206
2000	6 228
2001[c]	6 346

Trade balance (millions of US dollars)

1998	(6 344)
1999	(5 530)
2000	(5 514)
2001[c]	(5 764)

Current account (millions of US dollars)

1998	..
1999	..

Total debt (millions of US dollars)

	Domestic	Foreign
2000	18 017	6 949
2001	18 716	9 606

Foreign currencies reserves (millions of US dollars)

2000	5 895
2001	4 966

Exchange rate (end of year rate)[d]

2000	1 507.5	LL/US$
2001	1 507.5	LL/US$

Domestic liquidity (millions of US dollars)

2000	37 143
2001	39 172

Average interest rates (%)

2000	11.20
2001	10.47

Foreign direct investment (millions of US dollars)

1998	200
1999	250
2000[c]	180

Oil production (million barrels per day)

1998	—
1999	—
2000	—
2001[c]	—

Oil revenues (billions of US dollars)

1998	—
1999	—
2000	—
2001[c]	—

Proven oil reserves (billion barrels)

1/1/1998	—
1/1/1999	—
1/1/2000	—
1/1/2001	—

Natural gas reserves (trillion cubic metres)

1/1/1998	—
1/1/1999	—
1/1/2000	—
1/1/2001	—

Market capitalization (millions of US dollars)

2000	1 580
2001	1 250

Renewable water resources (million cubic metres)

Surface water	2 500
Groundwater	600
Total	3 100

Annual water per capita (cubic metres) (renewable resources/population)

1997	995
2015[a]	437
2025[a]	341

Sustainability indicator (%) (water use/renewable resource)

1997	40
2015[a]	53
2025[a]	124

Internet users (per 1,000 people)

2000	70.3

Expenditures for R and D as a percentage of GNP

..

Aircraft movement (arrivals and departures)

1995	20 478
1998	25 010

Merchant fleet (number)

1/1/1997	108
1/1/2000	95

Number of vehicles (per 1,000 people)

1999	..

Length of road network (km)

1995	..
1998	..

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/ LL = Lebanese pound.

OMAN

Area (km²)

314 000

Population (millions)

1980	1.129
1990	1.785
2000	2.538
2015	4.110

Population density (per km²)

1980	4
1990	6
2000	8
2015	13

Annual increment to the population (thousands) [a/] [b/]

1995-2000	387
2000-2005	451
2005-2010	524
2010-2015	586

Disability prevalence (per 1,000)

	men/women
1990-2000	25.4/23.0

Underweight children under 5 (%)

1990-1996[b/]	23

Total fertility rate (births/woman)

1980-2000	6.7
2000-2015	5.1

Infant mortality rate (per 1,000)

1980-2000	37.82
2000-2015	20.07

Urban population (%)

1970	12.0
1996	77.7
2030[a/]	94.0

Rural population (%)

1970	88.0
1996	22.3
2030[a/]	6.0

Life expectancy at birth (years) [a/] [b/]

1980-2000	68
2000-2015	72

Secondary school enrolment ratio (%)

1997	57

Labour force participation rate (%)

	female/male
1997	16.0/79.4

Adult literacy rate (%)

	female/male
1999	57/79

Human development index

1999 rank	71

Gender-related development index

1999 rank	77

Population with access to safe water (%)

Urban	1999	41
Rural	1999	30

Population with access to sanitation (%)

Urban	1999	98
Rural	1999	61

Population with access to health services (%)

1990-1996[b/]	96

GDP at constant 1998 prices (millions of US dollars)

1999	14 058
2000	14 775
2001[c/]	15 558
2002[a/]	16 071

Real GDP growth rate (%)

1999	(0.2)
2000	5.1
2001[c/]	5.3
2002[a/]	3.3

Per capita GDP at current prices (US dollars)

1998	6 159
1999	6 712
2001[c/]	8 375

Inflation rate (%)

1998	(0.5)
1999	0.5
2000	(1.2)
2001[c/]	(1.0)

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	2.78	66.99	0.29	9.74	20.19
1985	2.71	48.75	2.38	7.01	39.15
1995	2.78	38.31	4.66	2.59	51.66
2000	1.97	49.04	5.37	1.91	41.72

Government deficit/surplus as a percentage of GDP

2000	(4.81)
2001	(3.96)

Total exports flows (millions of US dollars)

1998	5 375
1999	7 094
2000	10 542
2001[c]	11 074

Total imports flows (millions of US dollars)

1998	5 682
1999	4 674
2000	5 375
2001[c]	5 320

Trade balance (millions of US dollars)

1998	(307)
1999	2 420
2000	5 167
2001[c]	5 754

Current account (millions of US dollars)

1998	(2 971)
1999	(192)

Total debt (millions of US dollars)

	Domestic	Foreign
2000	..	3 555
2001	..	4 000

Foreign currencies reserves (millions of US dollars)

2000	6 010
2001	5 922

Exchange rate (end of year rate)[d]

2000	0.3845	RO/US$
2001	0.3845	RO/US$

Domestic liquidity (millions of US dollars)

2000	6 252
2001	6 631

Average interest rates (%)

2000	8.51
2001	7.50

Foreign direct investment (millions of US dollars)

1998	101
1999	21
2000[c]	62

Oil production (million barrels per day)

1998	0.90
1999	0.90
2000	0.95
2001[c]	0.96

Oil revenues (billions of US dollars)

1998	3.72
1999	5.53
2000	8.91
2001[c]	7.50

Proven oil reserves (billion barrels)

1/1/1998	5.3
1/1/1999	5.5
1/1/2000	5.4
1/1/2001	5.6

Natural gas reserves (trillion cubic metres)

1/1/1998	0.80
1/1/1999	0.82
1/1/2000	0.81
1/1/2001	0.86

Market capitalization (millions of US dollars)

2000	3 460
2001	3 000

Renewable water resources (million cubic metres)

Surface water	918
Groundwater	550
Total	1 468

Annual water per capita (cubic metres) (renewable resources/population)

1997	613
2015[a]	403
2025[a]	309

Sustainability indicator (%) (water use/renewable resource)

1997	84
2015[a]	103
2025[a]	169

Internet users (per 1,000 people)

2000	20.3

Expenditures for R and D as a percentage of GNP

..

Aircraft movement (arrivals and departures)

1995	30 395
1998	35 548

Merchant fleet (number)

1/1/1997	6
1/1/2000	6

Number of vehicles (per 1,000 people)

1999	152

Length of road network (km)

1995	30 544
1998	33 020

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.

QATAR

Area (km^2)

11 427	

Population (millions)

1980	0.229
1990	0.453
2000	0.565
2015	0.693

Population density (per km^2)

1980	338
1990	668
2000	833
2015	61

Annual increment to the population (thousands) [a/] [b/]

1995-2000	51
2000-2005	48
2005-2010	45
2010-2015	40

Disability prevalence (per 1,000)

	men/women
1990-2000	12.2/8.6

Underweight children under 5 (%)

1990-1996[b/]	6

Total fertility rate (births/woman)

1980-2000	4.5
2000-2015	3.0

Infant mortality rate (per 1,000)

1980-2000	22.66
2000-2015	9.55

Urban population (%)

1970	80.0
1996	91.6
2030[a/]	95.2

Rural population (%)

1970	20.0
1996	8.4
2030[a/]	4.8

Life expectancy at birth (years) [a/] [b/]

1980-2000	68
2000-2015	71

Secondary school enrolment ratio (%)

1997	69

Labour force participation rate (%)

	female/male
1997	35.3/91.6

Adult literacy rate (%)

	female/male
1999	73/91

Human development index

1999 rank	48

Gender-related development index

1999 rank	48

Population with access to safe water (%)

1990-1996[a/]	..

Population with access to sanitation (%)

1990-1996[a/]	..

Population with access to health services (%)

1990-1996[b/]	..

GDP at constant 1998 prices (millions of US dollars)

1999	10 582
2000	11 196
2001[c/]	11 912
2002[a/]	12 568

Real GDP growth rate (%)

1999	3.2
2000	5.8
2001[c/]	6.4
2002[a/]	5.5

Per capita GDP at current prices (US dollars)

1998	18 851
1999	21 703
2000[c/]	29 278

Inflation rate (%)

1998	2.9
1999	2.2
2000	1.7
2001[c/]	2.5

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	0.72	68.18	2.58	7.75	20.76
1985	0.95	42.84	7.90	5.86	42.45
1995	0.98	36.91	8.40	6.63	47.08
2000	0.44	58.35	5.76	3.37	32.07

Government deficit/surplus as a percentage of GDP

2000	(3.50)
2001	7.40

Total exports flows (millions of US dollars)

1998	4 868
1999	6 065
2000	11 527
2001[c]	13 612

Total imports flows (millions of US dollars)

1998	3 409
1999	3 500
2000	3 252
2001[c]	4 008

Trade balance (millions of US dollars)

1998	1 459
1999	2 565
2000	8 275
2001[c]	9 604

Current account (millions of US dollars)

1998	..
1999	..

Total debt (millions of US dollars)

	Domestic	Foreign
2000	4 732	4 039
2001	6 561	5 000

Foreign currencies reserves (millions of US dollars)

2000	1 192
2001	1 297

Exchange rate (end of year rate)[e]

2000	3.6400	QR/US$
2001	3.6400	QR/US$

Domestic liquidity (millions of US dollars)

2000	9 122
2001	9 333

Average interest rates (%)

2000	8.30
2001	7.46

Foreign direct investment (millions of US dollars)

1998[c]	347
1999[c]	144
2000[c]	803

Oil production (million barrels per day)

1998	0.62
1999	0.61
2000	0.65
2001[c]	0.68

Oil revenues (billions of US dollars)

1998	3.11
1999	4.78
2000	7.83
2001[c]	6.16

Proven oil reserves (billion barrels)

1/1/1998	4.5
1/1/1999	4.5
1/1/2000	4.5
1/1/2001	4.5

Natural gas reserves (trillion cubic metres)

1/1/1998	8.50
1/1/1999	8.50
1/1/2000	10.90
1/1/2001	11.15

Market capitalization (millions of US dollars)

2000	5 166
2001	8 165

Renewable water resources (million cubic metres)

Surface water	1.4
Groundwater	50
Total	51.4

Annual water per capita (cubic metres) (renewable resources/population)

1997	98
2015[a]	70
2025[a]	60

Sustainability indicator (%) (water use/renewable resource)

1997	564
2015[a]	580
2025[a]	943

Internet users (per 1,000 people)

2000	76.4

Expenditures for R and D as a percentage of GNP

1986	0.04[d]

Aircraft movement (arrivals and departures)

1995	26 827
1998	32 836

Merchant fleet (number)

1/1/1997	23
1/1/2000	26

Number of vehicles (per 1,000 people)

1999	368

Length of road network (km)

1995	..
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/ Not including social sciences and humanities in the higher education sector.
e/ QR = Qatari riyals.

Area (km²)

2 250 000

Population (millions)

1980	9.604
1990	15.400
2000	20.346
2015	31.748

Population density (per km²)

1980	14 167
1990	22 717
2000	30 013
2015	14

Annual increment to the population (thousands) [a/] [b/]

1995-2000	3 354
2000-2005	3 457
2005-2010	3 714
2010-2015	3 845

Disability prevalence (per 1,000)

	men/women
1990-2000	14.3/9.9

Underweight children under 5 (%)

1990-1996[b/]	..

Total fertility rate (births/woman)

1980-2000	6.8
2000-2015	5.0

Infant mortality rate (per 1,000)

1980-2000	39.05
2000-2015	17.47

Urban population (%)

1970	49.0
1996	83.5
2030[a/]	91.5

Rural population (%)

1970	51.0
1996	16.5
2030[a/]	8.5

Life expectancy at birth (years) [a/] [b/]

1980-2000	67
2000-2015	73

Secondary school enrolment ratio (%)

1997	59

Labour force participation rate (%)

	female/male
1997	17.7/82.1

Adult literacy rate (%)

	female/male
1999	81/84

Human development index

1999 rank	68

Gender-related development index

1999 rank	75

Population with access to safe water (%)

Urban	1999	100
Rural	1999	64

Population with access to sanitation (%)

Urban	1999	100
Rural	1999	100

Population with access to health services (%)

1990-1996[b/]	97

GDP at constant 1998 prices (millions of US dollars)

1999	127 464
2000	133 200
2001[c/]	135 464
2002[a/]	136 142

Real GDP growth rate (%)

1999	(0.8)
2000	4.5
2001[c/]	1.7
2002[a/]	0.5

Per capita GDP at current prices (US dollars)

1998	6 218
1999	6 697
2000[c/]	7 865

Inflation rate (%)

1998	(0.2)
1999	(1.3)
2000	(0.6)
2001[c/]	(0.8)

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	0.96	66.92	4.97	9.64	17.52
1985	4.39	28.70	7.80	12.34	46.76
1995	6.60	34.66	8.95	9.09	40.71
2000	5.39	41.90	9.06	7.90	35.75

Government deficit/surplus as a percentage of GDP

2000	3.78
2001	(4.39)

Total exports flows (millions of US dollars)	
1998	38 727
1999	47 680
2000	75 213
2001[c]	74 802

Total imports flows (millions of US dollars)	
1998	30 012
1999	28 031
2000	36 192
2001[c]	42 858

Trade balance (millions of US dollars)	
1998	8 715
1999	19 649
2000	39 021
2001[c]	31 944

Current account (millions of US dollars)	
1998	(13 150)
1999	(1 701)

Total debt (millions of US dollars)		
	Domestic	Foreign
2000	..	..
2001	..	..

Foreign currencies reserves (millions of US dollars)	
2000	19 586
2001	17 596

Exchange rate (end of year rate)[d]		
2000	3.7450	SRls/US$
2001	3.7450	SRls/US$

Domestic liquidity (millions of US dollars)	
2000	83 902
2001	88 087

Average interest rates (%)	
2000	6.95
2001	4.15

Foreign direct investment (millions of US dollars)	
1998	4 289
1999	(782)
2000[c]	1 000

Oil production (million barrels per day)	
1998	8.28
1999	7.56
2000	8.09
2001[c]	7.96

Oil revenues (billions of US dollars)	
1998	31.98
1999	44.93
2000	74.59
2001[c]	59.37

Proven oil reserves (billion barrels)	
1/1/1998	261.5
1/1/1999	261.5
1/1/2000	261.5
1/1/2001	261.5

Natural gas reserves (trillion cubic metres)	
1/1/1998	5.39
1/1/1999	5.79
1/1/2000	5.79
1/1/2001	6.20

Market capitalization (millions of US dollars)	
2000	68 091
2001	73 333

Renewable water resources (million cubic metres)	
Surface water	2 230
Groundwater	3 850
Total	6 080

Annual water per capita (cubic metres) (renewable resources/population)	
1997	311
2015[a]	182
2025[a]	150

Sustainability indicator (%) (water use/renewable resource)	
1997	268
2015[a]	292
2025[a]	398

Internet users (per 1,000 people)	
2000	14.4

Expenditures for R and D as a percentage of GNP
..

Aircraft movement (arrivals and departures)	
1995	212 413
1998	218 016

Merchant fleet (number)	
1/1/1997	94
1/1/2000	81

Number of vehicles (per 1,000 people)	
1999	166

Length of road network (km)	
1995	130 496
1998	144 876

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/ SRls = Saudi Arabian riyals.

Area (km^2)

185 180

Population (millions)

1980	8.704
1990	12.386
2000	16.189
2015	23.206

Population density (per km^2)

1980	47
1990	67
2000	87
2015	125

Annual increment to the population (thousands) [a/] [b/]

1995-2000	1 925
2000-2005	2 111
2005-2010	2 228
2010-2015	2 182

Disability prevalence (per 1,000)

	men/women
1990-2000	10.3/6.4

Underweight children under 5 (%)

1990-1996[b/]	13

Total fertility rate (births/woman)

1980-2000	5.7
2000-2015	3.3

Infant mortality rate (per 1,000)

1980-2000	42.86
2000-2015	19.00

Urban population (%)

1970	43.0
1996	52.7
2030[a/]	69.1

Rural population (%)

1970	57.0
1996	47.3
2030[a/]	30.9

Life expectancy at birth (years) [a/] [b/]

1980-2000	67
2000-2015	73

Secondary school enrolment ratio (%)

1997	42

Labour force participation rate (%)

	female/male
1997	26.1/78.1

Adult literacy rate (%)

	female/male
1999	70/91

Human development index

1999 rank	97

Gender-related development index

1999 rank	90

Population with access to safe water (%)

Urban	1999	94
Rural	1999	64

Population with access to sanitation (%)

Urban	1999	98
Rural	1999	81

Population with access to health services (%)

1990-1996[b/]	90

GDP at constant 1998 prices (millions of US dollars)

1999	15 754
2000	15 849
2001[c/]	16 293
2002[a/]	16 863

Real GDP growth rate (%)

1999	(1.8)
2000	0.6
2001[c/]	2.8
2002[a/]	3.5

Per capita GDP at current prices (US dollars)

1998	1 037
1999	1 056
2000[c/]	1 150

Inflation rate (%)

1998	(1.1)
1999	(1.6)
2000	(0.5)
2001[c/]	1.0

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	17.89	20.15	..	4.64	57.32
1985	20.63	7.04	7.41	6.68	58.24
1995	27.89	6.57	6.35	4.29	54.92
2000	25.30	26.19	2.04	3.16	43.31

Government deficit/surplus as a percentage of GDP

2000	(0.69)
2001	0.00

Total exports flows (millions of US dollars)

1998	2 890
1999	3 464
2000	4 981
2001 c/	4 978

Total imports flows (millions of US dollars)

1998	3 895
1999	3 832
2000	5 345
2001 c/	5 634

Trade balance (millions of US dollars)

1998	(1 005)
1999	(368)
2000	(364)
2001 c/	(656)

Current account (millions of US dollars)

1998	58
1999	201

Total debt (millions of US dollars)

	Domestic	Foreign
2000	4 732	4 039
2001	6 561	5 000

Foreign currencies reserves (millions of US dollars)

2000	1 904
2001	1 984

Exchange rate (end of year rate) d/

2000	46.2500	LS/ US$
2001	46.2500	LS/ US$

Domestic liquidity (millions of US dollars)

2000	12 183
2001	13 509

Average interest rates (%)

2000	5.00
2001	5.00

Foreign direct investment (millions of US dollars)

1998	80
1999	91
2000 c/	84

Oil production (million barrels per day)

1998	0.57
1999	0.58
2000	0.55
2001 c/	0.52

Oil revenues (billions of US dollars)

1998	1.32
1999	1.92
2000	2.74
2001 c/	2.16

Proven oil reserves (billion barrels)

1/1/1998	2.5
1/1/1999	2.5
1/1/2000	2.5
1/1/2001	2.5

Natural gas reserves (trillion cubic metres)

1/1/1998	0.24
1/1/1999	0.24
1/1/2000	0.24
1/1/2001	0.24

Market capitalization (millions of US dollars)

2000	..
2001	..

Renewable water resources (million cubic metres)

Surface water	16 375
Groundwater	5 100
Total	21 475

Annual water per capita (cubic metres) (renewable resources/population)

1997	1 438
2015 a/	948
2025 a/	609

Sustainability indicator (%) (water use/renewable resource)

1997	46
2015 a/	80
2025 a/	110

Internet users (per 1,000 people)

2000	1.3

Expenditures for R and D as a percentage of GNP

1997	0.2

Aircraft movement (arrivals and departures)

1995	27 040
1998	27 852

Merchant fleet (number)

1/1/1997	202
1/1/2000	204

Number of vehicles (per 1,000 people)

1999	27

Length of road network (km)

1995	39 333
1998	41 792

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.

Area (km²)

84 000

Population (millions)

1980	1.015
1990	2.014
2000	2.606
2015	3.230

Population density (per km²)

1980	1 497
1990	2 971
2000	3 844
2015	38

Annual increment to the population (thousands) [a/] [b/]

1995-2000	231
2000-2005	211
2005-2010	199
2010-2015	175

Disability prevalence (per 1,000)

	men/women
1990-2000	13.1/9.8

Underweight children under 5 (%)

1990-1996[b/]	6

Total fertility rate (births/woman)

1980-2000	4.2
2000-2015	2.6

Infant mortality rate (per 1,000)

1980-2000	20.17
2000-2015	9.93

Urban population (%)

1970	57.0
1996	84.3
2030[a/]	90.8

Rural population (%)

1970	43.0
1996	15.7
2030[a/]	9.2

Life expectancy at birth (years) [a/] [b/]

1980-2000	72
2000-2015	76

Secondary school enrolment ratio (%)

1997	69

Labour force participation rate (%)

	female/male
1997	31.2/89.4

Adult literacy rate (%)

	female/male
1999	93/85

Human development index

1999 rank	45

Gender-related development index

1999 rank	45

Population with access to safe water (%)

1990-1996[a/]	95

Population with access to sanitation (%)

1990-1996[a/]	77

Population with access to health services (%)

1990-1996[b/]	99

GDP at constant 1998 prices (millions of US dollars)

1999	50 411
2000	54 116
2001[c/]	54 619
2002[a/]	55 056

Real GDP growth rate (%)

1999	3.9
2000	7.4
2001[c/]	0.9
2002[a/]	0.8

Per capita GDP at current prices (US dollars)

1998	17 471
1999	18 707
2001[c/]	21 273

Inflation rate (%)

1998	2.0
1999	2.1
2000	1.4
2001[c/]	1.2

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	0.83	67.06	0.94	10.92	20.25
1985	1.29	45.29	9.30	9.03	35.09
1995	2.86	30.87	10.40	8.66	47.20
2000	2.89	34.04	11.83	7.10	44.09

Government deficit/surplus as a percentage of GDP

2000	(2.65)
2001	(8.00)

Total exports flows (millions of US dollars)

1998	25 885
1999	27 823
2000	41 090
2001[c]	41 962

Total imports flows (millions of US dollars)

1998	14 255
1999	18 291
2000	19 149
2001[c]	21 140

Trade balance (millions of US dollars)

1998	11 630
1999	9 532
2000	21 941
2001[c]	20 822

Current account (millions of US dollars)

1998	..
1999	..

Total debt (millions of US dollars)

	Domestic	Foreign
2000	..	..
2001	..	..

Foreign currencies reserves (millions of US dollars)

2000	3 622
2001	3 855

Exchange rate (period average)[d]

2000	3.6725	Dh/US$
2001	3.6725	Dh/US$

Domestic liquidity (millions of US dollars)

2000	50 093
2001	53 087

Average interest rates (%)

2000	6.89
2001	3.50

Foreign direct investment (millions of US dollars)

1998[c]	253
1999	(13)
2000[c]	100

Oil production (million barrels per day)

1998	2.24
1999	2.05
2000	2.17
2001[c]	2.13

Oil revenues (billions of US dollars)

1998	10.26
1999	15.02
2000	26.15
2001[c]	18.00

Proven oil reserves (billion barrels)

1/1/1998	98.1
1/1/1999	97.8
1/1/2000	97.8
1/1/2001	97.8

Natural gas reserves (trillion cubic metres)

1/1/1998	6.00
1/1/1999	6.00
1/1/2000	6.00
1/1/2001	6.00

Market capitalization (millions of US dollars)

2000	22 100
2001	14 373

Renewable water resources (million cubic metres)

Surface water	185
Groundwater	130
Total	315

Annual water per capita (cubic metres) (renewable resources/population)

1997	137
2015[a]	103
2025[a]	67

Sustainability indicator (%) (water use/renewable resource)

1997	388
2015[a]	692
2025[a]	1 015

Internet users (per 1,000 people)

2000	166.9

Expenditures for R and D as a percentage of GNP

..

Aircraft movement (arrivals and departures)

1995	198 285
1998	207 052

Merchant fleet (number)

1/1/1997	108
1/1/2000	108

Number of vehicles (per 1,000 people)

1999	104

Length of road network (km)

1995	3 312
1998	3 551

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/ Dh = UAE dirhams.

YEMEN

Area (km²)

555 000

Population (millions)

1980	8.219
1990	11.590
2000	18.349
2015	33.118

Population density (per km²)

1980	12 124
1990	17 097
2000	27 067
2015	60

Annual increment to the population (thousands) [a/] [b/]

1995-2000	3 090
2000-2005	3 433
2005-2010	3 821
2010-2015	4 203

Disability prevalence (per 1,000)

	men/women
1990-2000	5.6/5.2

Underweight children under 5 (%)

1990-1996[b/]	39

Total fertility rate (births/woman)

1980-2000	7.6
2000-2015	7.3

Infant mortality rate (per 1,000)

1980-2000	99.32
2000-2015	53.08

Urban population (%)

1970	13.0
1996	34.4
2030[a/]	58.1

Rural population (%)

1970	87.0
1996	65.6
2030[a/]	41.9

Life expectancy at birth (years) [a/] [b/]

1980-2000	54
2000-2015	64

Secondary school enrolment ratio (%)

1997	42

Labour force participation rate (%)

	female/male
1997	29.2/82.2

Adult literacy rate (%)

	female/male
1999	36/69

Human development index

1999 rank	133

Gender-related development index

1999 rank	131

Population with access to safe water (%)

Urban	1999	85
Rural	1999	64

Population with access to sanitation (%)

Urban	1999	84
Rural	1999	36

Population with access to health services (%)

1990-1996[b/]	38

GDP at constant 1998 prices (millions of US dollars)

1999	6 475
2000	6 807
2001[c/]	6 927
2002[a/]	7 100

Real GDP growth rate (%)

1999	3.6
2000	5.1
2001[c/]	1.8
2002[a/]	2.5

Per capita GDP at current prices (US dollars)

1998	366
1999	412
2000[c/]	467

Inflation rate (%)

1998	6.0
1999	8.7
2000	4.6
2001[c/]	11.9

Sectoral contribution to GDP (%)

	Agriculture	Mining	Manufacturing	Construction	Others
1975	36.48	0.57	6.18	6.13	50.64
1985	23.20	0.68	10.08	6.46	59.57
1995	19.40	13.85	14.27	3.52	48.96
2000	14.85	33.99	7.51	4.27	39.37

Government deficit/surplus as a percentage of GDP

2000	12.53
2001	1.20

YEMEN (*continued*)

Total exports flows (millions of US dollars)

1998	1 497
1999	1 950
2000	4 077
2001[c]	3 736

Total imports flows (millions of US dollars)

1998	2 167
1999	2 700
2000	2 323
2001[c]	2 582

Trade balance (millions of US dollars)

1998	(670)
1999	(750)
2000	1 754
2001[c]	1 154

Current account (millions of US dollars)

1998	(228)
1999	..

Total debt (millions of US dollars)

	Domestic	Foreign
2000	..	4 935
2001	..	5 000

Foreign currencies reserves (millions of US dollars)

2000	2 815
2001	3 589

Exchange rate (end of year rate)[d]

2000	165.5900	YRls/US$
2001	171.2800	YRls/US$

Domestic liquidity (millions of US dollars)

2000	2 837
2001	3 036

Average interest rates (%)

2000	14.04
2001	..

Foreign direct investment (millions of US dollars)

1998	(266)
1999	(329)
2000	(201)

Oil production (million barrels per day)

1998	0.37
1999	0.39
2000	0.44
2001[c]	0.45

Oil revenues (billions of US dollars)

1998	1.37
1999	2.30
2000	3.92
2001[c]	3.39

Proven oil reserves (billion barrels)

1/1/1998	4.0
1/1/1999	4.0
1/1/2000	4.0
1/1/2001	4.0

Natural gas reserves (trillion cubic metres)

1/1/1998	0.48
1/1/1999	0.48
1/1/2000	0.48
1/1/2001	0.48

Market capitalization (millions of US dollars)

2000	..
2001	..

Renewable water resources (million cubic metres)

Surface water	3 500
Groundwater	1 400
Total	4 900

Annual water per capita (cubic metres) (renewable resources/population)

1997	303
2015[a]	165
2025[a]	114

Sustainability indicator (%) (water use/renewable resource)

1997	55
2015[a]	72
2025[a]	97

Internet users (per 1,000 people)

2000	0.7

Expenditures for R and D as a percentage of GNP

..

Aircraft movement (arrivals and departures)

1995	20 422
1998	19 410

Merchant fleet (number)

1/1/1997	7
1/1/2000	5

Number of vehicles (per 1,000 people)

1999	32

Length of road network (km)

1995	8 232
1998	11 198

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/ YRls = Yemeni rials.