UNITED NATIONS

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

SURVEY
OF ECONOMIC AND SOCIAL DEVELOPMENTS
IN THE ESCWA REGION
1987

August 1988

E/ESCWA/DPD/88/5/Rev.1

88-0569

CONTENTS

PART ONE
INTERNATIONAL AND REGIONAL DEVELOPMENTS

PART TWO
ECONOMIC PERFORMANCE IN THE ESCWA REGION

CONTENTS (Continued)

CONTENTS (continued)

LIST OF TABLES

LIST OF TABLES (continued)

LIST OF TABLES (continued)

LIST OF DIAGRAMS

LIST OF ANNEX TABLES

COMMONLY USED ABBREVIATIONS AND DEFINITIONS

b/d	barrels per day
bn	billion
c.i.f.	cost, insurance, freight
Diversified economies	Egypt, Iraq, Jordan, Lebanon, and the Syrian Arab Republic
EEC	European Economic Community
ESCWA least developed countries	Democratic Yemen and Yemen
f.o.b.	free on board
GCC	Gulf Co-operation Council (includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)
GDP	gross domestic product
ILO	International Labour Organisation
IMF	International Monetary Fund
KISR	Kuwait Institute for Scientific Research
Km^2	square kilometre
mn	million
OAPEC	Organization of Arab Petroleum Exporting Countries
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
UNDP	United Nations Development Programme

PART ONE

INTERNATIONAL AND REGIONAL DEVELOPMENTS

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

A. Global economic performance

1. Economic growth and trade developments

The world economy grew by an estimated 2.8 per cent in 1987, which was its lowest growth rate since 1984. Preliminary indications for 1988 are that the rate of global economic growth will reverse its downward trend and record a 3.1 per cent growth rate.1/

The world's economic growth rate is predominantly affected by the economic performance of the developed countries, which have also been growing at declining rates since 1984. The industrial countries as a group recorded an estimated 2.4 per cent growth rate in 1987, down from 2.7 per cent in 1986 and less than half their peak level for the 1980s which was recorded in 1984. The economic performance of the industrialized countries in 1987 was mixed. While the economic growth rate declined in 1987 in some countries, it increased in others. Economic growth rates declined from their 1986 levels in the United States, France, the Federal Republic of Germany and Italy, to 2.4 per cent, 1.4 per cent, 1.5 per cent and 2.5 per cent respectively, in 1987. On the other hand, the economies of Canada, Japan and the United Kingdom grew at higher rates in 1987 than in 1986, recording growth rates of 3.5 per cent, 3.2 per cent and 3.4 per cent respectively. Preliminary estimates project an increase in the economic growth rates of the industrial countries to 2.6 per cent in 1988.2/

Developing countries' GDP growth rate fell from 4.0 per cent in 1986 to 3.3 per cent in 1987. The economic growth rate level is disappointing when compared with the International Development Strategy of the Third United Nations Development Decade's goal of an average 7 per cent annual growth rate for the 1980s. The less than adequate growth performance of the economies of developing countries in 1987 becomes more apparent when the effect of the high population growth rate of these countries is considered. The per capita GDP of the developing countries as a group is estimated to have grown by a meagre 1.3 per cent in 1987.3/ This was below the 1.9 per cent per capita GDP growth rate recorded the previous year.

The volume of world trade is estimated to have increased by 3.4 per cent in 1987, declining from the growth rate of 4.8 per cent recorded in the previous year.4/ Contributing to the decline in the growth rate of the volume of world trade was the OPEC decision to curtail oil production and exports. Nevertheless, world trade increased in terms of US dollars by 9.9 per cent in 1987 over the previous year.

1/International Monetary Fund, World Economic Outlook, October 1987, p.39.
2/Ibid.
3/Ibid, p. 45.
4/Ibid, p. 60.

The growth rate of the volume of exports of industrial countries declined from 2.6 per cent in 1986 to 2.5 per cent in 1987. The decline was greater for developing countries: their export volume grew by 5.9 per cent in 1987, after growing by 8.5 per cent in 1986. This declining growth rate was primarily due to the negative 2.1 per cent growth rate of export volume of fuel-exporting developing countries.

The growth in imports by industrial countries fell from 8.4 per cent in 1986 to 3.5 per cent in 1987. However, imports by the developing countries grew by 1.9 per cent in 1987 after declining by 2.8 per cent in the previous year. In terms of US dollars, exports of the industrial countries, which increased by 16.6 per cent in 1986, increased 13.3 per cent in 1987. Their imports, however, increased by a faster rate in 1987 than in 1986 by growing by 14.8 per cent instead of 12.9 per cent.

The exports of developing countries in terms of US dollars increased significantly in 1987. Thus after declining by 7.1 per cent in 1986, their exports in dollar terms increased by 16.4 per cent in the following year. Most of this turn-around may be attributed to the increase in value of exports of the fuel-exporting developing countries. In US dollar terms, imports by developing countries also increased. After declining by 0.2 per cent in 1986, imports by developing countries increased by 11.4 per cent in 1987. Primarily due to the sharp improvement in the terms of trade of the fuel-exporting developing countries, the terms of trade of developing countries as a whole appreciated by 0.6 per cent in 1987 after deteriorating by 16.7 per cent in the previous year.

2. Unemployment

Largely in consequence of the slowdown in economic growth, world labour market conditions registered little improvement. The unemployment rate in the industrialized countries in 1987 is estimated at 7.7 per cent, a meagre two tenths of 1 per cent improvement over the previous year. There is, however, a wide discrepancy among the unemployment rates of the major industrialized market-oriented economies, which ranges from 3.0 per cent for Japan to 11.5 per cent for France and Italy. Moreover, while unemployment rates declined in some industrialized countries including Canada, the United States and the United Kingdom, they remained constant in the Federal Republic of Germany and rose in other countries including Japan, France and Italy. Furthermore, while Japan's unemployment rate compares favourably with the industrialized countries, it is the highest rate recorded in Japan during the past two decades.

Furthermore, while the overall unemployment rate of 7.7 per cent of the industrialized countries in 1987 was appreciably lower than the 8.6 per cent rate registered in 1983, it remained 2.7 percentage points higher than the rates prevailing before the 1980-1982 world recession and close to twice as high as its average during the 1964-1978 period.1/

Various Western European countries have been very cautious not to undertake expansionary monetary and fiscal policies to stimulate their economies and significantly reduce their respective unemployment rates owing to their fear of igniting inflationary pressures.

1/ International Monetary Fund, World Economic Outlook, October 1987, p.43.

These countries apparently believe that their "natural" unemployment rate has risen over the years and that attempts to reduce unemployment will be very costly in terms of rapidly rising inflation rates.

However, as the total unemployment rate remains at a historically high level, the "natural" unemployment rate is bound to rise. Many workers who are not employed for long periods of time fall behind in terms of skills required for a rapidly developing technological world. Hence, they become structurally unemployed because their skills no longer match the requirements of available jobs in the market-place.

The developed countries of Western Europe and Japan should consider increasing further their efforts to stimulate their economies in order to reduce unemployment as well as to increase their demand for primary (and other) goods from developing countries. This is especially important in view of the expected reduction in the United States' budgetary and trade deficits. Moreover, the idle productive capacity prevailing in several developed countries, in addition to the generally low prices of oil and primary commodities, should reduce the inflationary pressures resulting from expansionary monetary and fiscal policies. In addition, the considerable appreciation of some currencies, particularly those of Japan, the Federal Republic of Germany and the United Kingdom, should further dampen such inflationary pressures.

Indications are that unemployment remained a serious problem for many developing countries as well during 1987. Numerous developing countries have continued implementing austerity measures in order to help to service their external debts. Other developing countries have significantly curtailed government expenditures in an effort to reduce their budgetary deficits, stemming primarily from sharp reductions in government revenues. Moreover, employment opportunities that were available in the 1970s in Western Europe and into the early 1980s in various oil-exporting countries to workers from developing (and developed) countries have become more limited. Actually, large numbers of expatriate workers from various developing countries have lost their jobs in several major oil-exporting countries during the past several years, owing to the recessionary economic conditions accompanying the declining oil revenues. Returning workers, by adding to the labour supply, have further weakened the labour market conditions in their home countries. These factors, coupled with the high population growth rate in most developing countries, lead to the conclusion that the unemployment rate for the developing world remains at unacceptably high levels.

High unemployment rates in developing countries present serious welfare problems owing to the underdevelopment of the social system in many such countries.

Developing and developed countries should co-operate and exert every effort to stimulate the economic development and growth of developing countries in order to reduce unemployment, thereby increasing demand for goods from the developed countries as well as in their own economies and reinforcing development and economic growth in the world.

3. Inflation

The inflation rate in the developed countries increased moderately from 2.3 per cent in 1986 to 3.0 per cent in 1987.1/ The latter rate is below the 4.1 per cent inflation rate recorded in these countries in 1985 and far below the 7.6 per cent average inflation rate for the 1969-1978 period. The inflation rate in the industrialized countries as a group increased in 1987 primarily due to the increase of the inflation rate in the United States to 3.7 per cent in 1987 from 1.9 per cent recorded in the previous year. Higher energy costs, and, more importantly, the rapid depreciation of the United States currency, were among the leading factors pushing the inflation rate upwards in 1987. Other industrialized countries, particularly Japan and the Federal Republic of Germany, benefited from the rapid appreciation of their currencies, generally constrained fiscal budgets and historically low primary commodity prices, recorded in 1987 inflation rates of only 0.3 per cent and 0.6 per cent respectively.

The inflation rate in developing countries as a group increased from 29.0 per cent in 1986 to 35.7 per cent in 1987.2/ However, most of this increase may be attributed to the large increase in the rate of inflation in the Western hemisphere from 86.5 per cent in 1986 to 117.7 per cent in 1987. Contributing to the increase in the inflation rate of many developing countries, particularly in the Western hemisphere, was the sharp devaluation of local currency as well as the abrupt and sharp reductions in subsidies of many basic consumer goods.

Nevertheless, recessionary conditions in many developing countries continue to dampen inflationary pressure, and thus the median inflation rate in developing countries as a group actually fell to 8.0 per cent in 1987 from 8.2 per cent in the previous year.

4. External debt

The external debt position of developing countries continued to deteriorate in 1987. As shown in table 1.1, total external debt is estimated to have increased from $1,113.5 billion in 1986 to $1,210.9 billion in 1987.

1/ International Monetary Fund, World Economic Outlook, p.47.

2/ Ibid.

Table 1.1

External debt and debt service payments of developing countries, 1980, 1986-1987 (values in billions of US dollars; ratios in percentage)

	1980	1986	1987a/	%increase 1987/1980
Total external debt	634.1	1,113.5	1,210.9	91.0
Short-term	145.1	170.1	183.1	26.2
Long-term	489.0	943.4	1,027.8	110.2
Debt service payments	101.8	160.5	171.5	68.5
Interest	53.0	78.5	77.1	45.5
Amortization	48.7	82.0	94.5	94.1
Ratio of external debt to exports of goods and services	81.6	171.4	163.6	100.5
Ratio of debt service payments to exports of goods and services	13.1	24.7	23.2	77.1
Ratio of external debt to GDP	24.0	39.0	39.4	64.2

Source: Economic and Social Commission for Western Asia. Compiled from International Monetary Fund, World Economic Outlook, October 1987, pp. 103,104,109,110 and 113.

a/ Estimates.

The total external debt of developing countries in 1987 was 91 per cent higher than its level recorded at the start of the decade. Debt service payments by developing countries continued their rise and in 1987 totalled $117.5 billion, a 68.5 per cent increase over the $101.8 billion level registered in 1980. Interest payments above accounted for $771.1 billion in 1987, which was slightly below interest payments in the previous year. Moreover, while interest payments fell slightly in 1987, amortization increased to $94.56 billion.

Various ratios used to assess the external debt burden levied on developing countries in 1987 indicate a sharp deterioration in these countries' external debt positions during the 1980s. As shown in table 1.1 the ratio of external debt to exports of goods and services is estimated at 163.6, which though lower than in 1986 level, was more than double the ratio recorded in 1980. Similarly, the ratio of debt service payments to exports of goods and services which fell from 24.7 per cent to 23.2 per cent in 1987, was 77 per cent higher than its registered level at the beginning of the decade. The ratio of external debt to GDP increased from 39.0 per cent in 1986 to 39.4 per cent in 1987, which represented a 64 per cent increase over 1980.

The above-mentioned ratios represent the average figures for the indebted developing countries as a group, concealing the wide disparity among them as well as the alarmingly high ratios of some countries.

The major factor contributing to the bleak external debt position of developing countries is their generally stagnate export earnings. The relatively low prices of oil and other primary commodities, in spite of their rise in 1987, continued to constrain the export earnings of developing countries.

In addition, the generally slower rate of economic growth in the developed countries helped to limit further the demand for exports from developing countries. Protectionist measures enacted by various developed countries on the exports of numerous developing countries also contributed to the stifling of the growth in export earnings of the latter group.

While slightly lower interest rate charges prevailing in 1987 have helped to reduce some of the burden of debt servicing for many developing countries, the appreciation of the yen and various major European currencies in terms of the United States dollar have precipitated an upward revaluation of non-dollar liabilities, thereby increasing the debt-servicing burden.

The external debt of developing countries remains a serious threat to the international financial system and the world economy in general. Though several plans to tackle the external debt problem have been proposed, a durable solution can only be reached by an approach based on economic development within a framework of a co-operative growth-oriented global strategy.

The external debt position of the ESCWA countries remained virtually unchanged in 1987. The region's most heavily indebted countries continued to suffer from their external debt burdens. The servicing of their external debt remains an obstacle to economic growth and development, despite the rescheduling of some debt-servicing payments. Egypt, for example, according to the International Monetary Fund's calculations, which take into account its debt payments rescheduling arrangements negotiated in 1987, has to pay $24.4 billion in servicing its external debt during the five fiscal years, 1987/1988-1991/1992. Of this amount, $15.7 billion, or 63 per cent, are interest charges.

B. International developments with more direct implications for the ESCWA region

1. Depreciating US dollar

After falling in terms of other world currencies in the 1970s, the US dollar began a prolonged upward movement during the third quarter of 1980 which continued, with minor interruptions, through February 1985. During those years the US trade grew annually particularly vis-a-vis its major trading partners. Recognizing the negative effects of the overvalued US dollar on the country's balance of trade, United States officials undertook various measures to depreciate the dollar. Consequently the US dollar was on a downward trend as of late February 1985. Nevertheless, the US trade deficit continued growing in 1985, giving strength to the rising protectionist attitudes in the United States.

Recognizing the severe consequences of the over-valued United States dollar, the finance ministers and the Central Bank governors of the United States, Japan, the United Kingdom, the Federal Republic of Germany and France--the Group of Five--agreed in September 1985 to implement a comprehensive and co-ordinated plan to further reduce the value of the US dollar.

Table 1.2

United States dollar decline from its February 1985 peak exchange rates, 1985, 1987-1988

US dollar versus:	February 1985	February 1987	February 1988	% change Feb.88/Feb.87	% change Feb.88/Feb.85
Japanese yen	260.00	153.00	130.15	-14.93	-49.94
Federal Republic of Germany DM	3.28	1.82	1.70	-6.59	-48.17
British pound sterling a/	1.10	1.52	1.75	-15.13	-59.09
French franc	10.03	6.06	5.753	-5.07	-42.64

Source: ESCWA, based on international sources.

a/ Shown in dollars per pound.

As shown in table 1.2, the United States dollar continued its decline from its February 1985 peak through February 1987, thereby depreciating by 38.2 per cent, 39.6 per cent, 41.2 per cent and 44.5 per cent in terms of the British pound, French franc, Japanese yen and the Federal Republic of Germany deutsche mark respectively. Most of the US dollar depreciation during 1986 was in terms of the deutsche mark and Japanese yen.

The US trade balance nevertheless deteriorated further in 1986 setting a record $173 billion deficit. With protectionist attitudes rising further in the United States and concern by other major industrialized countries over losing their competitiveness in the international market, representatives of the Group of Five and Canada met in late February 1987 and discussed ways and means of stabilizing their exchange rates around the prevailing level. Nevertheless, large trade deficit continued to haunt the United States and the United States dollar depreciated further in 1987. As shown in table 1.2, the largest depreciation of the US dollar between February 1987 and February 1988 was in terms of the British pound and the Japanese yen, with depreciations of 15.13 per cent and 14.93 per cent respectively. Thus from its February 1985 peak level to February 1988, the US dollar had depreciated in terms of the British pound, Japanese yen, Federal Republic of Germany deutsche mark and French franc by 59.09 per cent, 49.94 per cent, 48.17 per cent and 42.64 per cent respectively. Protectionist attitudes have consequently gained additional strength in the United States and protectionist measures are currently under consideration.

The United States dollar, however, has appreciated in terms of most currencies of the ESCWA region during the February 1985 to February 1988 period as shown in table 1.3. The US dollar nevertheless fell in terms of the Jordanian dinar by 17.5 per cent and in terms of the Kuwaiti dinar by 10.06

Table 1.3

Exchange rate of local currency versus US dollar in ESCWA countries, February 1985, 1986, 1987 and 1988
(Equivalent of one US dollar local currency)

Country	Currency	February 1985	February 1986	February 1987	February 1988	% Change Feb.1988/Feb.1985
Bahrain	Bahrain dinar	0.376	0.376	0.376	0.376	0.0
Democratic Yemen	Dinar	0.345	0.345	0.345	0.342	-0.87
Egypt a/	Egyptian pound	0.700	1.325	1.377	2.232	218.9
Iraq	Iraqi dinar	0.311	0.311	0.311	0.311	0.0
Jordan	Jordanian dinar	0.414	0.359	0.339	0.343	-17.15
Kuwait	Kuwaiti dinar	0.308	0.284	0.277	0.277	-10.06
Lebanon	Lebanese pound	14.181	21.787	100.330	443.100	3024.61
Oman	Rial Omani	0.345	0.385	0.385	0.385	11.59
Qatar	Qatar riyal	3.640	3.640	3.640	3.640	0.0
Saudi Arabia	Saudi Arabian riyal	3.576	3.645	3.745	3.750	4.87
Syrian Arab Rep.a/	Syrian pound	3.925	3.925	3.925	11.225	186.0
United Arab Emirates	Dirham	3.671	3.671	3.671	3.671	0.05
Yemen	Yemeni rial	6.262	7.240	8.990	9.650	54.10

Source: International Financial Statistics, November 1985 and November 1987. Middle East Economic Digest, 30 January - 5 February and 6-12 February 1988.

a/ There are also other official rates.

per cent during these three years. It also fell by a negligible 0.87 per cent in terms of Democratic Yemen's dinar. The US dollar remained stable in terms of the currencies of Bahrain and the United Arab Emirates which are tied to it. Table 1.3 also shows that the US dollar's value in terms of Iraqi currency remained constant at the government-set official rate. The US dollar, however, appreciated in terms of all other currencies of the ESCWA region. The sharpest appreciation was in terms of the Lebanese pound (3,024.61 per cent), the Egyptian pound (218.0 per cent), the Syrian pound (186.0 per cent) and the Yemen rial (54.1 per cent). This basically reflects the sharp depreciation of some currencies in the region vis-a-vis all major currencies during February 1985 and February 1988. Contributing to these depreciations were the record balance of payments deficits as well as the general shortages of hard currencies. The ESCWA countries whose currencies depreciated versus the dollar during the past three years are the ones currently experiencing the highest inflationary pressures in the region.

The decline in the value of the US dollar versus other major currencies affected several ESCWA countries indirectly and directly. Since most oil payments are denominated in US dollars, the depreciation of this currency implies a reduction in the oil cost to the other major oil importers whose respective currencies have appreciated. As shown in chapter II, a considerable part of the oil price increase recorded in 1987 was negated in Japan, France and the Federal Republic of Germany owing to the appreciation of their currencies vis-a-vis the US dollar.

A more direct and concrete effect of a depreciating US dollar on the oil-exporting countries in the ESCWA region is through its impact on the purchasing power of their oil revenues in terms of the other major (appreciating) currencies. Oil revenues of the major oil-exporting countries in the ESCWA region and their implications for Western Asia as well as many developing countries in the world are examined in detail in chapter II. However, it may be pointed out here that the depreciating dollar precipitated a reduction in the purchasing power of ESCWA oil revenues when measured in terms of these (appreciating) currencies.

Another direct impact of the rapidly depreciating US dollar in the past two years on several countries in Western Asia is that the value of their international reserves and foreign assets denominated in US dollars dropped in terms of other major currencies. Saudi Arabia, Kuwait and the United Arab Emirates were the countries of the region most affected by the depreciation of the US dollar. Hence, actions taken by these countries in the past few years to diversify their international portfolio away from US dollar-denominated assets and towards an increasing share of Japanese and major European currencies investments must be looked upon as wise decisions.

2. Rising protectionism

Protectionism, which had intensified during the 1980-1982 world recession owing to generally sluggish growth and high unemployment rates, continued to be prevalent in 1987. Protectionist attitudes have intensified further in the United States primarily owing to its successively large trade deficits. Meanwhile, historically high unemployment rates as well as the existence of considerable idle capacity in Western Europe have contributed to the maintenance of protectionist measures in the developed countries. Furthermore, the developing countries, many of which are indebted countries, have imposed restrictions on imports in order to help to service their external debts.

The ESCWA countries continued to suffer from rising protectionist attitudes particularly in regard to the petrochemical products of the Gulf countries in 1987. These countries maintain that the European Economic Community, which enjoys extensive duty-free access to their markets and has had trade surpluses with them, should reciprocate and remove all barriers to Gulf petrochemical exports to Western Europe. The ESCWA Gulf countries have invested billions of dollars in the petrochemical industry in an effort to diversify their economies and export earning sources. The industry was established primarily with the utilization of capital goods and expertise from the United States and Western Europe.

In an attempt to find new outlets to their petrochemical products, several Gulf countries intensified their search and development of new markets. Kuwait and Qatar, for example, are considering the establishment of joint ventures with China and India respectively, which would provide markets for the dominant share of the ventures' output. Such policies may prove to have a positive effect in the long run by increasing co-operation among developing countries in the fields of economic and technical development.

Protectionist measures distort the efficient allocation of resources and provoke retaliatory actions that may precipitate a downward spiral of world trade. Furthermore, such measures reduce the chances of indebted developing countries of financing their external debts and improving their credit worthiness.

To reduce protectionism, developing and developed countries should co-operate and undertake measures which lead to a more balanced expansion in the world economy, and thereby encourage trading countries to adhere to the general principles and rules of international trade.

II. DEVELOPMENTS IN THE INTERNATIONAL OIL MARKET AND THEIR EFFECTS ON THE ESCWA REGION

A. Changing OPEC production and pricing policies.

Since the early 1980s international oil market prices have been under downward pressure owing to significant increases in oil supply which by far surpassed growth in demand. Non-OPEC countries, particularly China, Mexico and the United Kingdom, were increasing their oil output to levels close to their production capacities. Simultaneously, energy conservation measures were intensified and accompanied by increased efforts to substitute the consumption of oil by other sources of energy wherever possible. Consequently a glut developed in the international oil market, thereby putting downward pressures on the price of oil.

OPEC members, in an attempt to stabilize and support prices in the international oil market, imposed production quotas on themselves totalling an average of 17.5 million barrels per day (m/b/d) in March 1983 and a total average of 16 m/b/d in November 1984. The reductions in oil production by OPEC countries were compensated by a rise in the supply of oil by non-OPEC countries. Hence, in December 1985, OPEC countries decided to pursue a policy which would preserve for them a "fair share" in the international oil market. Contrary to their previous policy of stabilizing oil prices -- by curtailing production -- OPEC countries aimed at protecting their share in the international oil market in spite of the expected decline in oil prices. The psychological effect and actual impact of this policy undertaken by OPEC contributed to the tumbling oil prices in 1986.

The decline in oil prices from an average of $27 per barrel in 1985 to an average of $14 per barrel in 1986 resulted in substantial declines in oil revenues, despite the sharp increase in production. Thus OPEC members, excluding Iraq, agreed in December 1986 to restrain their production during the first half of 1987 to 15.8 m/b/d--including a notional quota of almost 1.5 m/b/d for Iraq as shown in table 2.1. Furthermore OPEC members agreed to introduce in the beginning of February 1987 a "marker" price of $18 per barrel, which represented the weighted average of seven crudes including one Mexican.

Having suffered from tumbling oil prices, which fell as low as $8 per barrel in July 1986, OPEC members showed significant discipline in adhering to their self-imposed production quotas during the first half of 1987, as shown in table 2.1.

Iraq, however, which had refused the assigned quota and requested parity with the Islamic Republic of Iran (with which it is at war), produced significantly more than its notional quota. Similarly, the United Arab Emirates produced an estimated 300,000 barrels per day above its assigned quota. Several other OPEC countries also surpassed their assigned production quotas during the first half of 1987, but by relatively small amounts. Nevertheless, with Saudi Arabia producing below its assigned quota and the general adherence to the production quota by most OPEC countries, the oil cartel members' estimated total oil production of 16.369 m/b/d was only slightly more than the 15.8 m/b/d quota during the first half of 1987.

Table 2.1

OPEC countries' crude oil production quotas and estimated output during both halves of 1987 (in million barrels per day)

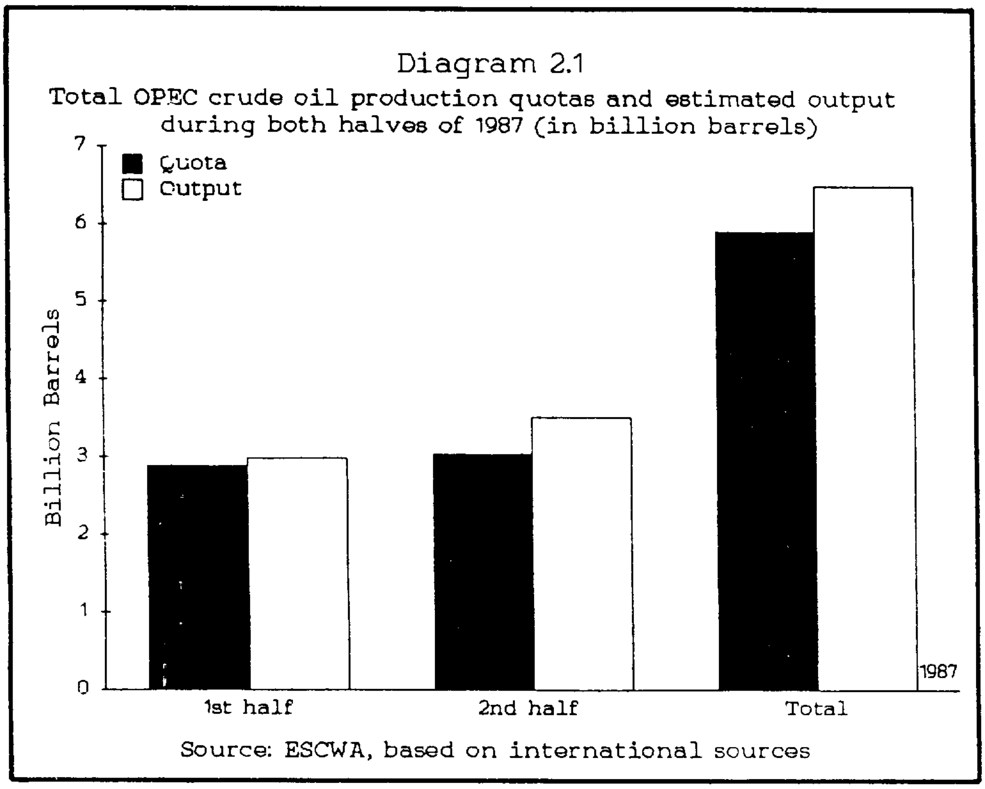
OPEC countries	First Half		Second Half		Average for 1987	
	Production quotas a/	Estimated output b/	Production quotas c/	Estimated output b/	Production quotas	Estimated output b/
Algeria	0.635	0.595	0.667	0.673	0.651	0.634
Ecuador	0.210	0.109	0.221	0.225	0.216	0.167
Gabon	0.152	0.153	0.159	0.161	0.156	0.157
Indonesia	1.133	1.268	1.190	1.352	1.162	1.310
Iran Islamic Rep.	2.255	2.189	2.369	2.317	2.312	2.253
Iraq d/	1.466	1.781	1.540	2.351	1.503	2.066
Kuwait e/	0.948	1.132	0.996	1.278	0.972	1.205
Libyan Arab Jamahiriya	0.948	0.919	0.996	1.015	0.972	0.967
Nigeria	1.238	1.218	1.301	1.366	1.270	1.292
Qatar	0.285	0.267	0.299	0.355	0.292	0.311
Saudi Arabia e/	4.133	3.850	4.343	4.554	4.238	4.202
U.A.E.	0.902	1.208	0.948	1.824	0.925	1.516
Venezuela	1.495	1.680	1.571	1.740	1.533	1.710
Total OPEC	15.800	16.369	16.600	19.211	16.200	17.790

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

a/ Under the December 1986 agreement.
b/ Gas condensates and natural gas included in some cases.
c/ Under the June 1987 agreement.
e/ Including Neutral Zone.
d/ National quota for Iraq which demanded parity with the Islamic Republic of Iran.

Encouraged by their success in stabilizing oil prices at around $18 per barrel, OPEC members decided to raise their total production ceiling to 16.6 m/b/d during the second half of 1987. Many OPEC countries, unlike during the first half of 1987, produced at levels above their respective quotas during the second half of the year, as shown in table 2.1. Estimated total oil production of OPEC countries averaged 19.21 m/b/d during the second six months of 1987, which was more than 2.6 m/b/d above their self-imposed total ceiling of 16.6 m/b/d. Iraq, the United Arab Emirates and Kuwait together accounted for more than 2 m/b/d of the above-quota production. For the year as a whole, estimated total OPEC countries' crude oil production averaged around 17.8 m/b/d which was 1.6 m/b/d above their average daily quota. Thus, as shown in diagram 2.1, OPEC countries produced around 0.55 billion barrels more in 1987 than their self-imposed production quota of 5.91 barrels.

Diagram 2.1



B. Oil supply

Since the oil crisis of 1973, oil production has been on the rise in many non-OPEC countries. Currently, the major non-OPEC oil-producing countries include China, Mexico, the United Kingdom, the United States and the Soviet Union. As shown in table 2.2, crude oil production in the above-mentioned countries, except for the United States, in 1987 was considerably more than in 1973. Moreover, oil production during 1987 in China, Mexico and the Soviet Union was greater than in 1986.

Table 2.2

Crude oil production* in selected major non-OPEC oil-producing countries, 1973, 1979, 1986 and 1987
(In million barrels per day)

Country	1973	1979	1986	1987	% change 1987/1986
China	1.070	2.123	2.631	2.678	+1.8%
Mexico	0.525	1.618	2.750	2.870	+4.4%
United Kingdom	0.008	1.598	2.606	2.504	-3.9%
U.S.A	10.946	10.136	9.584	9.248	-3.5%
USSR	8.604	11.800	12.384	12.586	+1.6%
Total	21.153	27.275	29.955	29.886	-0.2%

Source: Economic and Social Commission for Western Asia, based on Petroleum Economist, January 1988, pp.40 and 41.

* Crude oil production plus gas condensates in most cases.

Nevertheless, oil production in the United Kingdom and the United States have apparently declined from their respective peak levels recorded in previous years. Hence, the total oil supply of these selected major non-OPEC oil-producing countries in 1987 showed little change from 1986.

Furthermore, among these major non-OPEC oil-producing countries, only China and Mexico may be expected to maintain their 1987 levels of oil production into the next century. As shown in table 2.3, the proven oil reserves in selected major OPEC countries (all whom are members of the Economic and Social Commission of Western Asia) by far exceed the proven oil reserves in the major non-OPEC countries. Thus, when considering proven oil reserves and production levels in 1987, it becomes apparent that while the United Kingdom, the United States and the Soviet Union cannot continue their 1987 production level beyond this century, Saudi Arabia, Iraq, the United Arab Emirates and Kuwait can maintain their 1987 oil production levels for another 108.9 years, 132.6 years, 167.5 years and 209 years respectively.

Table 2.3

Proven oil reserves and oil production in selected* major OPEC and non-OPEC oil-producing countries, 1987
(In million barrels)

Selected OPEC countries	Proven reserves	Production	Proven reserves/ production
Selected OPEC countries			
Iraq	100,000	7,541.0	132.6
Kuwait	91,920	439.8	209.0
Saudi Arabia	166,980	1,533.7	108.9
UAE	92,705	553.3	167.5
Non-OPEC countries			
China	18,400	977.5	18.8
Mexico	48,610	1,047.6	46.4
United Kingdom	5,200	914.0	5.7
USA	25,270	3,375.5	7.5
USSR	59,000	4,593.9	12.8

Source: Economic and Social Commission for Western Asia, based on Oil and Gas Journal, December 1987 and Petroleum Economist, January 1988.

* Countries selected are major oil-producing ESCWA countries which are members of OPEC.

In the ESCWA region, the oil production of an average of 11.051 m/b/d in 1987, which accounted for approximately 19 per cent of total world oil supply, was 3.6 per cent below the 1986 level,1/ as shown in table 2.4. The overall decline in Western Asia's oil production in 1987 was primarily attributed to the 16.6 per cent and 14.8 per cent cutbacks in oil production of Saudi Arabia and Kuwait respectively. Oil production in 1987 increased in several ESCWA countries. Egypt overcame production and marketing problems, and increased its oil production by 10 per cent to 0.9 m/b/d in 1987. Iraq expanded its pipeline networks and increased oil production by 22.4 per cent to 2.1 m/b/d. Oman increased its oil production to a new peak level of 0.57 m/b/d in 1987. The Syrian Arab Republic developed the Deir El-Zour field and thus produced 0.24 m/b/d in 1987, a 24 per cent increase above its 1986 level. The United Arab Emirates produced 1.52 m/b/d in 1987, which was 9.8 per cent above 1986 oil production and the largest oil output it produced since 1981. Furthermore, Yemen began producing and exporting oil in late 1987 and is expected to increase oil production to 150,000 to 200,000 barrel per day in 1988. Given that Yemen consumes around 30,000 barrels per day, it will be able to export most of its oil production. In addition, limited amounts of oil were produced in Democratic Yemen in 1987, and exploration activities have been intensified.

1/ This was greater than the 1987 3.1 per cent decline of oil production in OPEC countries, of which five are also ESCWA members.

Table 2.4

Estimated ESCWA, OPEC and world crude oil production*, 1973 and 1980-1987
(In million barrels per day)

Country	1973	1980	1981	1982	1983	1984	1985	1986	1987	% change 1987/1986
Bahrain	0.068	0.049	0.046	0.045	0.042	0.040	0.041	0.042	0.040	-3.6
Egypt	0.165	0.590	0.637	0.656	0.720	0.826	0.888	0.821	0.904	+10.0
Iraq	2.018	2.654	0.897	1.012	1.099	1.225	1.404	1.687	2.066	+22.4
Kuwait a/	3.020	1.688	1.130	0.824	1.054	1.166	0.936	1.415	1.205	-14.8
Oman	0.293	0.284	0.319	0.325	0.389	0.418	0.491	0.553	0.567	+2.6
Qatar	0.570	0.473	0.415	0.332	0.269	0.326	0.290	0.332	0.311	-6.5
Saudi Arabia a/	7.596	9.928	9.808	6.483	4.539	4.090	3.175	5.040	4.202	-16.6
Syrian Arab Republic	0.106	0.167	0.171	0.164	0.188	0.189	0.185	0.194	0.241	+ 24.2
United Arab Emirates	1.548	1.709	1.502	1.249	1.149	1.072	1.204	1.380	1.516	+9.8
ESCWA region total b/	15.384	17.542	14.925	11.090	9.449	9.352	8.614	11.465	11.051	-3.6
OPEC total	31.003	26.954	22.490	19.005	16.992	16.392	15.700	18.451	17.874	-3.1
Non-OPEC total	27.104	36.221	36.811	37.557	39.011	40.441	40.914	40.126	40.512	+ 1.0
World total	58.107	63.175	59.301	56.562	56.003	56.833	56.614	58.578	58.385	- 0.3
ESCWA as % of world total	26.475	27.767	25.168	19.607	16.872	16.455	15.215	19.570	18.930	-3.3
OPEC as % of world total	53.355	42.666	37.925	33.600	30.341	28.842	27.732	31.500	30.610	-2.8
Non-OPEC as % of world total	46.645	57.334	62.075	66.400	69.659	71.158	72.268	68.500	69.390	+ 1.3

Source: Economic and Social Commission for Western Asia, based on Petroleum Economist, January 1988 and United Nations Monthly Bulletin of Statistics, December 1987.

* Gas condensates and natural gas liquids in some cases.

a/ Figures for Saudi Arabia and Kuwait include shares of production from the Neutral (Partitioned) Zone.

b/ Excluding Democratic Yemen's 250,000 tonnes and Yemen's 450,000 tonnes produced in 1987.

C. Demand for oil

World demand for energy, particularly for oil, has been generally constrained since 1979.[1/] Total world energy consumption has continued its growth since 1982 but at a fairly moderate rate.

In consequence of the sharp rise in oil prices in 1973 and 1974, and again in 1979, greater use was made of coal, natural gas, hydro-electric and nuclear sources to replace oil as a source of energy. As shown in table 2.5, the share of oil in total world energy consumption fell from 45 per cent in 1979 to 37.8 per cent in 1985. The modest rise in oil's share of energy consumption to 38 per cent in 1986 was in response to the tumbling of oil prices that year. Moreover, while the demand for coal, natural gas, hydro-electric and nuclear sources of energy in 1986 were 17 per cent, 24 per cent and 143 per cent above their respective levels in 1979, the demand for oil in 1986 remained 8 per cent below its 1979 level.

Table 2.5

World primary energy consumption 1979, 1985-1986 by source of energy*
(In million barrels of oil equivalent)

Source	1979	% share	1985	% share	1986	% share
Oil	22,906.3	45.0	20,597.3	37.8	21,117.7	38.0
Coal	14,432.8	28.3	16,661.1	30.6	16,925.0	30.4
Natural gas	9,404.4	18.5	10,951.0	20.1	11,046.3	19.9
Hydro-electric	3,056.6	6.0	3,745.6	6.9	3,804.3	6.8
Nuclear	1,121.5	2.2	2,550.8	4.7	2,734.1	4.9
World total	50921.5	100	54498.6	100	55627.4	100

Source: Economic and Social Commission for Western Asia, compiled from Petroleum Economist, August 1987, p.291.

* Commercially traded fuels only.

1/ For a comprehensive review and analysis of the various factors limiting energy demand, see "Developments in the international oil market and their implications for ESCWA oil production", in Survey of Economic and Social Developments in the ESCWA Region in 1985 (United Nations Economic and Social Commission for Western Asia (Baghdad, April 1986 (E/ESCWA/DPD/86/1/Rev.1)).

Furthermore, while oil prices fell by about 50 per cent from an average of $27.5 per barrel in 1985 to an average of $14 barrel in 1986, world total oil consumption increased by only 2.5 per cent to almost 21,118 million barrels, thus reflecting the extremely low price elasticity of oil demand. Nevertheless, if relatively low oil prices[1/] are sustained for a number of years, they could -- by discouraging oil exploration activities -- limiting development of alternative sources of energy and encouraging inefficient utilization of energy resources -- precipitate another energy crisis similar in magnitude to that which occurred in 1979.

As shown in table 2.6, OECD countries account for the dominant share in the total world energy consumption. Nevertheless in the OECD countries -- which are regarded as developed economies -- total energy consumption in 1986 was 4 per cent below the 1979 level. On the other hand, energy consumption in the "rest of market economies" -- mostly developing countries -- was in 1986 more than 26 per cent above its 1979 level.

Table 2.6

World primary energy consumption, 1979, 1985-1986 by region*
(In million barrels of oil equivalent)

Region	1979	% share	1985	% share	1986	% share
N. America	15,686.2	30.8	14,850.6	27.2	14,887.2	26.8
W. Europe	9,734.2	19.1	9,125.9	16.7	9,287.1	16.7
Australasia	630.4	1.2	674.4	1.2	733.0	1.3
Japan	2,712.1	5.3	2,719.4	5.0	2,726.8	4.9
Total OECD	28,762.9	56.5	27,370.2	50.2	27,634.1	49.7
Rest of market economies	6,648.3	13.1	8,194.9	15.0	8,429.5	15.2
Total market economies	35,411.2	69.6	35,565.2	65.3	36,063.6	64.8
Centrally planned economies	15,488.3	30.4	18,933.4	34.7	19,563.8	35.2
World total	50,899.5	100.0	54,498.6	100.0	55,627.4	100.0

Source: Economic and Social Commission for Western Asia, compiled from Petroleum Economist, August 1987, p.291.

* Commercially traded fuels only.

1/ As those which prevailed in 1986.

Demand for oil by the developing countries has been growing by a faster rate than in the developed countries during the past decade. Oil demand in developing countries grew by an annual average of 2.2 per cent between 1980 and 1985, and is projected to grow by an annual average of 1.6 per cent through 1995.1/ According to various estimates, the developing countries will account for 80 per cent of the expected increase in world oil demand during the coming years.2/ Nevertheless, total world oil demand did not increase as fast as world supply during the decade and hence the prevalence of the surplus in the international oil market.

D. Oil prices

The average spot market oil price during 1987 is estimated to have been $17.16 per barrel, which is less than 5 per cent below the official OPEC oil price target of $18 per barrel. The 27.1 per cent increase in oil price in 1987 over 1986 is attributed mainly to the OPEC emphasis on oil price stability instead of on protecting a certain share in the international oil market. Though considerably higher than in 1986, spot oil prices in 1987 were nevertheless around 35 per cent below their 1985 average.

As shown in table 2.7 oil spot prices in 1987 were close to the OPEC official oil price of $18 per barrel during most months of the year.

The average spot oil price for 1987 was $17.16 per barrel, which was less than 5 per cent below the official OPEC oil price of $18 per barrel.

For three consecutive months, May through July, oil spot prices were above the OPEC official price of $18 per barrel. This was due to heavy build-up of oil inventories by international oil companies triggered by rising political instability which threatened oil exports through the Strait of Hormuz.

As illustrated in diagram 2.2, oil spot prices reached their 1987 peak in July and then began their decline. The increase in oil production by OPEC and non-OPEC countries during the second half of 1987, accompanied by declining additions to oil inventories, pressured oil spot prices downwards to less than $15.5 per barrel in December. Thus while the OPEC policy to stabilize oil prices at around the $18 per barrel range for 1987 was generally successful, oil spot prices by year-end were 14.4 per cent below the OPEC 'marker' price and 9.3 per cent their level in January of the same year.

1/ Gulf International Bank, Gulf Economic and Financial Report, June/July 1987, p.2.

2/ Arab Oil and Gas, 16 June 1987, p.34.

Table 2.7

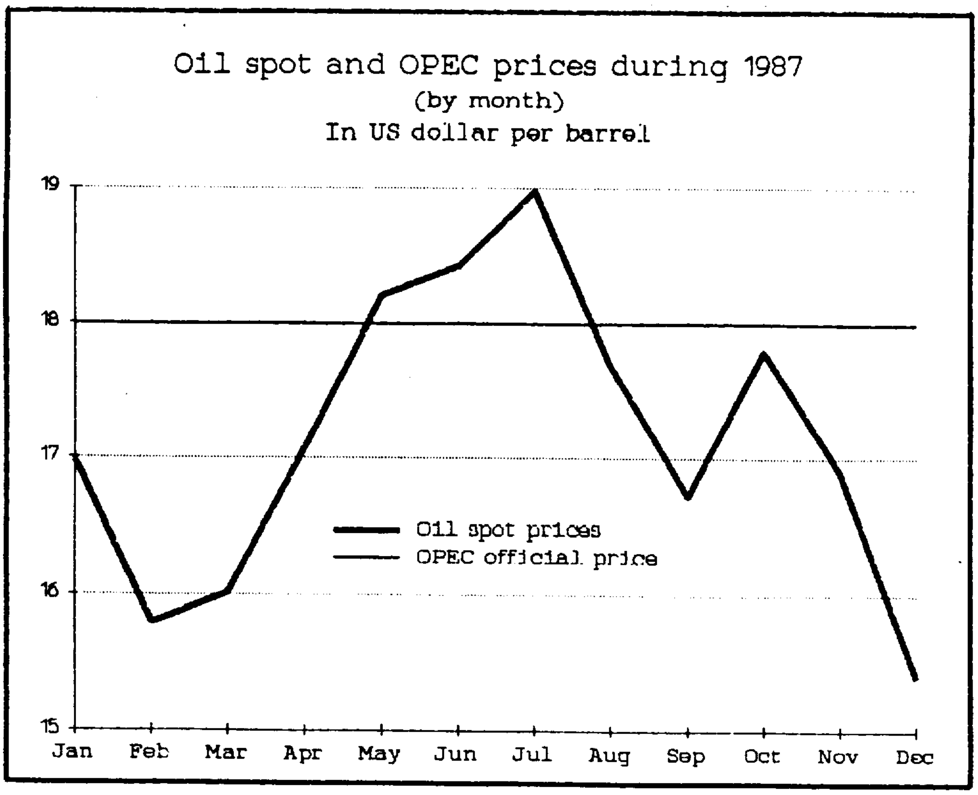
Oil spot prices* and OPEC official price during 1987
(by month)
(in US dollars per barrel)

	Oil spot price	OPEC official price	Difference (oil spot prices-OPEC official price)
January	16.98	18.0	-1.02
February	15.79	18.0	-2.21
March	16.01	18.0	-1.99
April	17.08	18.0	-0.92
May	18.20	18.0	0.20
June	18.42	18.0	0.42
July	18.98	18.0	0.98
August	17.69	18.0	-0.31
September	16.72	18.0	-1.28
October	17.80	18.0	-0.20
November	16.90	18.0	-1.10
December	15.40	18.0	-2.60
Average for 1987	17.16	18.0	-0.84

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

* Saudi Arabia Light - 34 Rotterdam.

Diagram 2.2



Source: Economic and Social Commission for Western Asia, based on table 2.7.

Furthermore, owing to the depreciation of the US dollar in terms of the major currencies, the price per barrel in terms of these other currencies showed smaller improvements, as shown in table 2.8.

Table 2.8

Oil spot prices* in United States dollars, Federal Republic of Germany deutsche mark and Japanese yen during 1987
(by month)

	US $ per barrel	DM per US dollar	DM per barrel	Yen per US dollar	Yen per barrel
January	16.98	1.8581	31.5505	154.48	2,623.07
February	15.79	1.8265	28.8404	153.48	2,423.45
%△ Feb/Jan.	-7.0		-8.59		-7.66
March	16.01	1.8339	29.3607	151.54	2,426.16
%△Mar/Feb.	1.39		1.80		0.11
April	17.08	1.8110	30.9319	142.98	2,442.01
%△Apr/Mar.	6.68		5.35		0.55
May	18.20	1.7863	32.5107	140.54	2,557.83
%△ May/April	6.56		5.10		4.74
June	18.42	1.8184	33.4949	144.48	2,661.32
%△ June/May	1.21		3.03		4.05
July	18.98	1.8470	35.0561	150.21	2,850.99
%△ July/June	3.04		4.66		7.13
August	17.69	1.8581	32.8698	147.56	2,610.34
%△ Aug/July.	-6.80		-6.24		-8.44
September	16.72	1.8129	30.3117	143.00	2,390.96
%△ Sept/Aug.	-5.48		-7.78		-8.40
October	17.80	1.8021	32.0774	143.54	2,555.01
%△Oct/Sept.	6.46		5.8		6.86
November	16.90	1.6812	28.4123	135.25	2,285.73
%△ Nov/Oct.	-5.06		-11.43		-10.54
December	15.40	1.6899	26.02245	128.88	1,984.75
%△Dec/Nov.	-8.88		-8.40		-13.17
%△Dec/Jan.	-9.3		-17.5		-24.4

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

* Saudi Arabian Light - 34 Rotterdam.

For example, when spot oil prices increased in US dollar terms by 6.68 per cent in the month of April 1987, the rise in terms of the deutsche mark and Japanese yen was more limited at 5.35 per cent and 0.65 per cent respectively. Moreover, while in December oil spot prices in US dollar terms were 9.3 per cent below their January level, they were 17.5 per cent and 24.3 per cent lower in terms of the deutsche mark and Japanese yen respectively.

E. Oil revenues and their impact on the ESCWA region

1. Oil revenues in the ESCWA region

After several years of decline, the region's oil revenues rebounded in 1987. As shown in table 2.9 the oil export revenues of the major ESCWA oil-exporting countries increased by 21.1 per cent in 1987 to $48.766 billion. The largest increases were recorded by Iraq and the United Arab Emirates, whose oil export revenues increased by 61.6 per cent and 47.6 per cent over 1986 respectively. These two countries benefited from the higher oil prices in 1987 as well as from significant increases in their oil production and exports. Among ESCWA major oil-exporting countries, Saudi Arabia recorded the smallest increase in oil export revenues in 1987. This was primarily due to its sharp reduction in oil production in its effort to help to stabilize oil prices.

Table 2.9

Oil export revenues of major ESCWA oil-exporting countries, 1980, 1985-1987
(In billion of US dollars)

Country	1980	1985	1986	1987*	% change 1987/1986	%change 1987/1985	% Change 1987/80
Iraq	26.296	11.380	6.980	11.280	+61.6	-0.9	-57.1
Kuwait	17.678	9.729	6.200	7.268	+17.2	-25.3	-58.9
Saudi Arabia	108.174	25.936	21.190	21.525	+1.6	-17.0	-80.1
U.A.E.	19.496	13.395	5.890	8.693	+47.6	-35.1	-55.4
Total	171.644	60.440	40.260	48.766	+21.1	-19.3	-71.6

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

* Estimates based on an average price per barrel of Arabian crude of $17.5 per barrel.

Although the oil export revenues of the major ESCWA oil-exporting countries increased in 1987, they were nevertheless 19.3 per cent below their 1985 level and accounted for less than 30 per cent of their 1980 peak level of 171.644 billion.

Furthermore, the continued depreciation of the US dollar -- the currency in which most oil transactions are denominated - in terms of other major currencies in 1987 had a dampening effect on the purchasing power of the higher recorded oil revenues of oil-exporting countries in the region and elsewhere. For example, as illustrated in table 2.10, Saudi Arabia's oil revenues during 1987 showed less improvement when measured in terms of Federal

Table 2.10

Estimated 1987 oil-export revenues of Saudi Arabia in terms of various major currencies
(by month)

	In million U.S $*	In million FRG DM	In million French francs	In million Japanese yen	In million British pounds
January	1,689.5	3,139.3	10,465.3	260,994.0	1,121.6
February	1,416.0	2,586.3	8,615.5	217,327.7	927.6
% △Feb/Jan.	-16.2	-17.6	-17.7	-16.7	-17.3
March	1,312.5	2,407.0	8,012.3	198,896.3	824.3
% △Mar/Feb.	-7.3	-6.9	-7.0	-8.5	-11.1
April	1,628.3	2,948.9	9,821.1	232,814.3	998.7
% △Apr/Mar.	+24.1	+22.5	+22.6	+17.1	+21.1
May	1,792.6	3,202.1	10,701.1	251,932.0	1,075.0
% △May/Apr	+10.1	+8.6	+9.0	+8.2	+7.6
June	1,738.5	3,161.3	10,561.4	251,178.5	1,066.4
% △June/May	-3.0	-1.3	-1.3	-0.3	-0.8
July	2,009.6	3,711.7	12,361.9	301,862.0	1,248.3
% △July/June	+15.6	+17.4	17.0	+20.2	+17.1
August	2,091.0	3,885.3	12,968.4	308,548.0	1,311.1
% △Aug/July.	+4.1	+4.9	+2.2	+5.0	
September	1,948.5	3,532.4	11,792.9	278,635.5	1,184.7
% △Sep./Aug.	-6.8	-9.1	-9.1	-9.7	-9.6
October	2,028.6	3,655.7	12,212.0	291,185.2	1,221.2
% △Oct./Sep.	+4.1	+3.5	+3.6	+4.5	+3.1
November	1,843.5	3,099.3	10,520.1	249,333.4	1,038.4
% △Nov./Oct.	-9.1	-15.3	-13.9	-14.4	-15.0
December	1,934.8	3,269.6	11,026.4	249,357.0	1,100.9
% △Dec./Nov.	+5.0	+5.5	+4.8	+0.009	+6.0
% △Dec./Jan.	+14.5	+4.2	+5.3	-4.5	-1.8

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

* Based on spot prices of Saudi Arabian Light 34, Rotterdam.

Republic of Germany deutsche mark, French francs, Japanese yen and British pounds than they did in terms of US dollars. Hence, while Saudi Arabia's oil export revenues in December 1987 were 14.5 per cent greater than their January 1987 level in terms of US dollars, they were only 5.3 per cent and 4.2 per cent higher in terms of French francs and Federal Republic of Germany deutsche mark respectively. Moreover, owing to the sharp appreciation of the Japanese yen and British pound with respect to the US dollar in 1987, Saudi Arabian oil export revenues in December 1987 were 4.5 per cent and 1.8 per cent below their January level when measured in Japanese yen and British pounds respectively.

2. Impact of oil revenues

Despite the extensive efforts made by the countries of Western Asia to diversify their economies, oil continues to play a dominant role in most countries. The economic structure of the Gulf Co-operation Council countries remains essentially monosectoral (lacking an integrated industrial base), in which the mining sector (mainly oil and natural gas) makes up more than two thirds of the domestic output. Owing to the strong linkages between the economies of GCC countries and the economies of other countries in the region (via workers' remittances, financial aid and trade), changes in the level of economic activity in the former are rapidly reflected in the latter: hence the overwhelming significance of developments in the international oil market for all countries.

Oil exports account for 60 per cent or more of total exports in nine countries (the six GCC members and Egypt, Iraq and the Syrian Arab Republic) out of the 13 countries comprising the ESCWA region. Yemen became the tenth oil-exporting country in the region during the fourth quarter of 1987. In addition, Democratic Yemen and Jordan have recently discovered oil, though in relatively small quantities. For most GCC countries, oil accounts for over 90 per cent of total exports. Hence, higher oil prices and revenues during 1987 reflected favourably on the current accounts, and national budgets as well as on the overall economic performance in virtually all member countries.

Furthermore, oil revenues have a direct impact on the ability of the major oil-exporting countries of Western Asia to grant financial aid and provide employment opportunities to nationals of other developing countries from the region and elsewhere. In spite of the recessionary trends faced by these countries, they continued to extend aid on a concessionary basis, albeit in smaller amounts than had been the case during the late 1970s and early 1980s. In 1981, Saudi Arabia, Kuwait and the United Arab Emirates provided concessional aid to poorer developing countries amounting to $7.4 billion, as shown in table 2.11.

This represented 89.6 per cent of total OPEC aid to developing countries during that year. In 1986, these three ESCWA countries, in spite of sharp declines in their oil revenues, extended aid in the amount of $4.34 billion, or the equivalent of 95.6 per cent of total OPEC concessional aid to developing countries. The aid contributions of Saudi Arabia and Kuwait amounted to 4.5 per cent and 3 per cent of their respective GNP in 1986, which by far exceeded the aid--as a percentage of GNP--of all developed countries. Rising oil revenues of ESCWA major oil-exporting countries may enhance their ability to provide financial aid to other developing countries in the region and elsewhere as well as to increase contributions to the various regional and international development finance institutions.

Table 2.11

OPEC and major ESCWA donors aid to developing countries, 1981-1986
(In billions of US dollars)

Countries	1981	1982	1983	1984	1985	1986
OPEC countries	8.34	5.78	4.98	4.56	3.60	4.54
OPEC % of GNP	1.47	0.99	0.86	0.82	0.65	0.94
Kuwait	1.16	1.16	1.00	1.02	0.77	0.71
Kuwait % of GNP	3.65	4.34	3.69	3.83	3.25	3.00
Saudi Arabia	5.51	3.85	3.26	3.19	2.63	3.56
Saudi Arabia % of GNP	3.45	2.50	2.82	3.10	2.86	4.50
U.A.E.	0.80	0.41	0.35	0.09	0.07	0.07
U.A.E. % of GNP	2.57	1.39	1.31	0.34	0.29	0.34

Source: Arab Oil and Gas, 1 July 1987, p.27.

Moreover, the rebound in oil revenues of ESCWA major oil-exporting countries in 1987 had another beneficial effect. The Gulf area of the ESCWA region continued to provide employment opportunities to hundreds of thousands of workers from other countries in Western Asia as well as from numerous other developing (mostly Asian) countries. Despite the end of the construction boom in the region, millions of expatriate workers remain in Western Asia, many of whom are employed in the maintenance of the newly built infrastructure and various industries in the GCC countries and Iraq. The picking-up of economic activity in the GCC countries in 1987, which was primarily due to higher oil revenues, helped to reduce the net outflow of expatriate workers, though the general policy in most Gulf countries remains one of gradual reduction of dependence on foreign labour.

F. Need for a constructive dialogue between major oil-exporting and importing countries

There is a great need for a constructive dialogue between major oil-exporting and importing countries in order to provide stability in the international oil market.

This need is clearly apparent to oil-exporting countries which have been faced for several years with generally weakening prices and greater difficulty in preserving their share in the international oil market. Hence, organizations such as the OPEC and OAPEC continue to call for a dialogue with major oil-importing countries. The oil-exporting countries aim at stabilizing oil prices and achieving stable and gradually rising oil revenues. If such aims are achieved, these countries will be able to implement their economic development plans and--with proper macro-economic policies--achieve steady economic growth and development. In addition, if a price level of $18 per barrel is achieved and allowed to rise gradually over time, oil-exporting countries will not be under pressure to increase production and exports in order to earn a certain oil revenue level. Hence, if a given oil revenue can be attained with a small volume of oil exports, the depletion rate of their non-renewable source of energy can be reduced.

The major oil-importing countries, on the other hand, seem to be enjoying the current soft prices in the international oil market and appear reluctant to engage in a serious dialogue with OPEC for stabilizing oil prices. The potential benefits that may occur to the major oil-exporting countries from such a dialogue are nevertheless numerous.

If oil prices are stabilized this would encourage maintenance of conservation measures. In addition, stable and gradually rising oil prices would revive exploration activities as well as protect the heavy investments of the major oil-importing countries in alternative sources of energy.

The stabilization of oil prices at around $18 a barrel--which currently is regarded as optimal by many analysts--would help to prevent heavily indebted oil-exporting countries such as Egypt, Mexico, Nigeria and Venezuela from defaulting on loan payments to major international banks. If such countries become unable to service their debts to the major international banks--most of which are located in major industrialized Western oil-importing countries--a major financial crisis may develop in these oil-importing countries and on the global level as well.

Furthermore, major oil-importing industrialized countries may benefit indirectly from higher oil revenues accruing to the oil-exporting developing countries. These two groups of countries have been trading partners for many years and higher oil revenues for the latter could precipitate larger imports of industrial and other goods from the former.

G. Outlook and policy recommendations

The outlook for the international oil market in 1988 appears to be unfavourable. Prices were under pressure in early 1988 primarily owing to the oversupply which began with excessive production by OPEC members and other oil-exporting countries during the third quarter of 1987. The abundance of oil supply was accompanied by unseasonably mild weather in Europe and Japan in the early months of this year. Furthermore, the OPEC agreement which was announced on 14 December 1987 does not call for an adequate reduction in members' output. The agreement permits an output level, including Iraq's, of at least 18 m/b/d in the first few months in 1988.

The abundance of oil supply in early 1988, coupled with a slack in demand, has brought oil inventories in the Organization for Economic Co-operation for Development (OECD) countries to a five-year high.1/

Since, at $18 a barrel, demand for OPEC oil was estimated to be under 17 m/b/d during the first quarter, oil prices were pressured downwards. Such market conditions foster the emergence of price discounting mechanisms such as netback deals (similar to the ones which prevailed in 1986) and may lead to an oil price collapse if they remain unchecked.

1/ International Herald Tribune, 27 February 1988, p. 15.

OPEC countries, having failed to engage the OECD countries in a constructive dialogue to stabilize the international oil market, announced on 9 April 1988 that they would have a meeting with several non-OPEC oil-exporting countries later in the month. In an apparent response to the announcement, and also because of rising tensions in the Gulf, oil spot prices reached the $18 per barrel mark for the first time in the year on 12 April 1988. Co-operation among OPEC and non-OPEC oil-exporting countries may be regarded as appropriate since oil demand in most industrialized and semi-industrialized oil-importing countries is, by and large, managed. By imposing import quotas, tariffs and excise taxes as well as other measures, these oil-importing countries have been able to derive the maximum revenues from oil while simultaneously limiting oil demand.

In addition, since oil demand is expected to continue rising in many oil-importing developing countries at a faster rate than in OECD members and other developed oil-importing countries, oil-exporting developing countries, including those in the ESCWA region, should engage in a South-South dialogue with the aim of strengthening overall trade relations among developing countries.

OPEC members also may need to reduce their overall quota and design a collective swing-producer agreement, if they are to maintain oil prices at around $18 per barrel through 1988. The international oil market in the first

Table 2.12

ESCWA region and world oil reserves, 1987-1988
(In thousands of barrels)

Country	January 1987	January 1988
Bahrain	140,000	140,550
Egypt 3,600,000	4,300,000	
Iraq 72,000,000	100,000,000	
Kuwait	91,916,000	9,192,000
Oman 4,032,000	4,012,000	
Qatar 3,154,000	3,150,000	
Saudi Arabia	166,573,900	166,980,000
Syrian Arab Republic	1,400,000	1,750,000
United Arab Emirates	33,050,000	92,705,000
Yemen Arab Republic	500,000	550,000
ESCWA region total	376,365,900	465,507,550
World total	722,349,600	887,348,400
ESCWA as per cent of world	52.1	52.0

Source: Economic and Social Commission for Western Asia, compiled from Oil and Gas Journal, 22 - 29 December 1986, pp.36 - 37 and 28 December 1987, pp. 36-37.

few months of 1988 remains vulnerable and hence it is extremely difficult to forecast oil price levels for the year as a whole. Nevertheless, with OPEC countries producing with around 50 per cent idle capacity, oil prices are not expected to surpass the $18-$20 range. On the other hand, given the negative effects of the 1986 tumbling oil prices on oil-exporting countries, it may be expected that action by these countries would be taken to prevent oil prices from falling--and remaining below $14 per barrel.

By the mid-1990s oil market conditions may be considerably different from today. When supplies of non-OPEC countries can no longer match expected increases in world oil demand, OPEC members--particularly ESCWA countries with their ample oil revenues, as shown in table 2.12--will again play the dominant role in the international oil market and thus have a greater ability to stabilize oil prices and impose a gradual rise in revenues.

PART TWO

ECONOMIC PERFORMANCE IN THE ESCWA REGION

III. GROWTH AND STRUCTURE OF OUTPUT

A. Overall output level and growth

Total GDP in the ESCWA region was estimated to be around $US 274.8 billion in 1987, reflecting a moderate improvement in the overall economic performance in that year in comparison with 1986 (see table 3.1). However, the overall economic performance in the region remained generally worse in 1987 than in 1985. After a very poor showing in 1986, in which the total GDP of the ESCWA region as a whole recorded a decline of 3 per cent in real terms, it recorded an estimated positive 2.8 per cent growth rate in 1987, as shown in table 3.2.

Table 3.1

Gross domestic product in the ESCWA region
1985-1987

(Millions of US dollars)

	1985	1986 a/	1987 b/
GCC countries	161,250.6	135,025.0	145,693.0
Diversified economies c/	108,271.8	111,318.8	123,519.6
Least developed countries	5,894.4	5,965.4	5,568.6
Total ESCWA region c/	275,416.8	252,309.2	274,781.2

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

a/ Preliminary figures.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

The moderate increase in the total GDP of the ESCWA region in 1987 reflected to a great extent the improvement recorded in the mining sector (mainly oil and natural gas).

Owing to the overwhelming weight of the mining sector in the total GDP in the region, the level of economic activities is extremely sensitive to changes in the value produced. Higher oil prices in 1987 led to an increase in export earnings in most countries of the region, after a dramatic fall in 1986. Partial improvements in the international oil markets and consequently the increase in the oil revenues of the oil-exporting countries in the region, combined with the various adjustment policy measures pursued by most countries to cope with prevailing recessionary conditions, have resulted in some positive growth, following several years of economic slow-down experienced by most countries of the ESCWA region. Complementing the partial recovery in the mining sector in 1987, was a modest improvement in the performance of non-oil activities.

Table 3.2

GDP growth rates in ESCWA country groups
(At current and constant prices)
(1986-1987)

Country groups	At current prices 1986 a/	At current prices 1987 b/	At 1980 constant prices 1986 a/	At 1980 constant prices 1987 b/
GCC countries	-16.3	7.9	-7.1	2.6
Diversified economies c/	2.8	11.0	8.1	2.9
Least developed countries	1.2	-6.7 d/	2.0	7.4
Total ESCWA countries c/	-8.4	8.9	-3.0	2.8

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

a/ Preliminary figures.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.
d/ Negative growth rate in nominal terms is due to change in exchange rate of local currencies.

B. Economic performance by group of countries

1. GCC countries

Despite great efforts made during the past decade towards diversification and the tangible achievements realized in this direction, the economies of the GCC countries still depend to a great extent on the mining and quarrying sector as a major source of national income, and thus are directly affected by developments in the international oil markets. After several years of considerable decline in output, exports, current account surpluses and widening budgetary deficits in most countries of this group, their economic performance witnessed a moderate improvement in 1987. It is estimated that the GDP of the GCC as a group recorded a positive growth rate of 2.6 per cent in real terms during 1987. The major stimulus for the improved economic performance in the GCC countries during 1987 was the rebound of prices in the international oil markets and consequently the increase in the oil revenues of major oil-exporting countries in this group. (see chapter II).

During 1987 all countries in this group witnessed a marginal recovery as reflected by the positive growth rate. For example, Saudi Arabia which had experienced a continuing decline in GDP for the past few years, recorded an estimated positive growth rate of 1.5 per cent in real terms in 1987. This general improvement in economic conditions came as a result of the improvement in oil prices during the year, as well as from the adjustment policies undertaken to cope with recessionary trends that had prevailed in GCC countries since 1983. In most GCC countries, adjustment policies pursued included measures for the short-term as well as long-term period.

(a) Mining sector

The mining sector, which is still the key contributor to the total GDP in GCC countries, recorded an estimated 18.8 per cent growth rate in 1987 against a decline of 33.3 per cent in 1986 (see table 3.3). Complementing the partial recovery in the mining sector in 1987 was the moderate improvement in the performance of the non-oil sectors.

Table 3.3

Growth rates of mining and non-mining GDP in ESCWA country groups
(Based on values at current prices)
(1986-1987)

Year	Year	At current prices Mining VA	Non-Mining VA
GCC countries	1986 a/	-33.3	-5.6
	1987 b/	18.8	3.1
Diversified economies c/	1986 a/	-26.6	6.2
	1987 b/	57.9	7.2
Least developed countries	1986 a/	79.3	0.7
	1987 b/	82.2	-7.7
Total ESCWA countries c/	1986 a/	-32.2	0.3
	1987 b/	25.4	4.9

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

Note: VA = value added.

a/ Preliminary figures.
b/ Preliminary ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

(b) Agriculture

Agriculture, which represented in 1986 3.3 per cent of the GDP and witnessed a growth rate of 10.4 per cent, recorded an estimated growth rate of 13.1 per cent in 1987 in nominal terms (see table 3.4).

Despite declining oil revenues during the 1983-1986 period, the GCC countries continued the policy of diversifying their economies and reducing their dependence on export of crude oil.

Table 3.4

Growth rates of agriculture in ESCWA country groups

(Based on values at current and 1980 constant prices)

Country groups	At current prices 1986 a/	At current prices 1987 b/	At 1980 constant prices 1985 a/	At 1980 constant prices 1986 b/
GCC countries	10.4	13.1	4.1	23.5
Diversified economies c/	10.8	5.4	4.3	4.3
Least developed countries	14.4	-12.4	8.4	11.7
Total ESCWA countries c/	10.9	5.7	4.6	9.5

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

a/ Preliminary figures.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

Impressive progress was made in agriculture in some countries of this group, particularly Saudi Arabia, which through financial and non-financial incentives was able considerably to expand agricultural production and achieve self-sufficiency in several agricultural commodities, particularly wheat.

(c) Manufacturing

The manufacturing sector performed fairly well in most GCC countries, particularly in Saudi Arabia and Bahrain. This sector grew by 0.6 per cent in 1986 and an estimated 4.2 per cent in 1987 (see table 3.5).

Table 3.5

Annual growth rates of manufacturing in ESCWA country groups
(Based on values at current and 1980 constant prices)

Country groups	At current prices 1986 a/	At current prices 1987 b/	At 1980 constant prices 1985 a/	At 1980 constant prices 1986 b/
GCC countries	0.6	4.2	0.9	-2.8
Diversified economies c/	4.8	8.9	-7.8	-6.0
Least developed countries	16.2	-8.3 d/	68.3	9.0
Total ESCWA countries d/	3.4	6.8	2.1	-2.5

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

a/ Preliminary figures
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.
d/ The decline in the manufacturing sector in nominal terms is due to the change of exchange rate of local currency against US dollar.

(d) Construction

The construction sector recorded negative growth rates for several years in most GCC countries. This was attributed to the completion of the major infrastructural projects and a decline in demand for housing, caused partly by the return migration of expatriates at a time of growing financial constraints. However, as a result of a modest general improvement in overall economic performance in the GCC countries, this sector recorded a modest growth rate in 1987. After recording a decline of 16.0 per cent in 1986 it attained a growth rate of 1.6 per cent in 1987.

(e) Services

With the greater attention given to the services sector, it performed better during 1987 in comparison with 1986, particularly with respect to banking. The banking sector, which had been under pressure due to the recession in most GCC countries between 1983 and 1986, showed an encouraging recovery in banking activity and profitability in 1987. The sector benefited from the improvement in oil prices and revenues as well as from the measures pursued in several GCC countries, aiming at coping with the problem of bad debts and bankruptcies which had been overshadowing the banking environment for several years.

In Bahrain, tourism benefited from the opening of the King Fahd Causeway, which links the country with Saudi Arabia; occupancy rates reached 100 per cent in major hotels during week-ends in 1987. The Bahraini Government, encouraged by the sharp rise in earnings from tourism and in an effort to further diversify the economy (in light of the country's diminishing oil resources) undertook new tourist-attracting projects in 1987.

2. Countries with diversified economies in the ESCWA region

This group of countries has a lower level of income in comparison with the previous group of countries but a more balanced economic structure. In 1987, the agricultural contribution to GDP accounted for 16.5 per cent, while manufacturing represented 17.8 per cent.

The countries with diversified economies are relatively more developed in terms of institutional and human infrastructures which enable them to be exporters of skilled and unskilled manpower to GCC countries and extend technical aid to GCC countries as well as to the least developed countries in the ESCWA region.

A number of these countries are oil producers and except for Iraq which is a major oil exporter, are less dependent on oil and oil revenues than GCC countries. However, their economies are linked with those of GCC countries through different channels. The remittances of their nationals working in major oil-exporting countries provide substantial support to the balance of payments in some countries of this group. However, in view of the prevailing conditions in the ESCWA region, the demand for expatriate workers in the oil-exporting countries has declined and this led to a decline in the level of remittances. The concessional official development assistance in the form of soft loans and grants to the economies of this group, which represents a major source of their foreign currencies, has already been affected by the decline of oil revenues in the past few years. In the future, this type of official development assistance is expected to decline further.

In 1987, the total GDP of this group of countries recorded a growth rate of 2.9 per cent in real terms. This marginal improvement in the overall economic performance over 1986 can be primarily attributed to the improvement in the oil markets coupled with the moderate improvement in the performance of some other sectors.

The mining sector, which declined by 26.6 per cent in 1986, is estimated to have grown by 57.9 per cent in 1987. With greater emphasis given to the agricultural sector through various incentives, the sector recorded a growth rate of 5.4 per cent in 1987.

The manufacturing sector grew by 4.8 per cent in 1986 and is estimated to have recorded a growth rate of 8.9 per cent in 1987 in this group of countries. In 1987 the sector showed a significant improvement in Jordan and Egypt. Regarding Jordan, the increase was attributed mainly to a number of trade agreements which were concluded with several Arab countries. In Egypt, the manufacturing sector has benefited from the sharp devaluation of the country's currency which rendered Egyptian manufactural products more competitive with imports and in export markets.

The import-substitution process may be expected to go further especially after the imposition of trade measures including the increase in import tariffs on many non-essential manufacturing products. In the Syrian Arab Republic, the slow-down in the manufacturing sector during 1987 can be attributed to the shortages in foreign exchange, which led to the restriction on imports including raw materials and spare parts; in addition the power shortages caused the idle capacity rate in factories to remain at a high level. The Syrian Government has undertaken various measures including providing incentives to the private sector to overcome the difficulties facing manufacturing sector.

The construction sector fell by 7.9 per cent in 1986 in this group of countries as a whole and the estimated data for 1987 showed a growth rate of 6.5 per cent. Despite the marginal improvement in the overall economic performance in most countries of this group during 1987 in comparison with 1986, the growth rate achieved is modest and below the planned targets.

The service sector also witnessed some improvement in 1987 in comparison with 1986, particularly with respect to tourism, which contributed significantly to the foreign exchange earnings in some countries in this group, primarily Egypt and -- to a lesser extent -- Jordan. Egypt's earnings from tourism during 1987 were estimated to have been twice as large as in 1986. The banking sector performed better in 1987 in comparison with 1986, benefiting from various monetary and fiscal reforms undertaken by most countries of this group to cope with the recessionary trends which have prevailed througout the region as a whole since 1983.

3. <u>The least developed countries</u>

The economies of this group, namely Democratic Yemen and Yemen, are most vulnerable to the unfavourable conditions currently prevailing in the ESCWA region. Owing to the low level of economic development and scarce resources, both countries are highly dependent on external resources, including remittances from their nationals in oil-producing countries, to offset the large trade deficit and to finance their development projects. They are currently facing the problems of return migration and the decline in external concessionary financial flows, thus adversely affecting their development process. Despite the recent oil discovery in both countries, oil revenues failed to compensate for the decline in the financial flows in 1987. In the face of decreasing external resources, both countries have taken a number of policy measures to reduce excess domestic aggregate demand and rationalize the import of goods and services. In this respect high priority has been given to the production sectors, particularly to the agricultural sector. Democratic Yemen's economy, which was seriously damaged by disturbances in 1986, managed to achieve political stability and economic recovery in 1987. Total GDP of both countries grew by 7.4 per cent in 1987 in real terms. This rate of growth, however, is below the targets set in their respective five-year development plans, yet considered satisfactory given the unfavourable conditions prevailing in the region. In sectoral terms, agriculture grew by 14.4 per cent in 1986. Owing to the high priority given to the agricultural sector to achieve self-sufficiency in vegetables and fruits, this sector has been able to meet a large part of local demand for these products in major cities of Yemen.

Industry recorded a growth rate of 16.2 per cent in 1986 and an estimated negative 8.3 per cent in 1987. This negative growth rate is attributed to the change in the rate of exchange of the US dollar in relation to the local currency in the Yemen Arab Republic. However, in local currencies, this sector achieved a growth rate of 3.1 per cent in Democratic Yemen and a 10 per cent in Yemen. The mining sector, which is expected to contribute to the alleviation of the acute foreign exchange shortages in both countries, recorded a growth rate of 82.2 per cent in 1987.

C. Structure of output

Despite the decline of the mining sector during the previous four years, it remained the dominant component of the GDP in the ESCWA region in 1987. Generally, the countries of the region continued to have less diversified economies, with one or two sectors representing the major contributors to the GDP.

The economic structure of the GCC countries remains essentially monosectoral, lacking an integrated industrial base. The mining sector accounted for 38.4 per cent, 30.6 per cent and 33.6 per cent of the total GDP of the GCC countries in 1985, 1986 and 1987 respectively. The change of the mining share in total GDP reflects mainly adjustments to world conditions rather than essential structural changes in the economies of this group.

The share of the mining sector in total GDP of the diversified economies in the ESCWA region witnessed a small change in the 1986-1987 period. In 1986 the share of mining in the total GDP of this group represented 7.5 per cent and estimated figures for 1987 show that the sector share increased to 10.6 per cent, reflecting mainly the change in oil prices.

The mining sector in the economies of the least developed countries of the region, which represented a small share in the GDP of this group, increased from 1.2 per cent in 1986 to 2.3 per cent in 1987 as result of new oil discoveries.

The contribution of agriculture to the total GDP of the GCC countries still remains insignificant despite the fact that in some countries of this group, particularly Saudi Arabia, remarkable progress has been achieved in this sector. The share of the agricultural sector in total GDP ranged from 1.2 per cent in Kuwait to 4.6 per cent in Saudi Arabia in 1987.

Table 3.6

Shares of mining, other sectors and GDP of groups of countries in total GDP of the ESCWA region, 1986-1987

Subregions	Share of mining		Share of other sectors		Share of GDP	
	1986 a/	1987 b/	1986 a/	1987 b/	1986 a/	1987 b/
GCC countries	16.4	17.8	37.2	35.2	53.5	53.0
(Saudi Arabia)	(8.9)	(9.3)	(22.8)	(21.3)	(31.6)	(30.6)
Diversified economies c/	3.3	4.8	40.8	40.2	44.1	45.0
Least developed countries	0.03	0.05	2.3	2.0	2.4	2.0
Total ESCWA countries c/	19.7	22.7	80.3	77.3	100.0	100.0

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

a/ Preliminary figures.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

Table 3.7

Share of agriculture in GDP in ESCWA subregions, 1985-1987

Subregions	1985	1986 a/	1987 b/
GCC countries	2.5	3.3	3.4
Diversified economies c/	16.2	17.4	16.5
Least developed countries	23.2	26.2	24.6
Total ESCWA countries c/	8.3	10.0	9.7

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

a/ Preliminary estimates.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

In the countries with diversified economies, agriculture remains an important sector in terms of labour force employed and share in the total GDP. The labour force engaged in the agricultural sector in this group of countries ranged from 4 per cent in Jordan to 44 per cent in the Syrian Arab Republic. The share of agriculture in total GDP of this group accounted for 16.5 per cent in 1987. The agricultural sector is the major contributor to the total GDP in least developed countries, where it is, to a great extent, the key factor determining overall economic performance. Agricultural labour force accounted for 40 per cent of total labour force in Democratic Yemen and 72 per cent in Yemen. The share of agricultural in total GDP of the least developed group represented around 24.6 per cent in 1987.

The share of the manufacturing sector in total GDP of GCC countries did not exceed 9.3 per cent in 1986, and estimated figures for 1987 showed a slight decrease in that share. This reflects the difficulties faced by this group of countries in diversifying their economies, despite the impressive achievements in the petrochemical industry.

The manufacturing sector in the diversified economies accounted for 18.2 per cent in 1986 and 17.8 per cent in 1987 of total GDP of this group. In Egypt, the share of manufacturing in GDP represented around 32.1 per cent and 32.9 per cent in 1986 and 1987 respectively while the manufacturing sector in the least developed countries accounted for less than 12 per cent during 1986 and 1987, reflecting weak production sectors in both Democratic Yemen and Yemen (see table 3.8) despite the high growth rates realized by the sector.

Table 3.8

Share of manufacturing in total GDP in ESCWA country groups
(1985-1987)

Country groups	1985	1986 a/	1987 b/
GCC countries	7.7	9.3	9.0
Diversified economies c/	17.8	18.2	17.8
Least developed countries	10.1	11.6	11.3
Total ESCWA countries c/	11.7	13.3	13.0

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

a/ Preliminary figures.

b/ ESCWA estimates.

c/ Excluding Lebanon owing to lack of data.

D. Per capita GDP

The average per capita GDP in the ESCWA countries amounted to $US 2,434.9 in 1986 and was estimated at $US 2,574.8 in nominal terms in 1987 (see table 3.9). A striking feature is the wide difference in per capita GDP among the three groups of countries comprising the ESCWA region. The GCC countries enjoy the highest per capita GDP. Their average per capita GDP increased from $8,563.8 in 1986 to $8,865.0 in 1987. The share of the diversified economies and the least developed countries in total GDP of the region did not exceed 47 per cent in 1987, while their population represented 84.6 per cent of the total population in the region (see table 3.10).

The average per capita GDP in the countries with diversified economies increased from $US 1,437.3 in 1986 to $US 1,552.8 in 1987 which represented an increase of 8 per cent in nominal terms. Nevertheless, the average per capita GDP in the ESCWA region remains below levels attained in 1985.

The lowest per capita GDPs are in the two least developed countries of the ESCWA region. The average per capita GDP was $US 537.3 in 1986 and is estimated to have been $US 518.6 in 1987. The recent per capita GDP decline in both countries was mainly due to the depreciation of the local currencies versus the US dollar and the negative impact of the adverse economic conditions prevailing in the region. It should be emphasized that the average per capita GDP by itself in this group of countries does not reflect adequately their poor economic conditions. Other economic and social indicators may be more accurate in reflecting the real conditions prevailing in this group. Such indicators include: the share of manufacturing in the total GDP; export/import ratio; life expectancy at birth; percentage of the population having access to safe drinking water; and daily supply of calories per capita as a percentage of the amount required.

Table 3.9

Per capita GDP in ESCWA country groups 1986-1987 at current prices (in US dollars)

Country groups	1986	1987	% change 1987/1986
GCC countries	8,563.8	8,865.0	3.5
Diversified economies a/	1,437.3	1,552.8	8.0
Least developed countries	573.3	518.6	-9.5
Total ESCWA countries a/	2,434.9	2,574.8	5.7

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

a/ Excluding Lebanon owing to lack of data.

Table 3.10

Share of country groups in total GDP and population of ESCWA countries

Country groups	Share in GDP 1986a/	1987b/	Share in population 1986	1987
GCC countries	53.5	53.0	15.2	15.4
Diversified economies c/	44.1	45.0	74.7	74.5
Least developed countries	2.4	2.0	10.0	10.1
Total ESCWA countries c/	100.0	100.0	100.0	100.0

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

a/ Preliminary figures.
b/ ESCWA estimates.
c/ Excluding Lebanon owing to lack of data.

E. Investment

Investment has been affected by the continuation of the overall economic slow-down in the ESCWA region as a whole. Moreover, the debt-servicing burden has placed additional constraints on available funds for development. The GCC countries have pursued a more restrained financial policy as a consequence of steadily falling oil revenues during the 1983-1986 period. This coincided with the completion of the basic infrastructure in most countries of the GCC group. Hence, a considerable change in the pattern of investment was noticeable in recent years. Most countries in the GCC group have taken a more realistic approach to economic development and are more selective about projects to be implemented in several countries of the region.

The share of gross investment in GDP was generally high in the ESCWA region during the late 1970s but declined after 1983. The share of investment decreased from 32.5 per cent in 1983 to 25.8 per cent in 1986.

In GCC countries, the share of gross investment declined from 28.6 per cent in 1984 to 26.3 in 1986. In the diversified economies group, the share of investment in the total GDP also shown some decline during the same period, dropping from 26 per cent in 1984 to 25.6 per cent in 1986. In the least developed countries, the share of investment in the total GDP also declined from 28.3 per cent in 1984 to 16.6 per cent in 1986 (see table 3.11). In terms of growth, investment recorded a negative growth rate of 8.5 per cent in 1986. GCC countries have recorded the largest decline in the ESCWA region. In this group investment decreased by 17.2 per cent in 1985 and it declined further by 15.8 per cent in 1986. In the countries with more diversified economies, investment recorded a growth of 9.2 per cent in 1985 and 5.6 per cent in 1986. In the least developed countries, investment also experienced a slight decline in both 1985 and 1986, reflecting the unfavourable conditions prevailing in the region. Available information for 1987 suggest a marginal growth rate of investment in total GDP resulting from moderate improvement of the overall economic performance during the year and the recovery experienced by some non-oil sectors in GCC countries.

Table 3.11

Gross investment ratio to GDP in ESCWA subregions (1985-1986)

Subregion	1985	1986 a/
GCC countries	26.4	26.3
Diversified economies a/	25.7	25.6
Least developed countries	19.7	16.6
Total ESCWA a/	25.9	25.8

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

a/ Excluding Lebanon owing to lack of data.

Table 3.12

Growth rates of investment in the ESCWA region (1985-1986)

Country	1985	1986
GCC countries	-17.2	-15.8
Diversified economies a/	9.3	5.6
Least developed countries	-1.1	-14.6
Total ESCWA a/	-11.9	-8.5

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

a/ Excluding Lebanon owing to lack of data.

F. Outlook

The general economic conditions in the region have been negatively affected by various military conflicts, namely the Iraq-Iran war, the Lebanese civil strife and the Middle East Conflict. These political and military confrontations are expected to continue, diverting human and capital resources away from economic development and growht in the region in 1988.

The economic outlook of the ESCWA region in 1988 greatly depends on developments in the international oil markets. All countries in the region are affected by these developments either directly and/or indirectly. Available data suggest that oil revenues will not vary significantly in 1988 from that in 1987 and therefore general economic conditions in the region will not witness significant change in 1988. The marginal improvement in the economic performance of the GCC countries in 1987 is most likely to continue through 1988. Other factors affecting the economic outlook in this group of countries include the petro-chemical industries which are likely to expand further in 1988, particularly in Saudi Arabia. Furthermore, services, particularly banking and tourism, will contribute to the improvement in the economies of some countries of this group.

The role of banking will increase in the economies of Kuwait, Saudi Arabia and Bahrain. Tourism is expected to play a greater role in Bahrain and, to a lesser extent, in Oman.

The countries with diversified economies are linked with those of GCC countries through different channels. The remittances by the nationals of the countries of this group working in major oil-exporting countries, represent a major element in the balance of payments of their countries. The concessional flow of financial resources to the economies of these countries in the form of soft loans and grants represent major sources of foreign currency earnings. The countries of this group have benefited directly or indirectly from the improvement in the oil market during 1987, which contributed favourably to the overall economic performance in several countries of this group. Furthermore, adjustment policies and reforms introduced in several countries of the group are expected also to improve the overall economic performance in 1988.

The new oil discoveries in the least developed countries have already created hopes for enhancing the economic situation and alleviating the foreign exchange problems in the two Yemens. On the other hand, reduced external concessional financial flows, mainly from GCC countries, however, will impose additional constraints on the development prospects in these countries.

IV. DEVELOPMENTS IN INTERNATIONAL TRADE AND PAYMENTS OF THE ESCWA REGION

A. Overall trade performance

1. Exports

The ESCWA region experienced a severe trade setback in 1986 when the aggregate dollar value of its exports fell by 28.7 per cent, causing exports to shrink to $58.39 billion, or slightly below 30 per cent of their level in 1980 (see table 4.1 and annex table A-1).[1/] These developments have been accentuated by the depreciation in the value of the dollar and the consequent loss in the purchasing power of exports.

All ESCWA countries recorded sharp falls in export earnings in 1986, with the exception of Lebanon, the value of whose exports is estimated to have risen by 3.7 per cent,.

While the quantity of crude oil produced by the region increased by one third in 1986, the average oil export price was slashed by one half. The impact on the oil-exporting members varied depending on their ability/willingness to expand output. Declines in export earnings ranged between 15 per cent in the case of Bahrain, where oil output remained virtually unchanged from the year before, to over 40 per cent in Oman and Qatar, where output recorded a moderate increase relative to the other major producers, reflecting mainly capacity limitations. Iraq, Kuwait, Saudi Arabia and the United Arab Emirates benefited from considerably higher production levels but still recorded large export shortfalls.

The year 1986 was also very unfavourable for the exports of the other ESCWA countries, especially the two least developed member countries where the value of exports fell by about 55 per cent compared with the year before. Egypt, the Syrian Arab Republic and Jordan suffered losses ranging between 19 and 23 per cent. In Egypt, lower oil prices were associated with reduced production, while in the Syrian Arab Republic the increase in oil output was relatively small to offset the impact of lower prices.

At the time this publication was being written, trade returns for 1987 were still very scanty and unrepresentative, thus precluding any meaningful deductions about the region's export performance in that year. However, judging by oil prices and production developments, exports from the region as a whole should show a significant recovery in 1987. While the region's production of crude oil is estimated to have fallen by 3.7 per cent in 1987, average oil prices are estimated to have improved by 27.6 per cent relative to the situation in 1986. At the country level, higher prices were accompanied

---

1/ The value of exports from the region has fallen in every year since 1981, with very large declines recorded in 1982 and 1983.

Table 4.1

Average annual variation*/ in export and import values
(Percentage)

	Exports (f.o.b.)						Imports (c.i.f.)					
	1975-1980	1980-1983	1980-1985	1983-1984	1984-1985	1985-1986	1975-1980	1980-1983	1980-1985	1983-1984	1984-1985	1985-1986
ESCWA region	26.0	-20.0	-16.0	-7.0	-11.2	-28.7	28.0	5.5	-2.4	-8.9	-17.2	-10.1
Major oil exporters	26.5	-21.5	-16.9	-7.5	-12.6	-29.5	33.0	4.0	-3.8	-10.7	-18.0	-12.6
Iraq	26.0	-28.0	-14.0	12.7	12.1	-26.2	27.0	-4.4	-5.4	-8.9	-4.7	-11.9
GCC countries	26.5	-20.5	-17.4	-9.9	-16.2	-30.2	35.0	6.0	-3.4	-11.0	-20.7	-12.7
Bahrain	25.5	-4.6	-5.0	-0.9	-10.0	-14.8	24.5	-2.2	-2.2	6.6	-10.7	-22.3
Kuwait	16.7	1.8	-12.0	6.0	-14.6	-29.9	22.0	4.1	-1.9	-6.4	-14.0	-2.0
Oman	21.5	4.3	5.8	4.1	12.4	-41.9	17.8	12.9	12.8	10.3	14.7	-13.0
Qatar	26.0	-16.7	-11.5	2.0	-7.9	-40.5	28.5	0.2	-4.7	-20.2	-2.0	-3.5
Saudi Arabia	30.0	-25.0	-24.0	-18.1	-26.8	-26.9	48.0	9.1	-4.8	-14.0	29.9	-19.1
United Arab Emirates	24.5	-10.9	-8.0	-5.3	-1.6	-33.4	27.0	-1.5	-4.6	-12.6	-5.4	2.8
Other ESCWA countries	13.5	-1.8	-0.1	-0.8	6.0	-19.9	14.3	10.8	2.3	-3.1	-14.9	-3.4
Democratic Yemen	24.5	-15.6	-9.4	-3.9	5.4	-54.8	15.1	5.1	0.8	8.6	-17.3	-22.1
Egypt	16.8	1.8	4.1	-2.3	18.3	-18.8	4.4	28.5	15.4	4.8	-7.5	-2.5
Jordan	30.5	0.3	7.9	29.9	11.4	-22.8	27.0	8.2	2.1	-8.1	-4.6	-8.4
Lebanon	-5.0	-7.3	-11.1	-15.8	-17.2	3.7	12.2	0.1	-9.6	-19.5	-25.2	0.0
Syrian Arab Republic	17.8	-3.0	-4.9	-3.6	-11.7	-19.1	19.6	3.3	-9.3	-9.4	-38.4	6.6
Yemen	15.9	5.5	36.5	140.7	66.2	-53.7	44.5	-6.4	-2.5	5.2	-2.6	-13.5
For reference:												
Least developed countries b//	24.0	-14.4	-4.7	7.7	16.2	-54.5	32.0	3.1	-1.6	6.3	-7.4	-16.0

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

* Compound rates of growth based on terminal years.

a/ Democratic Yemen and Yemen.

by significant increases in production in the Syrian Arab Republic, Iraq, Egypt and the United Arab Emirates. Also, the two Yemens began producing oil though still on a very moderate scale. In the countries where production declined, notably Saudi Arabia and Kuwait, and to a smaller extent Qatar and Bahrain, the improvement in prices remained significantly larger in relative terms than production cuts.

Individual country export performance is also influenced by developments in prices and quantities of major non-oil export commodities such as aluminium in Bahrain, cotton in Egypt and the Syrian Arab Republic, and phosphates in Jordan and the latter country.

Prices received for Bahrain's aluminium exports recorded a sharp fall (23 per cent) in 1985 and remained depressed during 1986[1/] and the first half of 1987. Sharply reduced quantities resulted in considerably lower export earnings (38 per cent) in the first half of 1987, despite some firming up of prices, compared with an expansion of more than two fifths in 1986 (valued in national currency). Total exports plunged by about one fifth in the first half of 1987 in line with petroleum exports.

Egypt's earnings from cotton exports were somewhat higher in 1986, reflecting slight improvements in both volume and prices. During the first half of 1987, earnings were 5 per cent lower than the corresponding period in 1986 because quantities were reduced as prices showed some improvement.

Iraq's non-oil industrial exports,[2/] led by construction materials, textiles and foodstuffs in that order, are reported to have increased significantly in 1987, reflecting higher production and helped by the government efforts to promote exports by both the public and private sectors. Iraq has also been exporting gas to Kuwait and its refinery expansion programme has enabled it to become a net exporter of oil products.

Jordan's exports in 1986 were adversely affected by the large drop (45 per cent) in the value of re-exports,[3/] and the fall in average phosphate prices. During the first half of 1987, both phosphate exports and re-exports remained considerably below their level a year earlier, as phosphate prices came under further pressure and fell sharply. However, the value of total exports rose by about 12 per cent, reflecting higher industrial exports, especially to Iraq with which trade has been growing rapidly. Local manufacturing was also assisted by new protective measures, including reduced customs duties on raw materials and higher tariffs on imports of competing goods.

1/ The volume of aluminium exports rose by almost 44 per cent in 1986 while that of refined petroleum increased by 38 per cent over 1985.

2/ Non-oil exports are reported to have increased by 240 per cent in 1986, led by dates, fruits and vegetables (Middle East Economic Digest (MEED), vol. 31, No. 5).

3/ In 1985, re-exports amounted to 21.8 per cent of domestic exports (see International Monetary Fund, International Financial Statistics, January 1988).

Lebanon's exports in dollar terms increased by about 12 per cent in the first half of 1987, compared with the same period in 1986, helped by enhanced competitiveness resulting from the sharp depreciation of the national currency. For 1987 as a whole, exports were expected to increase by 50 per cent.1/

In the Syrian Arab Republic, the value of cotton exports fell sharply, by 28 per cent, in 1986 despite an 8 per cent improvement in the quantities exported; production during the 1986/1987 season was expected to fall to about 130,000 tons, from 160,000 tons in the previous season.2/ Phosphate exports increased by 48 per cent in 1986 with higher production, the opening up of new markets in Western Europe, and doubling of phosphate throughput capacity at Tartous port to 2.6 million tons/year.3/

Saudi Arabia also experienced a fast rise in its exports of non-oil products, notably petrochemicals.4/

2. Imports

The compression of imports continued for the fourth consecutive year in 1986. Total imports into the region further declined by about 10 per cent, which brought them to $66.59 billion, or two-fifths of their peak level in 1982 (see table 4.1 and annex table A-1). The decline, as in the year before, was universal except for the Syrian Arab Republic which experienced a 6.6 per cent increase, though from already very depressed levels, and the United Arab Emirates where the value of imports rose marginally.

As a group, the major oil exporters suffered a 12.6 per cent drop in their imports, compared with 18 per cent in 1985. In the other ESCWA countries, where compressing imports has proved increasingly difficult, the value of imports fell in 1986 by 3.4 per cent only, compared with 14.9 per cent the year before.

1/ According to the Chamber of Commerce and Industry (MEED, vol. 31, No. 37).

2/ MEED, vol. 31, No. 3.

3/ Ibid., vol. 31, No. 5.

4/ The Saudi Basic Industries Corporation (SABIC) announced a sixfold increase in net profits in the first half of 1987, to $930 million, over the same period a year before. The increase in profits was attributed to "healthy" world prices for petrochemicals (see Middle East Economic Survey, 23 September 1987).

Lebanon's exports in dollar terms increased by about 12 per cent in the first half of 1987, compared with the same period in 1986, helped by enhanced competitiveness resulting from the sharp depreciation of the national currency. For 1987 as a whole, exports were expected to increase by 50 per cent.[1/]

In the Syrian Arab Republic, the value of cotton exports fell sharply, by 28 per cent, in 1986 despite an 8 per cent improvement in the quantities exported; production during the 1986/1987 season was expected to fall to about 130,000 tons, from 160,000 tons in the previous season.[2/] Phosphate exports increased by 48 per cent in 1986 with higher production, the opening up of new markets in Western Europe, and doubling of phosphate throughput capacity at Tartous port to 2.6 million tons/year.[3/]

Saudi Arabia also experienced a fast rise in its exports of non-oil products, notably petrochemicals.[4/]

2. Imports

The compression of imports continued for the fourth consecutive year in 1986. Total imports into the region further declined by about 10 per cent, which brought them to $66.59 billion, or two-fifths of their peak level in 1982 (see table 4.1 and annex table A-1). The decline, as in the year before, was universal except for the Syrian Arab Republic which experienced a 6.6 per cent increase, though from already very depressed levels, and the United Arab Emirates where the value of imports rose marginally.

As a group, the major oil exporters suffered a 12.6 per cent drop in their imports, compared with 18 per cent in 1985. In the other ESCWA countries, where compressing imports has proved increasingly difficult, the value of imports fell in 1986 by 3.4 per cent only, compared with 14.9 per cent the year before.

1/ According to the Chamber of Commerce and Industry (MEED, vol. 31, No. 37).

2/ MEED, vol. 31, No. 3.

3/ Ibid., vol. 31, No. 5.

4/ The Saudi Basic Industries Corporation (SABIC) announced a sixfold increase in net profits in the first half of 1987, to $930 million, over the same period a year before. The increase in profits was attributed to "healthy" world prices for petrochemicals (see Middle East Economic Survey, 23 September 1987).

The pressure to cut imports since 1983 reflected the deep concern, especially in the Gulf region, about the fall in export earnings and loss of purchasing power resulting from the depreciation of the dollar, and the desire to safeguard international reserves. Indirectly, the lower export earnings of the major oil exporters have affected the ability of other countries in the region to import; these other countries send a sizeable portion of their exports[1/] to the oil countries and rely on them for substantial flows of foreign exchange in the form of workers' remittances and aid, all of which have come under pressure.

In the absence of trade returns for 1987, and notwithstanding the continuation of fiscal retrenchment policies in most countries of the region, some relaxation of import restrictions could be expected from the improvement in export earnings and the partial reconstitution of reserves.

The developments outlined above have caused further erosion of the region's position in world trade: from 4.2 per cent in 1985 to 2.7 per cent in 1986 for exports, and from 3.7 per cent to 3 per cent for imports.

3. Export/import ratios

The ability of the region as a whole to finance imports from export proceeds has been eroded considerably in recent years, as reflected in the trend of the export/import ratio (see table 4.2). The ratio of current exports to current imports was nearly halved between 1980 and 1982, falling from 2.34 to 1.25, as exports dropped sharply while imports rose rapidly. In the two years which followed, the level of imports was maintained close to that of exports, yielding an export/import ratio slightly above unity. The ratio improved somewhat, to 1.1 in 1985, as the value of exports declined less than that of imports. However, the opposite occurred in 1986 and the export/import ratio fell below unity, to 0.88.

These developments mirrored closely the situation in the major oil-exporting countries of the region, as the overall export/import ratio of the remaining countries varied between very narrow limits, declining slightly in the process to 0.30 in 1986. Among the countries particularly affected by these unfavourable trends were Saudi Arabia, Qatar, Kuwait, Iraq and Lebanon.

A comparison of export levels with import levels in 1980, making allowances for what appears to have been unduly high imports in 1982 and 1983 and deliberately compressed imports after that, reveals a deeper erosion of the ability of the region to meet its import requirements by exporting goods. In 1986, exports could only cover 70 per cent of imports at the 1980 rate.[2/]

1/ The combined exports of Egypt, Jordan, Lebanon, the Syrian Arab Republic and the two Yemens to the GCC countries and Iraq fell from $715 million in 1985 to $548 million in 1986.

2/ The ratio would definitely be lower if allowances could be made for higher import prices since 1980.

B. Direction of trade*

1. Aggregate trade

The overall geographical distribution of exports from the ESCWA region was virtually unchanged between 1985 and 1986 (see table 4.3). The developed-market economies remained the major export outlet, absorbing some 53 per cent of all exports in 1986, followed by developing countries in other regions, notably in Asia, which took another 20 per cent. Only 7.1 per cent of exports were sold in the region, and a much smaller portion (2.4 per cent) went to centrally planned economies. At a more disaggregated level, it is worth noting the improvement in the position of the EEC, from 18 per cent to 21 per cent, and that of the United States, from 4 per cent to over 7 per cent, of total exports. At the same time, the share of Japan dropped by some 6 percentage points.

Table 4.2

Export/import ratios, 1980-1986
(In terms of current and 1980 imports)

	1980	1981	1982	1983	1984	1985	1986
ESCWA region							
Current imports	2.34	1.83	1.25	1.01	1.03	1.10	0.88
1980 imports	2.34	2.26	1.64	1.19	1.10	0.98	0.70
Major oil exporters							
Current imports	2.86	2.63	1.48	1.24	1.29	1.37	1.11
1980 imports	2.86	2.75	1.97	1.40	1.29	1.13	0.80
Iraq							
Current imports	1.88	0.51	0.45	0.80	1.00	1.17	0.98
1980 imports	1.88	0.76	0.73	0.70	0.79	0.88	0.65
GCC countries							
Current imports	3.12	2.87	1.80	1.33	1.35	1.42	1.14
1980 imports	3.12	3.29	2.30	1.58	1.43	1.20	0.84
Other ESCWA countries							
Current imports	0.41	0.32	0.32	0.28	0.29	0.36	0.30
1980 imports	0.41	0.42	0.40	0.38	0.38	0.40	0.32

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

* The data used in this section, derived from statistics reported by the International Monetary Fund in its Direction of Trade Yearbook, 1987, may differ in some significant respects from data used in other sections and based on national and/or other international sources.

Table 4.3

Direction of trade, selected years
(Percentage shares)

	Exports (f.o.b.)				Imports (c.i.f.)			
	1980	1983	1985	1986	1980	1983	1985	1986
ESCWA region	5.0	6.3	7.1	7.3	10.4	6.7	7.6	6.6
Other developing regions	19.0	24.5	20.8	20.3	9.3	11.0	14.8	13.9
Asia (excl. ESCWA)	12.2	17.2	14.4	14.6	7.3	8.8	11.7	10.9
Africa	1.5	1.9	2.2	1.9	0.9	0.7	1.1	1.1
North Africa (excl. Egypt)	0.7	1.0	1.3	1.0	0.6	0.4	0.8	0.8
America	5.2	5.4	4.1	3.7	1.1	1.4	2.0	1.9
Oceania	0.1	0.1	0.1	0.1	-	-	-	-
Developed market economies	63.6	51.4	53.2	53.4	67.0	68.7	63.8	64.5
EEC	31.0	19.6	18.0	21.0	34.3	34.8	33.3	35.7
Germany (Fed. Rep. of)	2.8	2.6	1.7	2.2	9.0	9.8	7.7	8.1
United Kingdom	3.7	2.0	1.5	2.4	7.4	6.7	7.3	9.3
EFTA	3.3	1.4	1.7	1.8	4.5	4.5	4.8	4.4
United States of America	9.9	4.6	4.0	7.2	13.3	14.0	11.6	12.4
Japan	19.4	25.8	29.5	23.4	14.9	15.4	14.1	12.0
Centrally planned economies	1.4	1.8	2.0	2.4	4.3	4.2	4.3	6.1
CMEA (European)	1.2	1.6	1.8	2.2	3.2	3.3	3.5	3.4
China	0.2	0.2	0.2	0.2	1.1	0.9	0.8	2.7
Rest of world	11.0	16.1	16.8	16.5	8.9	9.5	9.5	8.9
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data in the International Monetary Fund, Direction of Trade Yearbook, 1987.

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

- = Nil or negligible.

Taking a somewhat longer view, a number of significant shifts can be noted in the geographic pattern of exports. During the first six years of the current decade, the share of exports going to developed market economies dropped by about 10 percentage points, from 63.6 per cent of the total in 1980 to 53.4 per cent in 1986. This reflected closely the trend in the share of the EEC which fell from 31 per cent to 21 per cent over the same period. The share of Japan rose sharply from 19.5 per cent in 1980 to 29.5 per cent in 1985 but dropped to 23.4 per cent in 1986, while that of the United States was more than halved to 4 per cent before recovering partially in 1986.

The gains realized in the share of exports going to developing countries outside the ESCWA region between 1982 and 1984 were largely lost in the two years which followed. In 1986, this share was only 1.3 per cent higher than it was in 1980 (19 per cent).

The share of intraregional exports rose modestly but steadily, from 5 per cent of the total in 1980 to 7.3 per cent in 1986.

The import trade of the region continued to be dominated by suppliers from developed-market economies which provided 64.5 per cent of the total imports in 1986. These were followed, but with much smaller totals, by other developing regions (13.9 per cent), notably Asia. In contrast, intraregional imports and imports from centrally planned economies accounted for only 6.6 per cent and 6.1 per cent of the total respectively. The EEC alone was responsible for 35.7 per cent of all imports into the region, followed by Japan and the United States with a share of around 12 per cent each. And, as in earlier years, the bulk of imports originating in developing countries came from Asia, the share of which, in total imports, stood at 10.9 per cent in 1986.

The sharp curtailment of imports after 1982 appears to have cut relatively more deeply into imports from within the region, the share of which dropped to 6.6 per cent in 1986, having peaked at 10.9 per cent in 1981.

Given the links between the currencies of several countries in the ESCWA region and the United States dollar, the depreciation of the latter relative to other major world currencies since late February 1985 should, in principle, enhance the competitiveness of suppliers from the United States and other countries whose currencies are linked to the dollar, relative to such countries as Japan, the Federal Republic of Germany and the United Kingdom. However, it is still too early to attribute to this factor a role in the changes noted in 1986 in relative shares of major import suppliers. While these changes appear to be in the expected direction in the case of Japan and the United States, they are not so in the case of the Federal Republic of Germany and the United Kingdom (see table 4.3). Such changes are not much different from the ones mentioned above which could be associated with a large variety of factors.

2. Intraregional trade

The apparent improvement in the performance of intraregional exports, the share of which in total exports rose from 5 per cent in 1980 to over 7 per cent in both 1985 and 1986 (see table 4.4), reflected a more steep decline in total exports relative to the regional component rather than a real increase.

Table 4.4

Share of intraregional trade in total trade, selected years
(Percentage)

	Exports (f.o.b.)				Imports (c.i.f.)			
	1980	1983	1985	1986	1980	1983	1985	1986
ESCWA region	5.0	6.3	7.1	7.3	10.4	6.7	7.6	6.6
Major oil exporters	4.4	5.8	6.5	6.7	7.9	6.4	7.4	6.7
Iraq	3.2	3.0	3.6	4.1	5.1	6.0	5.4	5.3
GCC countries	4.6	6.0	7.0	7.1	8.6	6.4	7.8	7.0
Bahrain	25.6	27.1	26.5	21.1	58.3	44.7	50.8	43.2
Kuwait	8.3	10.1	7.5	8.7	3.6	4.4	3.5	3.4
Oman	0.4	0.2	0.3	0.4	22.5	18.1	22.9	23.6
Qatar	3.6	4.4	4.5	6.0	7.5	4.5	5.4	5.2
Saudi Arabia	3.2	5.0	7.3	5.9	3.2	2.6	2.6	2.5
United Arab Emirates	4.9	4.2	5.5	7.2	8.7	7.6	6.6	5.6
Other ESCWA countries	21.6	14.2	13.3	12.3	19.1	7.6	8.1	6.2
Democratic Yemen	35.1	12.8	13.0	29.8	59.8	23.9	26.1	27.0
Egypt	11.1	4.0	4.5	3.6	1.8	2.8	2.2	1.3
Jordan	47.9	41.6	48.2	33.2	23.8	23.7	25.4	15.5
Lebanon	64.4	61.7	50.4	42.0	15.6	8.4	13.2	10.8
Syrian Arab Republic	5.9	5.1	4.6	7.0	22.0	1.4	1.9	4.5
Yemen	49.6	68.7	24.5	49.3	22.5	15.1	12.8	11.8

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data in the International Monetary Fund, Direction of Trade Yearbook, 1987.

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

In fact, the value of intraregional exports fell rapidly after 1981, when it attained $11.6 billion, to reach $5.87 billion in 1985 and $4.74 billion in 1986. While this was generally true of the major oil exporters, the situation was markedly different in the case of the other ESCWA countries where the downward slide in intraregional exports was much more pronounced than the drop in total exports. Whereas total exports declined by 10 per cent only between 1980 and 1986, from $7.23 billion to $6.48 billion, intraregional exports dropped by almost 50 per cent, bringing the share of intraregional exports down from 21.6 per cent in 1980 to 12.3 per cent in 1986. Lebanon and Jordan appear to have been the worst hit.

The compression of imports which began in 1983, has disproportionately affected imports from within the region which, in 1986, were only slightly above two fifths of their peak level in 1981.1/ But whereas in the major oil exporters the decline in the share of intraregional imports was relatively small, from 7.9 per cent of the total in 1980 to 6.7 per cent in 1986, and reflected the downward trend in both flows, the sharp drop observed in the share of intraregional imports in the other ESCWA countries, from 19.1 per cent to 6.2 per cent, resulted from the steep fall in imports from within the region. These fell from $3.57 billion in 1980 to $1.86 billion in 1986 while total imports actually followed an upward trend rising from $18.6 billion to $22.50 billion over the same period, and averaging $22.71 billion in 1981-1985.

Thus, there appears to be a tendency to dispense more readily with imports from within the region than with imports from other sources when there is pressure to cut down foreign exchange outlays, leading to the conclusion that such imports are less essential than those procured from outside the region.

The extent of participation in intraregional trade varies widely among country groupings and between individual countries (see table 4.5). The overwhelming dominance of the oil economies is evident in both export and import trade. In 1986, the GCC countries accounted for over three fourths of intraregional exports and three fifths of imports. In the case of exports, this was not significantly different from the 1980 position; for imports, however, it represented a rise of close to 10 percentage points. The other ESCWA countries appear, as a whole, to have retained their share in intraregional exports at around 16 per cent of the total, but to have lost considerable ground with respect to imports where their share fell from 40.7 per cent in 1980 to 29.5 per cent in 1986.

1/ Intraregional imports dropped from $11.36 billion in 1981 to $3.33 billion in 1986.

Table 4.5

Participation in intraregional trade, selected years

	Exports (f.o.b.)				Imports (c.i.f.)			
	1980	1983	1985	1986	1980	1983	1985	1986
Major oil exporters	83.9	85.6	84.2	83.2	59.3	71.5	71.7	70.5
Iraq	9.5	3.6	6.3	6.7	8.1	9.5	9.5	9.8
GCC countries	74.4	82.0	77.9	76.6	51.2	62.0	62.2	60.7
Bahrain	9.6	12.9	11.5	11.2	23.1	23.1	25.1	21.8
Kuwait	17.5	17.3	12.5	14.2	2.7	5.1	3.8	4.0
Oman	0.1	0.1	0.2	0.2	4.4	7.0	12.4	13.7
Qatar	2.0	2.4	2.5	2.7	1.2	1.0	1.1	1.2
Saudi Arabia	34.3	37.3	35.1	31.0	11.2	15.9	11.6	11.9
United Arab Emirates	11.0	12.0	16.0	17.4	8.6	9.9	8.2	8.0
Other ESCWA countries	16.1	14.4	15.8	16.8	40.7	28.5	28.3	29.5
Democratic Yemen	1.9	0.6	0.7	0.9	11.3	3.3	3.2	3.2
Egypt	3.5	1.9	2.9	2.9	1.0	4.5	3.7	3.4
Jordan	2.5	3.4	5.5	5.6	6.5	11.2	11.9	12.1
Lebanon	6.9	6.8	5.0	5.2	6.8	4.9	4.9	4.8
Syrian Arab Republic	1.3	1.5	1.2	1.7	10.3	1.0	1.0	2.5
Yemen	0.1	0.3	0.4	0.5	4.8	3.7	3.6	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled on the basis of data in the International Monetary Fund, Direction of Trade Yearbook, 1987.

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

Considering individual country participation in intraregional exports[1/] (see table 4.5), Saudi Arabia ranked first in 1986 with a 31 per cent share followed by the United Arab Emirates (17 per cent), Kuwait (12 per cent), and Bahrain (11 per cent). On the import side, Bahrain emerges as the largest single importer with a 22 per cent share, followed by Oman (14 per cent), Jordan (12 per cent), Saudi Arabia (12 per cent), Iraq (10 per cent) and the United Arab Emirates (8 per cent). In the case of both Jordan and Oman, this represents a sharp rise from earlier levels. In contrast, the Syrian Arab Republic appears to have sharply curtailed its imports from the region.

It needs to be stressed, however, that the figures in table 4.5 are heavily influenced by the inclusion of fuels, as in the case of Saudi Arabia's exports and Bahrain's imports, and the fact that some of the smaller Gulf States act as indirect suppliers of a large variety of goods to other countries in the Gulf and to Iraq. Thus, if fuel trade and re-exports were to be excluded, that is considering non-oil indigenous exports only, the true significance in intraregional trade of such countries as Lebanon and Jordan would become more apparent

Another aspect of the skewness of intraregional trade is illustrated in table 4.6 and annex table A-4. The geographic scope of individual country trade appears to be generally very narrow, implying weak and/or inadequate trade relations and ties at the regional level and highlighting the importance of bilateral trade relations in explaining intraregional trade flows relative

---

1/ The participation of Egypt in intraregional trade has been adversely affected by the situation which emerged in the wake of the Camp David accords and entailed a severance of both diplomatic and economic relations. The situation has tended to improve in the last two years with Jordan and Iraq taking the initiative in reactivating trade and economic relations with Egypt. The resumption of diplomatic relations with most countries in the region following the Extraordinary Arab Summit Meeting, which was held in Amman in November 1987, should give a further boost to Egypt's involvement in intraregional trade. Egypt and Iraq signed in May 1987 an economic and technical co-operation agreement providing for a two-way trade of $200 million in 1988. Exports to Iraq include textiles, clothing, chemicals, and water pumps, while Egypt's imports from Iraq include sulphur, cement, dates, aluminium fluoride and fertilizers (MEED, vol. 31, No. 22). Egypt and Lebanon also signed an agreement involving an exchange of products worth $5.5 million over the period July 1987-June 1988.

to other arrangements.[1/] On average, 56 per cent of all regional exports in 1985 went to the leading market of individual countries, while the cumulative share of the first two and three markets reached 75 per cent and 83 per cent respectively. The geographic concentration of intraregional imports appears to be even more pronounced, with imports coming from the leading supplier in each case averaging 63 per cent for the region as a whole, and reaching 86 per cent for the leading three suppliers.

At the country level, the degree of geographic concentration of exports appears to be lowest in the case of the Syrian Arab Republic and Lebanon (65-66 per cent) and highest for the two Yemens (about 100 per cent). On the import side, Saudi Arabia and Kuwait appear to have the least concentration (53-54 per cent).

The reasons behind the poor performance of intraregional trade have been amply analysed from various perspectives and solutions proposed accordingly, often inspired by a felt need to move along a wide front and the overall political mood prevailing at the time.

While the success or failure of a policy or measure may depend on factors specific to it, some common adverse features can be discerned. These stem essentially from the inconsistency between economic realities and political motivations which often inspire very ambitious and comprehensive schemes which, by their very nature, are inflexible, and the fact that proposed measures do not seem in most cases to have been able to generate sufficient support beyond the circles promoting them.

The underlying obstacles confronting efforts to promote intraregional trade may be attributed to what appears to be divergent interests of member countries in the short and medium-term. Differences in levels of development pose the threat of "polarization" of benefits. Low average external tariffs in the larger markets of the Gulf could result in trade diversion, while import-substitution efforts being actively pursued there may be frustrated by the flow of cheaper imports from other countries in the region, or elsewhere for that matter. Moreover, in the major importing countries, adequate foreign exchange and a market-oriented economic philosophy favour importation on a competitive basis. The deficit countries, on the other hand, face difficulties in exporting to each other due to similarities in production structures and foreign exchange shortages.

1/ Several agreements were concluded between member countries during the period under review involving mainly Iraq with other countries. Jordan and Iraq are reported to have agreed on a $900 million target for mutual trade in 1988. Iraq signed an economic, trade and technical co-operation agreement with Bahrain on 24 November 1987, providing for increasing trade and co-operation in industry, agriculture, transport, communications and training. In addition, Iraq signed a Protocol with Kuwait on 15 January 1987 covering the organization and expansion of mutual trade, customs and transit and an agreement with the United Arab Emirates on 15 February 1987 to expand trade.

Table 4.6

Cumulative share of leading trading partners in intraregional trade, 1985
(Per cent)

	Exports			Imports		
	Trading Partner			Trading Partner		
	First	Second	Third	First	Second	Third
Bahrain	75	86	94	96	98	99
Democratic Yemen	91	97	100	41	60	78
Egypt	44	68	81	41	73	82
Iraq	46	82	90	42	75	84
Jordan	52	82	88	59	87	91
Kuwait	32	61	72	21	40	54
Lebanon	42	56	66	36	54	73
Oman	33	58	80	92	96	98
Qatar	30	50	65	48	63	76
Saudi Arabia	62	80	86	20	37	53
Syrian Arab Republic	30	48	65	43	82	92
United Arab Emirates	64	75	80	68	77	85
Yemen	63	98	99	64	83	91
Region* (Weighted Average)	56	75	83	63	78	86

Source: International Monetary Fund, Direction of Trade Yearbook, 1987.

* Calculated as the cumulative sum of each country's cumulative trade with its first, second and third trading partners, respectively, divided by total intraregional trade of the 13 countries listed in the table.

It is only through becoming more competitive that regional suppliers can hope to capture a larger share of the regional market. Preferential trading arrangements and other trade-promoting measures can help, but, as past experience shows, their impact could be very limited. In this sense, promoting intraregional trade may not be less challenging than promoting trade in general.

Export financing has long been considered a key factor in determining the competitiveness of regional suppliers relative to competitors. The sluggishness in intraregional trade which has accompanied the sharp drop in export earnings in recent years has contributed to focusing attention on the importance of providing adequate financing for reactivating and expanding this trade. Efforts in this direction have taken two related turns: providing financing and guaranteeing export credit related to intraregional trade. In both cases, however, the issues are being considered within the wider Arab perspective.

The establishment by the Inter-Arab Investment Guarantee Corporation, as of the beginning of 1986, of an Arab Export-Credit Guarantee scheme, responds to a long-felt need by those who have observed the faltering steps taken so far to expand intra-Arab trade. The scheme covers commercial risks in addition to non-commercial risks which have been covered since 1983. It is intended to make Arab exporters more competitive in the regional market by enabling them to quote better credit terms and offer finance for longer durations than has been possible hitherto. It is also hoped that the scheme will induce more trade financing by Arab banks and financial institutions that have been reluctant to go into financing intra-Arab trade for lack of export-credit guarantees, among other things.

Eligibility under the facility requires that goods must have at least 40 per cent value-added from Arab origin; trade must be between Arab States; and the terms of payments covered must not exceed 180 days for commercial and non-commercial risk coverage.1/ Individual country ceilings are limited to the Corporation's paid-up capital, of around $75 million at end-1986, which could be extended to include reserves, amounting to $55 million.

The Corporation - aware of the difficulties encountered in the past when attempting to augment its capital - has opted to expand its guaranteeing operations through reinsuring with Arab and international insurance firms, with separate reinsurance agreements for non-commercial and commercial risks and only Arab involvement in the former.2/

As to the provision of credit facilities and direct financing of trade transactions within the ESCWA region and the wider Arab context, on terms competitive with those offered by export credit agencies in other parts of the world, the issue is under active consideration especially by the Arab Monetary Fund and Arab central banks. Such financing, among other things, should be trade-creating in that the resulting expansion of intraregional trade should not be achieved at the expense of trade with the rest of the world. Moreover, it should not be made on an ad hoc basis if it is to have an enduring effect on creating and deepening trade relations among member countries.

Indirectly, trade financing may also be promoted by allocating part of the funds available to regional and national development finance institutions to projects directly geared to production for export in the region and/or import-substitution projects with a regional/subregional scope.

1/ From the beginning of 1986 and up to mid-November 1987, the volume of export transactions guaranteed reached $188.3 million, involving 9 countries on the exporting side and 19 countries on the importing side.

2/ The Inter-Arab Investment Guarantee Corporation announced in November 1987 that it was to start reinsuring its commercial risks in an effort to expand the amount of intra-Arab trade it could guarantee (see MEED, vol. 31, Nos. 28, 45 and 51).

C. Balance of payments developments

The balance of payments of the ESCWA region came under increasing pressure in 1986. The combined current account deficit of the 10 countries for which data were available rose from $2.74 billion in 1985 to $5.21 billion in 1986 (see table 4.7). Essentially, this reflected the collapse in the trade surplus from $16.22 billion to $3.78 billion (f.o.b. valuation).1/ An almost equivalent narrowing in the deficit on services,2/ from $13.65 billion in 1985 to $3.34 billion in 1986, helped to contain the deterioration in the region's position on current transactions. With the goods and services account virtually in balance, the current account deficit in 1986 was not much different from that on unrequited transfers, which recorded a small increase to $5.66 billion.

Slight relief only came from the capital account. Net capital inflows were a mere $0.91 billion in 1986, compared with $10.66 billion the year before. However, the reported negative entry on "net errors and omissions", believed to consist of private capital flows mainly, narrowed from $7.44 billion to $3.52 billion between 1985 and 1986.

The result of these developments has been to leave a large overall balance of payments deficit in the amount of $7.73 billion in place of the relatively small ($0.48 billion) surplus of the year before. The entry grouping "counter-part items, exceptional financing and others"3/ helped to offset part of the deficit but reserves had to be drawn down by $6.25 billion - following a small recovery of $2.4 billion in 1985 - or by as much as 180 per cent of the reduction witnessed in the period 1982-1984.

The pace of decline in the overall trade surplus of the GCC countries, after slowing down considerably in 1984 and 1985, accelerated sharply in 1986, bringing down the surplus to $10.4 billion, compared with $24 billion the year before. But whereas in 1985 both exports and imports 4/ dropped substantially, by $13.02 billion and $9.46 billion respectively, it was the sharp decline in exports, by $19.17 billion, that was responsible for the deterioration in the trade balance as imports fell by only $5.56 billion.

The deficit on services was reduced dramatically, from $13.65 billion in 1985 to $3.34 billion in 1986. However, it has proved much more difficult to effect large cuts in transfer payments which tended to fall only moderately after 1982. Thus, the GCC surplus on goods and services, amounting to $7.83 billion in 1986, was insufficient to cover net transfer payments, leaving a $3 billion deficit on current transactions as a whole.

1/ The deterioration in the trade balance resulted from the steep fall in exports as imports declined moderately. (see annex table A-1 of this study).

2/ As defined by the International Monetary Fund to include non-factor services plus investment income.

3/ Reflecting mainly valuation changes.

4/ Valued f.o.b. except for Qatar and the United Arab Emirates (c.i.f.).

Table 4.7

Summary of balance of payments flows, 1980-1986
(Millions of United States dollars)

	1980	1981	1982	1983	1984	1985	1985 a/	1986 a/
Trade balance (f.o.b.)	100,286	99,762	46,372	17,563	16,422	14,269	16,220	3,781
GCC countries	109,098	110,683	56,459	28,128	27,568	24,013	24,013	10,399
Non-oil diversified economies	-6,419	-8,615	-7,513	-8,166	-9,049	-8,092	-6,141	-5,437
Least developed countries	-2,393	-2,306	-2,574	-2,399	-2,097	-1,652	-1,652	-1,181
Services b/ (net)	-23,989	-28,908	-23,520	-22,320	-20,980	-14,009	-13,654	-3,338
GCC countries b/	-23,466	-28,186	-22,234	-21,596	-19,474	-12,313	-12,313	-2,571
Non-oil diversified economies	-458	-648	-1,195	-597	-1,373	-1,521	-1,166	-607
Least developed countries	-65	-74	-91	-127	-133	-175	175	-160
Balance on goods and services	76,297	70,854	22,852	-4,757	-4,558	259	2,565	444
GCC countries	85,632	82,497	34,225	6,532	8,094	11,700	11,700	7,829
Non-oil diversified economies	-6,877	-9,263	-8,708	-8,763	-10,422	-9,614	-7,308	-6,044
Least developed countries	-2,458	-2,380	-2,665	-2,526	-2,230	-1,827	-1,827	-1,341
Unrequited transfers (net)	-4,957	-5,761	-4,356	-2,926	-2,415	-3,954	-5,308	-5,656
GCC countries	-13,663	-14,209	-12,575	-11,845	-11,308	-11,420	-11,420	-10,814
Non-oil diversified economies	7,064	6,813	6,273	7,146	7,225	6,156	4,802	4,133
Least developed countries	1,642	1,635	1,946	1,773	1,668	1,310	1,310	1,025
Balance on current account	71,340	65,095	18,497	-7,684	-6,972	-3,692	-2,740	-5,211
GCC countries	71,971	68,289	21,650	-5,314	-3,212	281	281	-2,985
Non-oil diversified economies	187	-2,450	-2,436	-1,617	-3,198	-3,457	-2,505	-1,910
Least developed countries	-818	-744	-717	-753	-562	-516	-516	-316
Capital flows c/ (net)	50,750	-40,046	-13,465	15,646	12,398	11,699	10,663	912
GCC countries c/	-52,994	-43,387	-15,750	13,770	9,141	8,548	8,548	-1,461
Non-oil diversified economies	1,746	2,944	1,999	1,459	2,943	2,802	1,766	2,071
Least developed countries	498	397	286	417	314	349	349	302

Table 4.7. (Cont'd)

	1980	1981	1982	1983	1984	1985	1985 a/	1986 a/
Errors and omissions d/	-8,174	-8,655	-4,413	-9,417	-4,938	-7,377	-7,439	-3,519
GCC countries	-7,193	-8,442	-4,617	-9,791	-5,093	-8,074	-8,074	-3,505
Non-oil diversified economies	-1,137	-261	188	239	-1	641	579	-113
Least developed countries	156	48	16	135	156	56	579	99
Overall balance	12,415	16,393	621	-1,456	489	630	482	-7,726
GCC countries	11,783	16,459	1,284	-1,335	835	754	754	-7,816
Non-oil diversified economies	796	233	-248	80	-255	-15	-161	47
Least developed countries	-164	-299	-415	-201	-91	-111	-111	43
Counterpart items, exceptional financing and others e/	-167	-2,291	-1,007	-827	-1,686	1,589	1,918	1,474
GCC countries	-359	-1,746	-1,040	-728	-1,834	1,568	1,568	1,229
Non-oil diversified economies	130	-552	7	-98	133	-6	323	192
Least developed countries	62	7	26	-1	15	27	27	53
Changes in reserves (- = increase)	-12,248	-14,101	384	2,282	1,197	-2,217	-2,400	6,253
GCC countries	-11,424	-14,712	-246	2,063	998	-2,322	-2,322	6,589
Non-oil diversified economies	-926	319	240	17	123	20	-163	-239
Least developed countries	102	292	390	202	76	85	85	-97

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

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

* Data cover 11 (out of 13) ESCWA countries, namely: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (GCC countries); Egypt, Jordan, Syrian Arab Republic (non-oil diversified economies); and Democratic Yemen and Yemen (least developed countries). Iraq and Lebanon are excluded owing to lack of data.

a/ Excluding the Syrian Arab Republic for which data were not available for 1986.

b/ Services are defined to include non-factor services (i.e., shipment, other transportation, travel, other official and other private services) plus investment income. Private transfers for Qatar and the United Arab Emirates are excluded.

c/ Including errors and omissions for Saudi Arabia.

d/ Including private capital flows for the United Arab Emirates. Net errors and omissions for Saudi Arabia are included with capital flows.

e/ Including official transfers for Egypt.

The GCC countries, as a group, have reported substantial though declining capital inflows since 1983 (see table 4.7). This was interrupted in 1986 with a net outflow of $1.46 billion, reflecting mainly sizeable outflows of both long-term and short-term capital in the case of Kuwait and a considerable outflow (relative to 1985) of short-term capital in Saudi Arabia, as well as small outflows in Bahrain, Qatar and the United Arab Emirates.

On average, Saudi Arabia generated over three fifths of the trade surplus of the GCC group during the period 1981-1985 (see table 4.8), followed by the United Arab Emirates (18 per cent) and Kuwait (11 per cent). Similarly, and by far the largest (98 per cent) contribution to the deficit on services came from Saudi Arabia. In contrast, services were a significant net foreign exchange earner in Kuwait during this period, with Bahrain making a small positive contribution.

Saudi Arabia also dominated both private and official transfers. Over three fourths of the deficit on this account, averaging $12.3 billion, originated in that country, with Kuwait accounting for 12.5 per cent.

The net result of all current transactions was a surplus of $16.3 billion for the GCC countries as a whole. Of this surplus, 88 per cent accrued about equally to Kuwait and the United Arab Emirates. The very low share of Saudi Arabia (1.2 per cent) reflects the fact that this country shouldered the brunt of the reduction in exports during the period, while not effecting equally drastic cuts in outlays on services and transfer payments.

The external accounts of the non-oil diversified economies and the least developed member countries are influenced to a considerable extent by impulses originating in the GCC countries and Iraq in the form of aid, workers' remittances, and payments on account of tourism, transit and imports of goods and various other services. Flows from these sources came under further pressure in 1986. The level of exports from the former group to the latter declined from $715 million in 1985 to $548 million in 1986. At the same time, net receipts from current transfers accruing to Egypt, Jordan, and the two Yemens declined from $6,112 million in 1985 to $5,158 million, reflecting essentially lower earnings from workers' remittances[1/] as receipts from official transfers appear to have fluctuated only slightly.

1/ Gross receipts from workers' remittances accruing to Egypt, Jordan and Yemen fell from $5,130 million in 1985 to $4,436 million in 1986.

Table 4.8

Contribution of individual countries to GCC major balance of payments current flows, 1981-1985 average
(Percentage)

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates	Total $ Million	Total Per Cent
Trade balance	0.7	11.0	4.0	5.2	60.7	18.4	49370	100.0
Services (net)	0.8	15.0	-4.1	-7.3a/	-97.7	-6.7a/	-20761	100.0
Balance in goods and services	1.8	29.9	4.0	3.7	33.8	26.8	28610	100.0
Unrequited transfers (net)	-1.5	-12.5	-4.7	...	-77.2	-4.0	-12271	100.0
private	-4.7	-12.3	-9.5	...	-73.4	...	-7195	100.0
official	3.0	-12.8	2.1	...	-82.5	-9.8	-5076	100.0
Balance on current account	2.0	43.0	3.4	6.5	1.2	43.9	16339	100.0

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

Notes: Figures were rounded to the nearest million; figures therefore may not add up to totals.

... = Not available.

a/ Including private transfers.

Available data relating to Egypt, Jordan, Democratic Yemen and Yemen[1/] show that their combined trade deficit (f.o.b. valuation) fell from $7.79 billion in 1985 to $6.62 billion in 1986. The reduction was achieved through a further compression of imports as exports recorded a sharp decline of about 23 per cent compared with 1985. At the same time, the combined deficit on services narrowed for the countries considered from $1.34 billion to $0.77 billion, yielding an overall deficit on goods and services of $7.38 billion in 1986, compared with $9.14 billion the year before. As in the past, this was largely offset by private and official transfers - though reduced considerably from earlier levels. The remaining gap on current transactions, amounting to $2.23 billion, was met from net capital inflows of about the same magnitude and which, at $2.37 billion, were somewhat higher than in 1985. On balance, the remaining major entries (i.e., net errors and omissions and counterpart items, etc.) were positive and the combined international reserves for the four countries examined showed a small improvement of $0.34 billion in 1986.

D. International reserves

The aggregate international reserves of the ESCWA region (excluding Iraq) fell dramatically in 1986 to $34.37 billion, from $41.47 billion in the previous year, i.e., a drop of more than $7 billion (see annex table A-6). The pressure on reserves has been mounting with the persistence of highly unfavourable export trends since 1982, notwithstanding the strong adjustment efforts on the part of the authorities which have brought down the overall level of imports by about two fifths between 1982 and 1986 (see annex table A-1) and curbed outlays on expatriate labour and official transfers. In addition to the nominal drop in the amount of reserves, their real value has been considerably eroded by the deterioration, since March 1985, in the rate of exchange of the United States dollar vis-a-vis other major world currencies.[2/]

The overall reserve situation of the region in 1986 reflected essentially the position of Saudi Arabia where the value of reserves fell from $25.18 billion in 1985 to $18.52 billion (see annex table A-6). Reserve changes in the remaining GCC countries were relatively unimportant with some countries experiencing minor or small additions to their reserves (Kuwait, Qatar and United Arab Emirates) and others incurring small losses (Bahrain and Oman).

1/ Judging by the trend in merchandise exports and imports, the overall reserves situation and pressure on the national currency, the external payments situation in both Lebanon and the Syrian Arab Republic continued to suffer from unfavourable trends affecting the region's economies and from strains peculiar to the local economies.

2/ By November 1987, the rate of conversion between the dollar and the special drawing right (SDR) had moved by 20 per cent against the dollar compared with December 1985.

Information on international reserves available for 10 countries at end November 1987 shows a partial recovery with net additions to reserves amounting to $3.76 billion. At the country level, performance was mixed. The additions went mostly to Saudi Arabia ($3.38 billion), followed by the United Arab Emirates ($0.86 billion), Egypt ($0.58 billion), and Oman ($0.25 billion). In contrast, losses were reported for Kuwait ($0.72 billion) and Bahrain ($0.41 billion).

The decline in the region's international reserves, beginning in 1982, has meant less adequate provisions for imports and other necessary foreign exchange outlays, thus increasing member countries' external exposure and vulnerability. The countries of the region have reacted to the sharply reduced export earnings in recent years by, among other things, drastically compressing their imports, the major oil-exporting countries beginning in 1983 and the remaining countries as of 1984. Thus, the level of aggregate merchandise imports was slashed by about 46 per cent between 1982 and 1986 in the GCC countries as a group, and by about one fifth in the rest of the region during 1983-1986. At the same time, international reserves holdings declined by about one fourth and one third respectively.

Reserves/imports ratios based on current imports may be misleading as indicators of the adequacy of reserves when imports may have been forced down temporarily below their trend, or desirable, levels. Ratios using a base-year imports comparator may provide better indicators.1/ Table 4.9 gives reserves/imports ratios for the region as a whole, the GCC countries and the remaining countries as a group, using both methods of computation.

While the two sets of ratios reflect similar overall trends, they differ significantly with respect to the magnitude of yearly changes. Using 1980 imports, the reserves/imports ratio in the region as a whole declined from 8.4 months of imports in 1981 to 5.9 months in 1986, except for a small improvement in 1985 due to a partial recovery in reserves. In contrast, the downward trend in the ratio is much milder when computed on the basis of current imports, the ratio in 1986 standing only slightly above 7 months of imports, as in 1981.

Irrespective of the method of computation, the reserves/import ratio remains relatively more adequate in the case of the GCC countries compared with the rest of the region, particularly the Syrian Arab Republic, where reported reserves in 1986 were equivalent to less than a week's imports.

1/ With the possible exception of Egypt where imports rose from $4.86 billion in 1980 to $8.84 billion in 1981, and averaged $9.96 billion in the five-years which followed (see Annex Table A-1).

Table 4.9

Reserves/imports coverage, 1980-1986
(Months of 1980 and current imports)

	1980	1981	1982	1983	1984	1985	1986
ESCWA region[a]							
1980 imports	6.6	8.4	8.2	7.4	6.7	7.1	5.9
Current imports	6.6	7.1	6.4	6.0	5.9	7.8	7.2
GCC countries							
1980 imports	7.3	9.8	9.4	8.7	8.0	8.6	7.1
Current imports	7.3	8.6	7.4	7.3	7.6	10.2	9.6
Other ESCWA countries[a]							
1980 imports	4.4	4.3	4.4	3.8	2.8	2.8	2.4
Current imports	4.4	3.3	3.5	2.8	2.1	2.5	2.3

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

a/ Excluding Iraq.

V. FISCAL AND MONETARY DEVELOPMENTS

A. Introduction

The recession that started in 1982/1983 in the ESCWA region, together with the sharp fall in oil prices in 1986, continued to affect fiscal and monetary policies of most ESCWA countries in 1987. Although the start of a moderate recovery could be observed in some countries, such as Kuwait and Jordan, and although there was a rebound in oil prices, budget deficits, though reduced in some ESCWA countries, persisted and even gained in intensity in others.

Owing to the uncertainty in the level of oil revenues, which still constitute more than 80 per cent of government revenues for most of the ESCWA oil-exporting countries, some countries such as Saudi Arabia and the United Arab Emirates were not in a position to publish their 1987 budget on schedule, and were thus forced to determine expenditures to be disbursed on a month-by-month basis in amounts equal to one twelfth of the preceding year's expenditures.

In order to finance budget deficits, most ESCWA oil-exporting countries resorted to drawing on their reserves. For example, in 1987 the Kuwaiti Government drew from the country's State General Reserves (SGR)[1/] the amount of 1 billion Kuwaiti dinars (KD) of which KD 210 million were allocated to paying the Reserve Fund for Future Generations (RFFG) statutory annual subventions. Owing to reduced spending in 1987 which was caused by the uncertainty in the level of oil revenues, the amount that Saudi Arabia drew from its reserves was only about 16 per cent below the level of 1986. This amounted to 64.2 billion Saudi Arabian riyals (SRls), a figure which was equal to the country's deficit in that year.[2/]

With regard to the ESCWA non-oil exporting countries, which have no large reserves to call on, budget deficits in 1987 were mainly financed through domestic borrowing from the banking system by the issuance of government and treasury bonds and bills, or simply by borrowing from the Central Bank or printing money, as in the Yemen Arab Republic and Lebanon respectively. In 1987 there was a greater degree of discretionary control over the growth of money supply. For example, in Jordan, Kuwait and Saudi Arabia, a number of measures were introduced to encourage domestic banks to take a more responsible approach to lending, and more attention was paid to the capital adequacy of these banks. Other measures were introduced with the aim of developing central bank policy instruments. For example, Qatar introduced legal reserve requirements and minimum reserve ratios for domestic banks, in addition to opening a service for the discounting and rediscounting of commercial papers with these banks. Oman and Bahrain established a system for the issuance of treasury bills and bonds.

1/Kuwait, National Bank of Kuwait, Economic and Financial Bulletin, No.11, p.10.

2/Saudi Arabian Monetary Agency, Statistical Summary 1407,p.31.

In 1987, the Saudi Arabian Monetary Agency began to offer repurchase agreements with banks against the collateral of these banks, which was provided by the Saudi Arabian Monetary Fund (SAMA) Bankers' Security Deposit Accounts (BSDA). With the exception of the Syrian Arab Republic, Egypt, Yemen, Iraq and Lebanon, inflation in most ESCWA countries continued at minimal rates, mostly owing to the very moderate rise in the rate of money supply and to the reduction in imports, which had in the past contributed to increases in the rate of inflation. The foreign debt of ESCWA countries as a whole constituted about 8 per cent of the total debt of developing countries. This is neither a major crisis nor an insurmountable problem. However, on a country-by-country basis, the situation is far more serious and in some cases critical for ESCWA non-oil exporting countries. These countries are unable to meet their payment schedules without resorting to further restructuring, and they may soon have to face unacceptable socio-economic decisions as a result of their foreign debt situation. The ESCWA region's foreign debt is estimated to have increased from $92.8 billion in 1985 to $111.5 billion in 1986, and approximately $118.4 billion in 1987. Many factors can account for this steady increase in debt, most prominent being the excessive borrowing for financing balance-of-payment deficits or public projects with low rates of return. Furthermore, some countries have suffered from runaway inflation, devaluation, the flight of capital, confusing and sometimes contradictory fiscal and monetary policies and trade imbalances.

In the following analysis, the focus will be on public financing in ESCWA countries; this analysis will be made on a country-by-country basis for the purpose of identifying the individual budget problems of each country. Owing to the lack of information on the fiscal policy of Democratic Yemen, this country has been excluded from the analysis.

B. GCC countries

1. Bahrain

Following the recession and fall in oil prices, the Bahraini Government was forced to review the 1987 560 million Bahrain dinar (BD) ($1,485 million) budget and to keep spending on a tight rein. The budget deficit for the first half of 1987 was BD 11.7 million ($31 million). It was financed by local borrowing through issues of bonds and treasury bills. The value of the bonds and bills, which were issued through the tender system from December 1986, was increased in August 1987 to BD 2.7 million ($7.2 million) in order to meet heavy demand. The announcement of the budget for the 1988 fiscal year is the first time that the Bahraini Government has issued a one-year budget, having abandoned its previous practice of budgeting for a two-year period. This is mainly owing to the fluctuations in oil prices and revenues, which usually account for some 60 per cent of total government revenue, thus making income projections and long-term planning a difficult task. As shown in table 5.1 total expenditure in the 1988 budget is expected to be BD 490 million ($1,299 million), while total revenue is expected to be BD 430 million ($1,140 million). The projected BD 60 million deficit will be financed by domestic borrowing.

The 1988 figure of BD 490 million for expenditures represents a fall of 12.5 per cent from the BD 560 million of 1987, or half the 1986/1987 total, which reflects a trimming down of government expenditures, owing to the fall in government oil revenues.

Oil revenues in 1988 are expected to account for 58.6 per cent of total revenue, which is only slightly higher than the actual figure of BD 247 million for 1986. As far as financing the 1988 budget deficit of BD 60 million is concerned, the debt ceiling of former years, which has not yet been exceeded, will be raised to BD 300 million in order to allow for the issue of more development bonds and treasury bills. These are expected to boost the Bahraini financial market still further.

This securitization of government borrowing complements what is currently taking place in Kuwait and Saudi Arabia. In addition to financing the budget, the debt instruments will improve the control of bank liquidity and will be traded on the new stock exchange, which is due to open later in 1988.

Five-year development bonds, which were issued by the Bahraini Government for the first time in 1978 and 1979, were repaid in 1983 and 1984. In 1986, the Government raised its debt ceiling from BD 30 million to BD 100 million in order to permit the issue of three-month treasury bills.

Table 5.1

Bahrain: government revenue and expenditure 1986 and 1988
(In millions of BD)

	1986	1988
Revenue	467	430
- Oil	247	252
- Non-oil	140	132
- Grants and loans	80	46
Expenditure	487	490
- Current	140	365
- Capital	347	125
Deficit	20	60

Source: Middle East Economic Digest (MEED), 6 February 1988.

2. Kuwait

Kuwait's budget for 1987 was only moderately expansionary compared with the budgets of former years. In combination with the revival of confidence in the banking industry, the budget, helped by the incease in oil revenues in 1987, was expected to produce a modest recovery. Debt instruments were used for the first time in 1987, in a bid to cover the budget deficit in part by syphoning off surplus liquidity. When investment income -- estimated to be $7.715 billion in 1986 - is considered, the 1987 deficit of more than $4 billion can be seen as an "accounting deficit" rather than an actual one. In

September 1987, legislation was approved to permit the Government to borrow up to $5 billion through a variety of instruments which included direct loans, treasury bonds and treasury bills. The first of these instruments to be used to finance the budget deficit, a treasury bond issue of KD 80 million ($280 million), was over-subscribed by 227 per cent and the second, a 91 day treasury bill, by 257 per cent, as they were both very marketable and highly liquid financial instruments. The positive response of the market indicates that the Government accurately assessed the market's appetite for these papers.

The treasury bond and bill issues should not be seen just as a budgetary measure. They are also an indication of the increasingly active role of the Central Bank in controlling the domestic financial market. Furthermore, they can be seen as an instrument to reduce the drawing down on State reserves, which are managed in two categories: the SGR and the RFFG. According to the National Bank of Kuwait,1/ SGR assets are held in the short term, and therefore provide a low rate of return (which in 1987 was only 2.4 per cent), while RFFG assets, which are of a better quality, provide a return of over 6.5 per cent.

The government budget deficit, which in 1987 was partly covered by domestic borrowing and by a draw-down on SGR reserves of $US 1 billion, was financed in the preceding three years by resorting to SGR reserves. In fact, SGR reserves, which in mid-1985 were estimated to be about KD 11.43 billion, dropped to about KD 10.68 billion by mid-1986 and KD 9.84 billion by mid-1987. A further draw-down on SGR reserves of around $US 1 billion, which is expected for the 1988 fiscal year, would reduce these reserves to no more than KD 8.6 billion. A much larger drop in SGR reserves would have taken place in 1987 if the Government had not resorted to the bond and bill market for borrowing.

However, not all of the draw-down on SGR was channelled into the financing of budget deficits. In 1986, about one sixth of the draw-down on SGR reserves was paid into the RFFG statutory annual subvention, and in the fiscal year 1987/1988, some KD 210 million, or about one fifth of the total draw-down on SGR reserves of KD 1.056 billion, were channelled into the RFFG.

3. Oman

Revenues from oil exports constitute around 80 per cent of government revenue. The drop in oil revenues by around 36 per cent in 1986 had a sharp impact on government revenue. The provisional accounts for the budget deficit in 1986 of 476 million rials Omani (RO) turned into an actual deficit of over RO 670 million, an increase of about 41 per cent. The effect of an increase of about 2.5 per cent in non-oil revenue on government revenue was only minor. The defence budget continued to increase in spite of a proposed cut of 30 per cent in defence expenditure.

1/ Kuwait, National Bank of Kuwait, Economic and Financial Bulletin, No. 11 (September 1987).

Table 5.2

Kuwait: government budget
(Millions of KD)

	July 1986 May 1987	1986/1987 Estimate	1986/1987 Budget	1985/1986 Actual
Oil revenues	1,305.9	1,460.0	1,656.0	2,094.6
Other revenues	212.4	232.0	256.7	236.2
Total revenues	1,518.4	1,692.0	1,412.7	2,330.8
Current expenditure	1,735.2	1,893.0	n.a	2,086.3
Capital expenditure	14.1	15.0	n.a	25.6
Development expenditure	486.1	530.0	n.a	775.8
Land purchase	30.5	33.0	n.a	160.1
Total expenditure	2,266.5	2,473.0	3,052.9	3,047.9
Deficit	748.1	781.0	1,140.2	717.1

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

The 1988 budget aims at stimulating the economy with regard to the guidelines laid out in the 1986-1990 five-year plan. Expenditures have been fixed at RO 1,602.3 million, slightly down from on the projected figure of RO 1,610 million for 1987. Revenues have been fixed at RO 1,350.2 million. The real deficit for 1988 is expected to be RO 194 million, after taking into account loan commitments of RO 58 million.

The RO 252 million deficit is slightly lower than the RO 275 million forecast for 1987 and well below the RO 670 million actual deficit for 1986, when GDP fell by about 20 per cent.

In order to finance the budget deficit, Oman has turned to the Euromarket. In January 1988, a $100 million Eurocommercial paper was arranged by a group of banks led by the Bahrain-based Gulf International Bank. The solution for the remainder of the deficit is being considered, as in recent years, through domestic borrowing from the country's banking system.

4. Qatar

The Government of Qatar did not release a budget for 1986 as a precipitous decline in the price of oil made revenue projections unreliable. Actual government revenue and expenditure for 1986 reveal a 31 per cent decline in revenue which resulted in a 2.75 billion Qatar riyal (QR) budget deficit, the first such deficit to be recorded. Although every budget since 1983 planned a deficit, the actual outcome resulted in a surplus. However, the Qatari Monetary Agency's (QMA) own estimates of government finance have been consistently pessimistic in recent years. In 1984, as well as in 1985, QMA estimates predicted a large actual fiscal deficit, which turned into surpluses of QR 332 million and QR 1,438 million respectively.

Table 5.3

Oman: government budget
(Millions of RO)

	1987	1988
Total revenue	1,335	1,350
Total expenditure	1,610	1,602
Deficit	275	252

Source: Middle East Economic Digest (MEED), 9 January 1988.

Apart from this, budget forecasts of expenditure are not a reliable indicator of actual performance, as Qatari budgets have always tended to be grossly underspent. The planned deficit QR 5,472 million for 1987 cannot therefore be taken at face value, particularly since expenditure is budgeted to increase by some 24 per cent over the actual levels recorded in 1986, which leaves considerable leeway for underspending. In the 1987 budget, project spending remained cautious, concentrating on a combination of priority schemes and the completion of those already under way.

Table 5.4

Qatar: budget projections and actual spending*
(Millions of QR)

	1983/1984	1984/1985	1985/1986	1986/1987 a/	1987/1988
Total revenue					
Budget	8,911	11,973	9,737	--	6,745
Actual	12,849	13,610	10,393	7,130	--
Total expenditure					
Budget	15,350	15,653	15,607	--	12,217
Actual	12,518	12,173	10,374	9,883	--
Balance					
Budget	-6,439	-3,680	-5,870	--	-5,472
Actual	+331	+1,143	+19	-2,753	--

Source: Qatar Monetary Agency, 10th Annual Report.

*Budget years are from 1 April - 31 March.

a/ As the budget was published for 1986/1987, actual spending figures are Qatar Monetary Agency estimates.

5. Saudi Arabia

As is the case with a number of other GCC countries, the uncertainty in the level of oil revenues did not allow Saudi Arabia to publish budget figures for 1987. Expenditure were set at one twelfth of the level of expenditures in 1986. Budget figures announced for 1988 indicate a 10 per cent drop in revenue to 105 billion Saudi Arabian riyals (SRls) ($28 billion) and a 17 per cent decline in total expenditure to SRls 141 billion ($38.7 billion). The decline in expenditure cut the deficit by 32 per cent, to SRls 35.9 billion ($9.6 billion), the lowest level since 1983/1984. For the first time in over two decades, however, Saudi Arabia has announced its intention to borrow from the domestic banking market. The Government hopes to raise up to SRls 35 billion ($9.2 billion) by issuing bonds that are likely to be zero-coupon bonds sold at a discount in order to avoid being associated with an interest rate. The debt ceiling and planned draw-down of government reserves were thereby reduced from $14.1 billion in 1987 to $2.1 billion in 1988.

Oil revenues for 1987 are estimated to be about $21.6 billion, about 1.6 per cent above the 1986 level. Oil revenues of around $18 billion are expected for 1988, a level which can be realized only if Saudi Arabia is able to maintain its full current OPEC quota of 4.343 million barrels a day (bbl/day), oil prices stabilizing at around $18 a barrel, as was agreed at the September 1986 OPEC meeting.

However, the sharp slide by almost half in the value of the United States dollar, in terms of the deutsche mark and Japanese yen since 1985, has reducecd the purchasing power of Saudi Arabia's oil exports. If the rate of the dollar against other major international currencies does not stabilize soon, as is anticipated, pressure on the purchasing power of Saudi Arabian oil exports may increase, and the Government will be forced to reduce spending, or deplete the country's reserves still in order to maintain higher spending levels. In 1987, the Government planned to spend SRls 170 billion ($45.33 billion) - the lowest level in 10 years. Figures on actual spending levels are not available, but the budget is expected to be heavily underspent.

Budgeted revenue for 1987 was fixed at SRls 117.3 billion ($31.28 billion) of which half was to come from oil, leaving a budget deficit for the fourth time since 1980.

Faced with the prospect of relatively low oil export earnings until at least the end of the decade, Saudi Arabia has raised and extended customs, taxes and duties on all items that were previously either zero-rated or which carried a 7 per cent tariff, with the exception of medicines and medical materials and stationery together with a list of 12 food products that remain duty-free, and another of locally produced goods and services that benefit from a 20 per cent protective tariff. A proposal made in early January 1988 to impose income tax on foreigners which was estimated to yield around SRls 1.75 billion ($467 million) in revenue was withdrawn a few days later following a negative reaction noticed from Saudi Arabia's foreign community.

The budget announced for 1988 reveals a relatively even-handed approach to cuts in spending. Government expenditure has been trimmed by about 17 per cent, as compared with the 1987 budget. Although actual figures for expenditure in 1987 were not released, the trend in recent years has progressively been toward lower spending. In 1985/1986, the latest fiscal year for which actual provisional data on expenditure have been published, the budget was underspent by just 9 per cent, compared with 15-20 per cent in previous years. Development expenditure in the 1988 budget has been set at SRls 60 billion ($17 billion), and includes an SRls 9 billion ($2.4 billion) allocation for 51 new projects, while the remaining SRls 51 billion for development expenditure have been allocated to 2,707 existing projects. The 1988 budget put a freeze on all new civil service appointments, subject to certain exceptions, and authorized an SRls 8 billion draw-down on reserves, with an SRls 35 billion debt ceiling.

With regard to the debt, which will be contracted gradually by the Government during the year through the offer of bonds in Saudi Arabian riyals with various maturities, the budget announcement did not reveal details of the proposed nature of these debt instruments. However, a number of factors suggest that the bonds will have limited negotiability and that they will be issued at a discount, rather than carry a coupon. One of these factors is the absence of a financial market in the country, meaning that there is nowhere to trade paper in a bearer form. Another factor is the legal environment, which is barely tolerant of any explicit form of interest. A third factor is that since 1984 the Saudi Arabian Monetary Agency (SAMA) has operated a quasi-borrowing scheme in conjunction with the commercial banks. Known as the Bankers Security Deposit Account (BSDA), this scheme enables banks to deposit funds with SAMA against the repayment of sums after 90 days of sums with the inclusion of an implied rate of interest. The scheme has been refined by SAMA since its original introduction and now incorporates the facilities of transferability between banks and a rediscount window for early redemptions.

The very high liquidity (by international standards) of Saudi Arabian banks, which hold more than 50 per cent of their balance sheets in foreign assets, makes it easy for them to absorb an extra SRls 35 billion of government assets.

However, the macro-economic effects of a government borrowing programme such as this are likely to be limited. On the one hand, the absence of a developed financial market and a narrow investor base for these instruments mean that they do not form a suitable monetary policy instrument that will enable SAMA to conduct open market operations and influence interest rates. On the other hand, the SRls 35 billion debt ceiling only represents about 21 per cent of budget expenditures and less than 10 per cent of GDP. Only if government borrowing continues to grow at this rate for a further three or four years will there be a significant impact on macro-economic indicators such as inflation. A third aspect in this regard is that, as the debt is local and not foreign, it taps the resources of the private sector, which is relatively unaffected by the burden of taxation.

6. United Arab Emirates

The approval of the Emirates federal budget for the 1987 fiscal year was announced only in December that year owing to the uncertainty of the amount of the federal government's revenues. Preliminary figures for 1987 indicate that the budget deficit was around 3.4 billion UAE dirhams (Dh), which was up 183 per cent from the 1986 deficit of Dh 1.2 billion. These figures indicate

Table 5.5

Saudi Arabian government budget
(Billions of SRls)

	1988 Budget	1987 Budget	1986 a/ Actual	1985/1986 b/ Actual
Total revenue	105.3	117.3	74.3	131.5
Total expenditure	141.2	170.0	136.7	181.5
Deficit	35.9	52.7	62.4	50.0
Reserve drawdown	8.0	52.7	62.4	50.0
Borrowing	30.0	--	--	--

a/ Ten-month fiscal period, 11 March to 31 December 1986; Saudi Arabian Monetary Agency, Statistical Summary 1407, p.31.

b/ Provisional figures, Saudi Arabian Monetary Agency, Annual Report 1406, p. 30

that, while revenues for 1987 dropped to around Dh 11.1 billion, from the Dh 12.8 billion of 1986, expenditures in 1987 increased to Dh 14.4 billion, up 3 per cent from the 1986 figure of Dh 14.0 billion.

In 1987, federal expenditures were set monthly and limited to one twelfth of their 1986 level, pending the announcement of the 1987 budget. However, the total revenue of around Dh 11 billion suggests that the two main Emirates -Abu Dhabi and Dubai- made a lower contribution to the federal budget than in previous years.

Figures from the United Arab Emirates Central Bank, which are derived from the accounts of the Abu Dhabi and Dubai local governments, indicate that the two Emirates contributed 85 per cent of their actual oil revenues in 1986, compared with 65 per cent in 1985 and 45 per cent in 1984. However, a larger part of these contributions, estimated to be 70 to 80 per cent, was considered only to be an accounting exercise. This is reflected in the predominance of the defence budget, which in the last few years accounted for more than 50 per cent of the federal budget. The lower contribution of Abu Dhabi and Dubai, estimated at around 65 to 70 per cent in 1987, does not necessarily mean that their individual oil revenues declined in 1987 as compared with those of 1986.

The current relative stabilization of world market oil prices at around $US 17 a barrel, together with the increase in the country's oil exports of around 10 per cent above the 1986 level, suggests a considerable rise in the oil reserves of the two Emirates.

Budget figures of the United Arab Emirates do not give any indication as to how the United Arab Emirates federal budget deficit of Dh 3.4 billion would be covered. In spite of the austerity measures taken to keep the budget deficit under control, the rise in aggregate lending by commercial banks to all Emirates governments of Dh 6.3 billion during the first half of 1987, when it stood at an all time high of Dh 12.2 billion at the end of June, 25 per cent higher than the level of June 1986, suggests that the federal Government has resorted increasingly to domestic borrowing. As a result of the drawing-down on government deposits, net claims on the federal Government increased by Dh 7 billion during the first six months of 1987. Another measure used by the federal Government to cover the budget deficit was to ask public organizations such as the federally owned telecommunications authority EMIRTEL to make contributions to the federal Government in the form of an advance against its expected 1987 profits.

Development expenditure in 1987 was around Dh 420 million which was less than 3 per cent of total expenditure. However, the allocation for development expenditure in 1987 was more than double the actual figure of Dh 180 million for 1986, and slightly higher than the actual figure for 1985. With the completion of a large number of federal infrastructure projects in the country, ordinary expenditure such as defence and security absorbed a major part of the budget.

Table 5.6

United Arab Emirates: federal budget*
(Thousands of Dh)

	1985	1986	1987
Total revenue	12,970,000	12,837,000	11,066,400
Total expenditure	16,630,000	14,023,800	14,421,323
Deficit	3,660,000	1,186,800	3,354,923

Source: Middle East Economic Survey (MEES), 4 January 1988 and 11 November 1987.
* Estimates.

C. Diversified economies

1. Egypt

The improvement in the 1986 budget deficit was not sustained in 1987. The budget deficit increased from around 4.9 billion Egyptian pounds (LE) in 1986 to LE 5.6 billion in 1987. This was mainly caused by a fall in government revenues, from LE 15.0 billion in 1986 to LE 14.4 billion in 1987. Policies undertaken to raise revenue by increasing the prices and fees of consumer goods and durables and government services failed to reduce the deficit. However, the budget deficit, which is expected to increase to more than LE 6 billion in 1988 reflects the heavy burden of government subsidies given to basic goods and utilities. These amounted to about LE 1.7 billion in 1986 and LE 1.9 billion in 1987. In addition, budget problems are caused by the debt servicing, although considerable relief of around $12 billion or 25 per cent of

Egypt's total external debt has been provided to the country through the Paris Club rescheduling agreements. In order to cover the budget deficit, Egypt resorted to the domestic banking system through the issue of bonds and treasury bills. To encourage the sale of these instruments, the Central Bank indefinitely extended the credit squeeze imposed in April 1987 on banks, by this measure limiting expansion of the banks' loan portfolios to 2.5 per cent above the levels prevailing in 1986. Although the reason given for the directive was to curb inflation, the placement of government bonds and treasury bills with banks to finance the budget deficit is seen as the major objective of this policy. As a result, new credit available to the private sector will become increasingly scarce, and this may discourage the sector from playing a major role in domestic investment. According to the Paris Club agreements, and in line with IMF guidelines, the private sector in Egypt plays a major role in domestic investment. Eighteen billion Egyptian pounds, or about 40 per cent of total investment has been allocated to this sector which is more than 17 per cent higher than its share in the last five-year plan. However, in the 1987/1988 fiscal year, private sector investment is planned to be around LE 2.8 billion, or 33 per cent of total investment. In an effort to encourage private sector investment in 1987, the Government issued a series of decrees to end the State monopoly of imports of "strategic food items". Other measures to encourage private sector investment are in evidence in the agricultural sector, prices have been decontrolled and projects reclaimed.

Table 5.7

Egypt: government budget, (projection)
(Millions of LE)

	1985/1986	1986/1987	1987/1988
Total current revenue	13,415	12,728	--
Total expenditure	19,910	20,002	23,058
Capital budget	1,686	1,723	3,500
Investment budget	5,430	7,400	5,800
Total deficit	4,900	5,555	--

Source: Egypt, Central Bank of Egypt and *Al-Ahram* (Cairo).

2. Iraq

The unified general budget and investment plans for 1988 emphasize spending in support of the war effort. Although no figures have been disclosed, spending guide-lines evident in previous years are expected to continue in line with the policy begun in 1980. However, 70 per cent of investment is devoted to agriculture and industry, transport and communications, public buildings, education and scientific research.

Project spending will be concentrated on schemes that are already under way, new projects to serve the war effort, and schemes that are required to reduce imports and boost local production capacities and export potential. Priority will be given to education, health, water and electricity. According to Iraqi Government announcements, the budget, which covers State expenditure, takes into account the changes that have been effected by the the administrative and economic reforms introduced in 1987.

In early November 1987, a rescheduling agreement for the 1985 Euroloan was signed in Bahrain by the Rafidain Bank and Gulf Bank International, which arranged the $500 million loan and acted as agent. According to the agreement, the seven $71.4 million principal payments will be deferred for three years. The Rafidain Bank paid a "small" up-front negotiation fee, and will continue to pay the 1 per cent interest margin and service charges.

So far Iraq has succeeded in rescheduling payments on at least three Euroloans. In March 1987, the Union de Banques Arabes et Françaises (UBAF), the agent for a $500 million loan raised in 1983, agreed to the request of the Rafidain Bank to defer four $71.4 million payments. Three of the payments were deferred for two years. In mid-1986, agreement was also reached to defer a $120 million Euroloan raised in 1983 for the former Iraq National Oil Company.

In August 1987, the State-owned and only commercial bank in Iraq, the Rafidain Bank, doubled its capital from ID 50 million to ID 100 million. This is considered to be a low-key move on the part of the Iraqi Government to start consideration of a reform of the State-run banking system. This comprises the Central Bank of Iraq, which manages State revenues, retains a monopoly of foreign exchange and regulates money supply, the Rafidain Bank, which has a monopoly of all commercial banking operations in the country, and three specialized banks, namely the Real Estate Bank, the Agricultural Co-operative Bank and the Industrial Bank. The banking system has remained unchanged since banks were nationalized in 1964. The two main issues are the need to improve management efficiency and the need to enhance public credibility.

3. Jordan

In Jordan, the external revenues of the Government have been falling since 1985, though they still constitute an important part of Government revenue. External revenues fell sharply to 223.9 million Jordanian dinars (JD) in 1987, from 303.5 million in 1986 and JD 350.2 million in 1985, owing mainly to the drop in Arab aid, grants and loans, which in 1987 amounted to about JD 180 million, compared with JD 240.0 million in 1986 and JD 317.0 million in 1985.

Domestic revenues are made up of tax revenues and non-tax revenues, constituting over 60 per cent of the total. However, non-tax revenues have increasingly gained in importance as a source of domestic revenue. They rose from JD 123.5 million in 1985 to JD 218.8 million in 1987. The development of Government revenue over the last few years indicates that, while external revenue has decreased domestic revenue increased continuously, from JD 441 million in 1985 to JD 514 million in 1986 and JD 550 million in 1987. This indicates that the Government has increasingly resorted to tax and non-tax revenues in order to finance the budget. However, further resort to taxation as a measure of generating Government revenue could be counter-productive with respect to profitability, productivity and the "tax ethics" of the citizens, as attempts to evade taxes would increase.

Current expenditure still accounts for around 60 per cent of Government expenditure. While capital expenditure has risen over the last few years, constituting about 50 per cent of total expenditure in 1986, it decreased by about 40 per cent in 1987, mainly owing to the fall in external revenue which has become institutionalized over the years as the main source of this expenditure. The Jordanian budget deficit of about JD 76 million in 1986 and JD 71 million in 1987 reflects the heavy burden of defence expenditure and debt servicing. In an effort to finance this deficit, the Government increasingly has resorted to domestic lending. In 1987 this totalled JD 624.4 million, increasing from JD 415 million in 1986 and JD 376 million in 1985.

However, the prospects for Jordan look considerably brighter than the forecasts suggest. The predicted decline in remittances, the result of a reduction of the GCC countries' dependence on foreign labour, did not materialize. Remittances in 1987 increased to about JD 440 million ($1,294 million), up 6.2 per cent from the previous year and 9.2 per cent from the year before.

Table 5.8

Jordan: government revenue and expenditure, 1985-1987
(Millions of JD)

	1985	1986	1987
Total revenue	844.1	905.4	937.4
domestic	440.8	514.4	549.7
foreign	350.2	303.5	223.9
Total expenditure	805.7	981.3	1,008.7
current	542.5	570.5	604.5
capital	263.2	410.8	404.2
Deficit/surplus	+39.1	-75.9	-71.3
Domestic lending	35.3	74.8	149.3

Source: Jordan, Central Bank of Jordan, Monthly Statistical Bulletin, February 1988.

4. Lebanon

The economic problems faced by Lebanon in 1987 are reflected in an increased rate of inflation. In the first seven months of the year the rate of inflation stood at over 140 per cent, compared with 102 per cent in 1986 and 65 per cent in 1985. In addition there has been a continuous depreciation of the Lebanese pound (LL) which in August 1987 ended at a record low of LL 470 to the dollar, compared with LL 87 at the beginning of the year and LL 18.1 at the end of 1985. Lebanon, which has long benefited from the flow of Arab investment and the remittances of workers abroad, as well as income from the services and tourism sectors, appears to be losing the primacy it once had as the financial and tourist centre of the Middle East.

Lebanon's economic problems emanate from a situation that continues to deteriorate and, as a result, government expenditure is increasing sharply. For example, allocations for basic items such as fuel, wheat and sugar are estimated to have reached about LL 70 billion in 1987, and to this figure must be added interest on the domestic debt, which is estimated at LL 24 billion. These amounts, as well as allocations for the salaries of government employees, pensions, rentals, public education, the maintenance of public installations and others, are financed from borrowing. This method of financing has almost reached its limit, as commercial banks are no longer taking deposits in Lebanese currency, and therefore cannot subscribe to government bonds and bills. In fact, by the end of 1987, the commercial banks' share in subscriptions to government bonds and treasury bills fell to 40 per cent from 65 per cent at the end of 1986, while the share of the Central Bank rose to 52 per cent from 22 per cent over the same period. Consequently, further borrowing has been covered by the Central Bank and by the outright printing of money, both of which raised inflation to over 190 per cent by the end of 1987.

In addition to the financing of government budget deficits by subscribing to government bonds and treasury bills, the Central Bank also plays a key role in providing foreign exchange for the Government. Sales of foreign exchange by the Central Bank totalled $459 million in 1987, including $337 million for oil imports and $34 million for wheat imports. The Central Bank paid out $434 million in 1986 and $749 million in 1985.

In August 1987, the Central Bank abandoned its policy announced in July on reserve requirements of the commercial banks in response to stiff resistance encountered in the banking community. These reserve requirements included an increase in minimum cash deposits from 10 to 12 per cent, an increase in the proportion of treasury bills to be deposited from 3 to 4 per cent, and, an increase in the proportion of new deposits to be invested in treasury bills from 60 to 75 per cent. This announcement, known as "Circular 739" also included tougher penalty clauses.

5. Syrian Arab Republic

In 1987, the Syrian economy was unable to recover from the dismal situation in which it had entered with the start of the recession in 1982/1983. The country has plunged deeper into crisis with a chronic shortage of foreign exchange reserves, which in 1987 were rarely above $50 million. This shortage has meant that the Syrian Arab Republic was unable to import much more than essential items: industry faced a shortage of raw materials and spare parts, and the economy ran at a depressed level. One of the major reasons for the dramatic shortage in foreign exchange reserves has been the recent fall in Arab aid and grants at a time when the country's debts with the Eastern bloc and Western creditors, including the World Bank, have increased sharply. Since late 1986, the Syrian Arab Republic has started to fall behind in its debt repayments to the World Bank. In February 1987, when it was six months in arrears, the World Bank banned further credit disbursements to the Syrian Arab Republic until these arrears are paid. By the end of July 1987, the country was more than $60 million in arrears to the World Bank, and it owed a total of more than $200 million to the Bank. The shortage in foreign exchange reserves has forced the Central Bank of the Syrian Arab Republic to initiate a series of devaluations of the Syrian pound. However, there is no evidence to suggest that these devaluations have succeeded in reversing the decline in private transfers, particularly in the form of workers' remittances from Syrians working abroad.

The Syrian Arab Republic has taken steps to build up the private sector, notably through the establishment of tourism and agribusiness ventures in which private investors have a 75 per cent share and the State 25 per cent. These ventures enjoy tax and customs privileges, and are exempted from some of the restrictions on access to foreign exchange. The devaluation of the incentive exchange rate was also seen as a means of encouraging the repatriation of private wealth. But these moves towards liberalization were accompanied by a heavy security clamp-down on black market currency dealers and smuggling. The parallel economy played an important role in keeping the private sector afloat, and in maintaining the supply of consumer and intermediate goods. The clamp-down cut off these supplies, while the reduction in the exchange rate proved an inadequate substitute.

D. Least developed countries

Yemen Arab Republic

After becoming the world's newest oil exporter, the Yemen Arab Republic had a chance to take stock of its situation and to lay plans for structural economic change and growth. Oil revenues, which were expected to amount to some $700 million in 1988 based on a production level of 200,000 b/d at a price of $18 a barrel, may lead to less dependence on foreign aid and grants in the economic development of the country.

Foreign income sources have played a major role in the economic activities of the country in recent years. For example, workers' remittances accounted for over 40 per cent of GDP. Workers' remittances which were projected at $600 million in 1987, down from $864 million in 1986, are running at less than half the level of just four years ago. Arab and non-Arab assistance has also been reduced. Grants received by the Government from Arab and foreign donors fell to around $80 million in 1987, compared with $100 million in 1985 and more than $440 million in 1982.

Considering these developments in foreign income sources, the Yemen Arab Republic Government has acted swiftly by trimming the budget deficit and halting its support of the local currency. It also reduced imports and tried to curb currency smuggling.

In fact, a significant reduction in the deficit is projected for the 1988 budget. The deficit is to be reduced to just 1,824 million Yemen rials (YRls) ($190 million), almost 50 per cent below the 1987 budget deficit of YRls 3,523 million ($365 million). This reduction would appear to be the result of a rise in projected revenues to YRls 13,718 million, which reflects the impact of projected oil export earnings, rather than a cut in expenditure. Expenditure is projected to rise from YRls 11,833 million in 1987 to YRls 15,542 million in 1988.

A series of compulsory foreign exchange purchases in the first quarter of 1987 secured a record inflow of private transfers, which totalled $415 million

- compared with $800 million for the whole of 1986. However, this massive inflow which coincided with Government moves to force money-changers under Central Bank control, did not last long and remittances have since followed the down-trend of recent years. In the second quarter of 1987, private transfers dropped to a meagre $46 million.

The demand for foreign exchange in 1987 was restrained by controls on import licences and commercial bank currency dealings. These measures stimulated a black market, and resulted in a wide gap between commercial and "free market" exchange rates for the Yemen rial. Anxious to peg the commercial rate at around $1 per YRls 9, the Central Bank announced new rates late in 1987, as the free market rate sank below $1=YRls 11.

Contrary to some ESCWA countries, which in 1987 introduced a number of liberal measures into their economies, the import squeeze in the Yemen Arab Republic adversely affected private traders and enhanced the market presence of the State. Official commodity purchases rose and a larger share of imports went through State agencies. In addition to this, the Yemeni Government, keen to play a more active role in the economy, froze investment approval during most of 1987.

However, although the Central Bank announced that the tight financial control will be relaxed as soon as oil revenues start to accumulate, uncertainty still surrounds official intentions, particularly as a large portion of the proposed YRls 37 billion ($3.834 billion) investment in the 1987-1992 development plan is to be generated locally as foreign aid and grants are dropping off. Most of the investment will go to industry and agriculture. The Yemeni banking system is currently unable to play a major role in the development of the country. The ratio of bank deposits to money supply has been between 35 and 40 per cent in the last three years. The banking system has been very conservative in its lending policy. However, the Central Bank ban on foreign exchange dealing by commercial banks, introduced in an effort to stop speculation against the rial, has cut the volume of fee-based bank transactions of the banks and further squeezed their profits.

In 1987 interest rates were well below inflation and the prevailing international rates. In order to counter the shift of domestic financial assets into real and foreign assets, the Yemeni authorities have been considering a substantial increase in nominal interest rates.

Table 5.9

Yemen Arab Republic: government revenue and expenditure
(Millions of YRls)

	1987	1988
Revenue	8,310	13,718
Expenditure	11,833	15,542
Deficit	3,523	1,824

Source: Based on figures supplied by the Yemen Arab Republic, Ministry of Finance.

VI. AGRICULTURE

A. Introduction

Despite the restrictive macro-economic policies of almost all countries in the ESCWA region, governments continued to give priority to the food and agricultural sector. Renewed emphasis was placed on agriculture in the development plans of the countries of the region. There is full realization that sustained economic development will not be possible without strong emphasis being placed on agriculture. Experience has shown that few countries in the world can achieve sustained economic development without a growth in their agricultural sector. Similarly, all countries that have experienced a significant growth in agriculture have also achieved a more rapidly growing economy. Thus, the development of the agricultural sector is not just an end in itself; it also has direct and beneficial effects on overall economic development.

Under this understanding the countries of the region are exerting efforts to raise agricultural production and enhance agricultural productivity. In this respect, significant changes have taken place in two of the major agricultural countries of the region, namely Iraq and the Syrian Arab Republic. In Iraq, there has been a shift in policy to liberalize private investment in agriculture and to enhance the incentives given to producers through more favourable price-cost relationships. In the Syrian Arab Republic, the establishment of joint ventures in agriculture has been encouraged. At the same time, most of the governments of the region continue to offer more incentives in an effort to attract Arab investments in agriculture.

B. Agricultural production and food security

In 1987 the physical index of regional agricultural production registered a growth rate of only 1.7 per cent, as against 4.6 per cent in 1986 (see table 6.1). This low growth rate resulted from the net combined effect of a relatively low growth rate in livestock production (4.28 per cent) and a low growth rate in crop production (0.69 per cent). With respect to crop production, significant positive growth rates were only achieved in production of pulses (14.55 per cent), vegetables (6.91), tree nuts (5.05 per cent), fruit (2.78 per cent) and roots and tubers (2.71 per cent), while significant negative growth rates were registered for oil crops (-22.68 per cent) and cereals (-5.24 per cent). The highest rates of growth in livestock production were poultry meat (6.28 per cent), and eggs (5.06). Red meat and milk production registered growth rates of 4.04 per cent and 3.05 per cent respectively.

The issue of food security has long been the focus of discussions on food and agricultural policy. Many governments are deeply concerned with this issue, and continue to commit significant resources in an effort to alleviate food insecurity. However, an overall low level of self-sufficiency still characterizes the food and agriculture in the ESCWA region.

Table 6.1

Indices and annual change of total agricultural production in ESCWA countries for selected years
(1979-1981 = 100)

Country	1983	1984	1985	1986	1987 a/	Percentage growth rate 1987	Percentage growth rate 1980-1987 b/
Democratic Yemen	100.31	100.98	102.56	105.29	104.67	-0.59	1.15
Egypt	108.29	109.68	114.53	117.39	121.39	3.65	2.82
Iraq	112.35	107.85	130.81	129.44	133.43	3.08	4.12
Jordan	123.03	127.93	134.47	127.26	139.39	9.53	3.43
Lebanon	106.06	109.03	117.86	110.41	120.58	9.21	1.63
Saudi Arabia	157.21	156.68	234.40	296.15	273.77	-7.55	19.58
Syrian Arab Republic	116.06	102.91	110.15	125.45	120.89	-3.63	1.47
Yemen Arab Republic	101.81	112.13	121.10	141.24	142.87	1.16	5.38
ESCWA region	109.25	105.60	115.44	120.72	122.77	1.70	2.69

Source: Food and Agriculture Organization of the United Nations, Interlinked Computer System (ICS), unpublished printouts of production index numbers, December 1987.

a/ Preliminary.

b/ Exponential.

Notwithstanding the achievements of a number of countries, food production has failed to match the corresponding increase in demand for food in the region. The rate of growth in population is still higher than the rate of increase in food production. Owing to slow and, in some cases, even declining trends in per capita food production, the region falls short of meeting domestic food requirements and as a consequence has to import large quantities of food (see table 6.2). In terms of value, the region imported $US 10.85 billion worth of food in 1986, some 81 per cent of the value of total agricultural imports.

The food security situation differs among the countries of the region. This is mainly owing to the differential distribution of agricultural and financial resources among the countries of the region. There are reasonable

Table 6.2

Indices and annual change of per capita food production in ESCWA countries for selected years

(1979-1981 = 100)

Country	1983	1984	1985	1986	1987 a/	Percentage growth rate 1987	Percentage growth rate 1980-1987 b/
Democratic Yemen	91.05	89.21	88.25	88.03	84.85	-3.62	-1.92
Egypt	104.66	103.49	104.84	106.24	108.26	1.90	1.17
Iraq	100.14	92.59	108.82	103.93	103.45	-0.46	0.39
Jordan	109.87	111.87	112.84	102.55	108.09	5.41	0.28
Lebanon	108.08	110.88	119.31	108.81	117.24	6.77	1.25
Saudi Arabia	138.08	131.96	189.98	231.30	205.67	-11.08	14.94
Syrian Arab Republic	101.99	88.30	91.33	102.76	95.05	-7.50	-2.10
Yemen Arab Republic	93.98	100.98	106.32	120.78	118.69	-1.73	2.62
ESCWA region	101.32	95.45	101.41	104.25	103.19	-1.02	0.17

Source: Food and Agriculture Organization of the United Nations, Interlinked Computer System (ICS), unpublished printouts of production index numbers, December 1987.

a/ Preliminary.
b/ Exponential.

amounts of the former in only a few countries, and part of these are grossly under-utilized, while there is a relative abundance of the latter in the major oil-exporting countries of the region. Clearly, the solution lies in complementing these resources on a much greater scale than has hitherto been possible, and within the framework of an equal share in costs, benefits and risks.

Investment in large-scale, modern agricultural production schemes, that are capable of utilizing current technology and management systems in areas where resource quantity and availability are secure, would seem to present the best alternative. The adoption of a clear-cut food strategy with less dependence being placed on imported food should provide the basis for matching potentials within existing boundaries.

C. Livestock production

The performance of the livestock subsector in the region was again encouraging. As was expected, the region further boosted its livestock output. The physical index of regional livestock production for 1987 registered a growth rate of 4.28 per cent, as against 5.63 per cent in 1986. All ESCWA countries contributed to the increase in regional production. There were significant increases in livestock output in Iraq and Lebanon which respectively registered growth rates of 10.26 per cent and 7.89 per cent. They were followed by Saudi Arabia with 4.64 per cent, Egypt with 3.55 per cent and the Syrian Arab Republic and Yemen Arab Republic with growth rates of 3.2 per cent each. Livestock output in Jordan and Democratic Yemen increased only marginally, with respective growth rates of 1.2 and 0.98 per cent (see table 6.3).

In its drive to increase the availability of locally produced livestock products, the poultry industry received much attention in the ESCWA region. Assistance was given to the poultry industry in the form of loans, technical training and subsidized inputs. These encouraging efforts helped to transform the poultry sector into a modern productive industry. This was reflected in the steady increase in poultry output. Table 6.4 shows that, at the regional level, poultry meat output increased by 57,000 tons, rising from 908,000 tons in 1986 to 965,000 tons in 1987 (an increase of 6.28 per cent). Saudi Arabia, which produced 299,000 tons of poultry meat, was the leading producer in 1987, followed by Egypt with 201,000 tons. Poultry meat produced in Iraq, the Syrian Arab Republic and Yemen Arab Republic reached levels of 150,000, 93,000 and 69,000 tons respectively. The quantities of poultry meat produced in Lebanon and Jordan were also sizeable, amounting to 59,000 and 56,000 tons respectively.

The regional output of eggs rose by 29,000 tons (an increase of 5.1 per cent) from 573,000 tons in 1986 to 602,000 tons in 1987. In Saudi Arabia, Egypt, Iraq, the Syrian Arab Republic and Lebanon, egg production reached levels of 150,000, 142,000, 90,000, 88,000 and 59,000 tons respectively; these figures represent substantial increases as compared with figures for 1986, with exception of Egypt.

Regional milk output rose by 164,000 tons (up 3.2 per cent) from 5,371,000 tons in 1986 to 5,535,000 tons in 1987. Buffalo milk production reached 1,426,000 tons, an increase of 50,000 tons over the 1986 level. Cow milk output increased by 60,000 tons (up 2.3 per cent) from 2,610,000 tons in 1986 to 2,670,000 tons in 1987. Milk from sheep and goats increased by 33,000 and 21,000 tons respectively.

There were also steady increases in the production of red meat in 1987. Regional red meat output increased by 30,000 tons from 743,000 tons in 1986 to 773,000 tons in 1987, a growth rate of 4 per cent. Beef and buffalo meat production reached 446,000 tons, an increase of 18,000 tons or 4.2 per cent. The meat output of sheep and goats also rose by 12,000 tons, an increase of 3.8 per cent.

Indigenous livestock and feed resources are still not utilized efficiently enough to give a significant boost to production. The demand for meat and milk in most ESCWA countries is growing faster than the increase in

Table 6.3

Indices and annual change of livestock products in ESCWA countries for selected years

(1979-1981 = 100)

Country	1983	1984	1985	1986	1987 a/	Percentage growth rate 1987	1980-1987 b/
Democratic Yemen	100.61	97.81	98.54	105.31	106.35	0.98	0.67
Egypt	118.29	124.87	131.35	136.44	141.29	3.55	5.34
Iraq	119.27	130.91	136.45	137.87	152.02	10.26	6.30
Jordan	118.60	163.18	165.22	177.61	179.74	1.20	10.06
Lebanon	106.68	104.27	110.98	114.39	123.41	7.89	1.24
Saudi Arabia	176.63	213.78	244.59	263.68	275.92	4.64	17.15
Syrian Arab Republic	122.09	123.08	115.74	126.38	130.42	3.19	3.14
Yemen Arab Republic	122.78	136.04	150.23	166.88	172.19	3.18	8.95
ESCWA region	121.75	130.37	135.82	143.47	149.61	4.28	6.13

Source: Food and Agriculture Organization of the United Nations, Interlinked Computer System (ICS), unpublished printouts of production index numbers, May 1987.

a/ Preliminary.

b/ Exponential.

local production, which is largely offset by imports. In some countries, the incidence of infectious diseases renders the establishment of livestock production enterprises somewhat risky. Organizational problems and shortage of trained manpower hamper the effectiveness of veterinary and livestock production advisory services.

Efforts should be made to increase livestock production. Varying degrees of overgrazing and the misuse of rangelands, problems intensified by successive droughts, have led to a deterioration in the capacity of ranges and have impoverished the already meagre natural forage resources, as well as intensifying, the problems of desertification. The deterioration of the range

Table 6.4

Livestock production in the ESCWA region for selected years

(Thousands of tons)

Country	1983	1984	1985	1986	1987a/	Percentage growth rate 1987	Percentage growth rate 1980-1987b/
Whole fresh milk	5,084	5,062	5,234	5,371	5,535	3.05	3.09
Indigenous red meatc/	639	714	716	743	773	4.04	2.43
Indigenous poultry meat	656	764	869	908	965	6.28	12.50
Eggs	450	474	510	573	602	5.06	8.09

Source: Food and Agriculture Organization of the United Nations, Interlinked Computer System (ICS), unpublished printouts of production, December 1987.

a/ Preliminary.

b/ Exponential.

c/ Excluding offal.

resources is expected to continue unless strong measures are taken to conserve and improve them, and alternative feed resources are tapped. The identification and formulation of national and regional range development and fodder crop programmes, the utilization of salt-affected lands for growing salt-tolerant pasture and forage crops, the selection of native ecotypes adaptable to the new environment, and the inclusion of forage legumes in crop rotation to make possible the integration of livestock, are only some of the necessary measures to reverse the continuing deterioration of range resources.

Government price policies and subsidies in many instances tend to benefit only consumers, or a few producers over a short period of time. Subsidies on feed and inputs for fodder crops have put fodder production in a disadvantaged position. Policies related to growing rights and subsidies need to be revised and tuned in order to encourage the improvement of rangelands, fodder production from arable areas and the improved utilization of crop residues and by-products.

Indigenous meat production in the region comes primarily from the traditional pastoral system which is increasingly affected by rangeland degradation. With the increasing scarcity of grazing land, range animals increasingly depend on crop residues and other feedstuffs. In recent years, the intensive production of red meat based on feedlot fattening has become more popular. The high demand and rising prices of both beef and mutton offer an economic opportunity to establish cattle and sheep fattening enterprises in almost all the countries of the region. The main problems associated with the development of feedlot fattening enterprises in the region are proper management and the procurement of feed.

In many ESCWA countries, the economic climate favours the establishment of intensified production systems based on improving grazing, supplementary feeding and feedlot fattening. However, state-of-the-art technological innovations are needed for the following:

1. To expand the feed base within the countries of the region;

2. To utilize imported feedstuffs efficiently;

3. To increase the reproductive efficiency of animals;

4. To improve genetic potential in relation to improved feeding regimes and management systems;

5. To develop practical procedures to ensure the health of flocks;

6. To improve the processing and marketing of products, especially milk.

Major research and development efforts are needed to introduce efficient technologies that will increase the capacity of existing production systems to enable them to cope with the current demand for livestock products. National efforts in this regard should be supplemented by inter-country co-operation in order to facilitate the achievement of this objective.

The dairy industry constitutes the least developed area of livestock production in the region. One of the main factors that hinders the increase in production is the inadequate returns received by milk producers as a result of deficiencies in the marketing system, including the lack of facilities for effective collection and transport.

The future for milk production in the region will, to a considerable extent, depend on the efficiency and relative competitiveness of fodder production on irrigated land, but if this practice is to be economic, the fodder must be fed to high-producing breeds. The aim, therefore, must be to achieve the optimum utilization of existing sources of milk supply. The prerequisite for such an improvement remain, of course, the training of the human element involved in production and marketing, together with the establishment of a stable national policy for milk production and the dairy industry.

D. Country review

1. Egypt

Egypt's agricultural output rose by 3.65 per cent in 1987, compared with 2.80 per cent in 1986. Egypt produced a record output of wheat amounting to 2.67 million tonnes compared with 1.93 million tonnes produced in 1986 -

reflecting better than average yields and an increase of some 14 per cent in the area planted. Maize production has also experienced steady increases in both areas and yield, through the introduction of high-yielding varieties. This trend also reflects the higher profitability of maize relative to other summer crops because of its use as feed. Use of maize for feed has grown rapidly and the shortage of maize is reported to have emerged as a constraint on livestock production.

The agricultural sector is still considered the main pillar of the national economy of Egypt. It is the major employer and one of the largest contributors to the GDP. Constraints on rapid agricultural growth in Egypt are documented as: (a) the extremely limited availability of land and the lack of large public investments in new lands to add significantly to the productive base; (b) the decline in crop yields in certain areas owing to inadequate drainage; (c) labour shortages due to rapid migration; and (d) institutional weakness in applied research, extensions and marketing. The Government has taken steps to resolve some of these constraints, though not always very successfully. As a result, Egypt is facing a critical situation where a steady increase in population continues to widen the food gap. This results in a steady decline in self-sufficiency levels, necessitating the import of large quantities of food and therefore putting a heavy burden on the budget and the balance of payments. The Government is aware of the situation and has taken a number of steps to provide incentives to farmers, including increases in crop prices, for the sake of boosting domestic food production. Farmers are receiving subsidies for fertilizers and selected seeds. Other steps to encourage farmer output include an ambitious green-house programme and efforts to introduce large-scale mechanization to make up for the shortage of farm labour. There is also a move to develop credit facilities for small farmers.

To boost agricultural production the Government has also given priority to land reclamation and agricultural production projects. Thus, it has set forth comprehensive objectives in these fields and is encouraging both local and foreign private sector investors to embark upon such projects. Other strategies for agricultural development include (a) modernization of agricultural practices; (b) intensified use of agricultural machinery; (c) promotion of agricultural research and improvement of extension services; and (d) promotion of the use of protected agriculture.

The launching of large-scale greenhouses in Egypt, by both the private and public sectors, is a recent innovation. The new greenhouses are proving to be both popular and profitable. They produce high quality products demanded by local and export markets. Furthermore, they can be constructed on marginal land and are thus one of the most efficient forms of land reclamation. Strawberries, tomatoes, cucumbers, and peppers are the most popular products grown, but others are being added as well.

In the struggle to make the ESCWA region less dependent on imports, food crops must take precedence. This is a matter of great importance, particularly in view of the large amounts of funds paid out for food import subsidies. At present, Egypt imports about 60 per cent of its food needs and no less than 75 per cent of its cereals, and in spite of this burden it still subsidizes bread. It follows that the more wheat Egypt grows, the lower the subsidy, since local wheat production costs less. This is only one way of reducing the subsidy bill. New high-yielding wheat varieties have proved encouraging and more incentives should be given to grow them. Much improvement is needed in the provision of production credit to farmers.

2. Iraq

In 1987, crop production in Iraq declined by 8.43 per cent owing to the adverse climatic conditions during the growing season. Cereal output, which was adversely affected by a decrease in planting and unfavourable weather conditions, declined by 28.82 per cent. The development in the livestock sector was very favourable, with livestock output increasing by 10.26 per cent. Iraq is currently trying to enhance its self-sufficiency in dairy products by increasing the number of dairy farms, as well as constructing new dairy-processing facilities. Attention has focused on improving the standard of services, incentives and the care paid to dairy products. These include improving breeds by expanding artificial insemination, the use of modern technology, favourable prices, credit facilities and marketing assistance, as well as the construction of new dairy farms. These new developments have resulted in a remarkable increase in total livestock production, and were more than enough to offset the decrease in crop production and to generate a moderate growth rate of 3.08 per cent in the agricultural sector as a whole.

Notwithstanding this substantial investment in agriculture, domestic food production still falls short of expectations, and about two thirds of Iraq's food supply is imported. Although land and water resources are relatively abundant, they have not yet been utilized effectively to boost food and agricultural production.

Agricultural production fluctuates considerably with the variation in rainfall, in spite of the high outlay of the Government on irrigation. Shortages in farm labour have not been fully compensated for by agricultural mechanization. A large number of complex and interacting technical, institutional and organizational factors hinder the development of agriculture in Iraq. These include the persistent problem of low productivity that is associated with a low level of modern farm inputs. Problems of high salinity, the waterlogging of soils and a seasonal shortage of irrigation water, and particularly labour, at peak times have also contributed to the decline in agricultural productivity. Institutional arrangements for the proper planning of the agricultural sector and for effective implementation and monitoring are also inadequate. Efficient agricultural plan and programme formulation has been impeded.

The overall strategy for the agricultural sector in Iraq include, *inter alia*, the attainment of self-sufficiency in the production of food and non-food agricultural commodities. A wide spectrum of measures have been instituted to assist agriculture. In an attempt to give a further boost to agriculture, the Government introduced several economic and institutional reform measures. This policy aimed at liberalizing private investment in agriculture and enhancing the incentives offered to producers through highly favourable price-cost relationships, which have considerably improved the prospects of agricultural development. Iraq encourages private investment in large-scale agricultural production projects, including investment by other Arab countries, and provides a number of incentives in the form of exemptions from duties and taxes, in addition to leasing agricultural land that is fully provided with water and infrastructure at reasonable rates. The Government has also issued a directive offering State farms for sale or lease to local individuals and others, provided that the land continues to be used for agriculture.

3. Jordan

1987 was a good year for agriculture in Jordan. Agricultural output increased significantly as a result of major improvements in the output of cereals and horticultural crops, as well as the crop subsector as a whole. Jordan's 1987 agricultural output actually registered a growth of 9.53 per cent. The announcement of grain procurement prices prior to planting, coupled with early, abundant and well-distributed rains at the beginning of the growing season, resulted in a substantially larger than usual area being sown with winter grains. As a result, the output of cereals in 1987 significantly improved (up by 11.17 per cent).

Despite a discernible growth in the output of fruit, vegetables and other major crops, the agricultural sector has not been able to meet increasing demand, especially for cereals, red meat and dairy products. The country's ever-increasing reliance on food imports has not diminished. Jordan remains a largely food-deficient country. The production of cereals and red meat currently falls short of meeting Jordan's total demand for these commodities. Imports of these commodities are a major factor in Jordan's negative food trade balance.

The growth performance of the agricultural sector fluctuated sharply in recent years in response to changing weather conditions. As wheat, barley and other field crops are cultivated largely in rain-fed areas, any year-to-year variations in output tend to be pronounced. On the other hand, the output of fruit and vegetables that are grown in both irrigated and rain-fed areas has shown less tendency to fluctuate. The rainy season in Jordan is limited to three to four months of the year, December through March, while the country remains mostly dry in the remaining eight months. The amount of annual rainfall is not large when compared with many other countries. However, rain still causes severe damage to lands with steep slopes, especially in valleys that are devoid of protective cover and thus highly susceptible to erosion.

In Jordan, beset as it is by a rapidly growing population and very limited agricultural resources, the issue of resource conservation and the combat of desertification is of vital importance, particularly in view of the fact that 99 per cent of Jordan's land area is subject, in varying degrees, to the different processes of desertification.

The livestock industry in Jordan is characterized by a large animal population relative to the capacity of pastureland and local feed production. The low rate of increase in local dairy production can be attributed to a number of factors that affect the development of this subsector. The constraints include socio-economic factors, insufficient rain and frequent drought, the deterioration of range conditions as a result of mismanagement and overstocking, and the periodic use of rangelands for cereal production, which results in a deterioration of most of the native grasses and other forage. Other constraints include a system of tenure and land-use policies that leave little or no incentive for conserving open grazing lands.

As government investment in agriculture in the last decade has been geared to the irrigation subsector in the Jordan Valley, and as a result of development projects undertaken in that area, the structure of Jordan's agriculture has acquired a dual character: advanced irrigation in combination with greenhouses and plastic tubes, and traditional rain-fed farming in other areas, with the former method receiving the greater share of investment.

Like many other countries in the region, wheat and barley occupy the largest area of rain-fed land in Jordan. In addition, farmers in Jordan plant a number of other crops under rainfall conditions. These include pulses (lentils, chickpeas and broadbeans) and vetches, which are planted in rotation with wheat as winter annual legumes in areas of medium and high rainfall. In these areas, summer vegetables are also planted with remarkable success. Tomatoes are by far the most important vegetable crop grown in the rain-fed areas of Jordan. The other major crops of the rain-fed areas in Jordan include fruit trees such as grapes, olives and almonds. Lately improved field crop production techniques have been applied to replace traditional land preparation processes. These techniques, which include chisel ploughing and seed drilling, make better use of soil moisture and fertilizer, which result in production increases.

Advanced technology is applied in the production of vegetables. This includes the application of fertilizers, pest control, drip irrigation and the use of certified seeds and greenhouses and plastic tubes. Most vegetable production is concentrated in the Ghor area. Most of this area, amounting to about 28,000 dunums of irrigated land, is set aside for vegetable production. Owing to high vegetable yields, the marketing of produce is becoming difficult, and the Government has begun to impose restrictions on the production of some vegetables, particularly squash, tomatoes, eggplants and cucumbers. Farmers have the option of selecting only two of these vegetables and producing them in a plot that does not exceed one third of their land holdings.

Jordan continues to face problems related to the marketing of its production of fruit and vegetables. In the Five-Year Development Plan for 1986-1990, the Government has identified marketing as a major constraint on agricultural production. The marketing problem can be attributed to restrictive government policies, an inefficient marketing distribution system, the absence of marketing information and a lack of marketing skills. Several national and local regulations restrict competition and prevent market forces from playing an effective role. Prices for basic vegetables, for example, are regulated, and crop area restrictions are used to control production. Prices are not related to grades or packaging standards, so that farmers have no incentive to produce high-quality crops.

Although the overall level of agricultural production has increased through the expansion of irrigated land, technological improvements, adoption of advanced farming methods and measures to reduce the adverse effects of climatic fluctuations, the contribution of agriculture to GDP remains modest. However, agriculture employs a sizeable portion of the labour force, and makes a significant contribution to exports. As such, the agricultural sector has an important role to play in the national economy and there is a great potential for import substitution and increased exports. The present level of agricultural production as a whole is still below its potential. This can be attributed to the relative neglect of rain-fed agriculture and rangelands, which form the major part of Jordan's agricultural resources.

The development of agriculture has been emphasized in the new Five-Year Development Plan, and there are more incentives, higher producer prices and better marketing facilities, especially for highly perishable farm products. In the last two years there has been a shift in emphasis. Greater attention has been given to rain-fed areas in the highlands, where agriculture has yet to reach its full potential, in order to encourage the production of food and feed grains, livestock and citrus orchards with a view to reducing food imports.

4. Lebanon

In 1987, agricultural output in Lebanon rose by 9.21 per cent. Despite favourable weather conditions, the output of winter grains increased only moderately. The emphasis placed on the production of high value crops, coupled with the effects of the continuing civil strife - resulting in the displacement of many farmers - has restricted major increases in grain production in recent years and increased the country's dependence on imports.

Successive devaluations of the Lebanese pound, the continuing civil strife and deteriorating economic situation have resulted in sharp increases in the price of basic foodstuffs. As a result, a large number of people have been unable to meet their basic needs for food, education, health and housing. The Government has appealed to the international community to provide food, non-food items and medicines for the 1.25 million displaced and disadvantaged people including 472,000 children under the age of 14. Emergency food assistance operations for displaced persons are already under way.

Lebanon's diversified topography and climatic conditions make it suitable for growing a variety of crops. In recent years the composition of output has tended to shift from wheat, other cereals, tobacco and sugar beet to fruit and vegetables. Livestock and poultry raising are also relatively important. There has been a general deterioration of the agricultural infrastructure in the country, mainly because of inadequate maintenance and investment. However, the use of greenhouses and plastic tunnels has proliferated, allowing for the increased production of early maturing fruit and vegetables. However, developments in the component sectors of the economy vary from one locality to another, owing, among other things, to variations in security conditions. Unstable security conditions have had their serious effect on agricultural output in the south.

With the right combination of policies and incentives, there is a great potential for developing an efficient agricultural sector in Lebanon that can specialize in intensive, mostly irrigated techniques, together with high-value, quality products (fruit, out of season vegetables and livestock). There is also a potential for the development of fisheries.

5. Syrian Arab Republic

The Government of the Syrian Arab Republic has continued to put great emphasis on increasing agricultural production in order to achieve self-sufficiency. Agriculture has always played an important role in the national economy. However, the sector's essential dependence on rain for irrigation results in sharp fluctuations that directly affect the stability of production and growth in this sector. The Syrian Arab Republic's major grain crops (wheat, barley, lentils and chickpeas) are grown on rain-fed land.

Aggregate agricultural production, which is affected by the amount and distribution of rainfall, declined by 3.63 per cent in 1987, compared with an increase of 13.89 per cent in 1986. Bad weather affected the output of cereals, and as a result cereal production declined by 27.47 per cent. The physical index of both crops and food declined by 7.04 and 4.02 per cent respectively. This situation had a negative effect on the balance of payments and led to a decline in the self-sufficiency ratios of major food crops in the country.

Major steps have recently been undertaken to curb the declining trend in food production and achieve sustained growth in agriculture. The pricing policy of agricultural crops was reviewed. An official increase in the price of major crops was announced in an effort to promote the expansion of cultivated lands and increase production. Several measures were introduced to promote the agricultural sector, one of which was the promulgation of a law providing incentives for the establishment of joint-venture companies in the agricultural and agro-industrial sectors. The aim of this measure was to encourage nationals, non-resident Syrians, Arabs and foreign investors to invest in the agricultural sector. Initial reactions to this law have been positive, and has resulted in the establishment of 10 companies. The law exempts these companies from all the regulations and restrictions stipulated in legislative and organizational texts that apply to public sector companies. They can import all their requirements for equipment, machinery and materials for vehicles needed to conduct their activities either directly or indirectly.

Decrees have been promulgated to permit the importation of agricultural equipment and material and to facilitate the export of agricultural products. The restructuring of the Ministry of Agriculture and Agrarian Reform was initiated. The Government has selected a number of policies and, in connection with production, it stressed the development of projects with short gestation periods in both the agricultural and industrial sectors.

Labour shortages and the high costs of labour are significant constraints on farming. In attempts to reduce costs and enhance labour productivity as well as to improve the efficiency of seedbed preparation, ensure more timely planting and improve yields, mechanization has been widely used in farming. The major mechanization achievement has been in cereals, where seedbed preparation and harvesting are estimated to be 90 per cent mechanized. This has been achieved primarily through the initiative of individual farmers and co-operatives who have purchased tractors and mechanical equipment, primarily from the State Tractor Factory.

Agricultural expansion faces a series of development constraints: physical, institutional, policy and financial. Agricultural production is quite diverse, reflecting the array of agro-climatic environments that characterizes this country, where much of the land is difficult to farm. The institutional constraints include extension and research services, marketing, credit and input supply and manpower. Land fragmentation is becoming a major constraint on agricultural development. Agricultural production has been further depressed by pervasive government marketing and price controls. Limited agricultural research and applied technology appear to hinder the improvement of land and labour productivity. Economic criteria do not have a significant role in determining research priorities.

Efficiency of water use is relatively low in irrigated areas. Excess water use is characteristic of irrigated areas where the full distribution networks have not been developed. Water is not economically priced, and farmers do not have an economic incentive to use it efficiently. In rain-fed areas, water conservation practices are insufficiently used. As such, the potential of agriculture is not yet fully utilized. Through the improvement and expansion of irrigation infrastructure agricultural growth could be accelerated. Improved irrigation efficiency and increased irrigation areas are keys to accelerating the expansion of agricultural production. Improved cultural practices in rain-fed areas, based on moisture conservation and more efficient use of fallow land, would partially alleviate production volatility.

6. Yemen Arab Republic

Agricultural output in the Yemen Arab Republic increased by only 1.19 per cent in 1987, mainly on account of production increases in horticultural crops as well as livestock. Although output of both food and non-food crops actually declined, vegetable production has improved remarkably in recent years. Self-sufficiency in vegetable production has almost been reached. Fruit production is also expanding. Even with the limited resources at their disposal, the Yemenis have achieved a remarkable degree of agricultural efficiency using traditional techniques. Since significant increases in agricultural production can only come about through intensive production on already cultivated lands, the government strategy is to increase agricultural output through modern practices with the establishment of extension services. In recognition of the vital role that an effective extension service programme has to play in increasing farm output. There has been a modest build-up in extension services, and new extension centres are being established in different parts of the country.

The marketing of agricultural produce has been undertaken by the private sector, with State intervention being limited to basic food imports and cotton. The system is fairly competitive. Although there are inefficiencies within the existing system (mainly the result of inadequate storage facilities), farm products can be distributed to rural and urban markets throughout the country.

In a similar manner the pricing of agricultural products is generally left to market forces, and government intervention is kept to a minimum. As in the case of land tenure and water rights in agriculture, prices influence production incentives, the efficient allocation of resources, patterns of food consumption, nutrition and income distribution. No coherent agricultural pricing policy exists, and responsibility is divided between different departments.

The attainment of sustained growth in food production which will lead to self-sufficiency is one of the main objectives of agricultural policy. The continuing decline in cereal production in recent years has frustrated the achievement of this objective. Policy makers and the technicians in the Ministry of Agriculture and the National Agricultural Authority stress the importance of increasing cereal production through the use of better agronomic techniques, the introduction of well-adapted and higher producing varieties, horizontal expansion, and the integration of cereals into irrigated agriculture. But the idea of attaining self-sufficiency in cereals at any cost has been softened and a more realistic approach is currently advocated. The inability to achieve self-sufficiency can be attributed, inter alia, to the high rates of population growth and the rapid urbanization. The result of these two factors can be seen in the drop in per capita food production, as well as in daily per capita calory supply in proportion to requirements.

Although agriculture forms a major sector of the Yemeni economy and employs a large portion of the labour force, contributing significantly to gross domestic product, it has not been able to cope with the increase in demand. As a result, there has been a widening gap between food production and consumption, leading to a growth in food imports. A shortage of labour and increasing agricultural labour costs have had a negative impact on agricultural growth. The increasing use of tractors and agricultural equipment has created a number of problems, with tractors and machinery ill-adapted to suit Yemeni conditions; poor maintenance and a lack of spare parts have further worsened the situation. The scarcity of water throughout Yemen now constitutes a serious issue in agricultural development. In summary, the major constraints that hamper the development of agriculture and its potential are as follows: (a) the poor management of limited existing water resources; (b) insufficient supporting services; (c) inadequate infrastructure; (d) a lack of skilled manpower; and (e) the high cost of farm labour. After recognizing the important role of agriculture in the economy, the Government has given high priority to the development of this sector and has introduced a number of measures to ease some of the above constraints.

Agriculture has been given top priority in the Third Five-Year Plan (1988-1992). Emphasis has been placed on directing a substantial share of national investment into the agricultural sector. A major part of the new UNDP programming cycle will be dedicated to the agricultural sector. The private sector is being encouraged to invest in the agricultural sector, mainly in the development of modern livestock and dairy farms for red meat and milk production, and new fruit tree plantations in Tihama and the newly irrigated areas of the Magrib region. An improved price policy and agricultural marketing practices will be set up to simulate an increase in production. Incentives will be offered to encourage cash crops, agro-business, livestock production and fisheries. The surplus will be exported. Research to define better methods of production and animal husbandry will also be encouraged. As access to water is a major constraint on agricultural improvement, small dams will be constructed to improve the distribution of water. The Government's primary objective is to stimulate production with a view to improving food security, reducing post-harvest losses and lowering imports, so that eventually an exportable surplus can be produced.

7. Democratic Yemen

Agricultural production in Democratic Yemen declined by 0.59 per cent in 1987, compared with an increase of 2.67 per cent in 1986. The decline in total agricultural production can mainly be attributed to the decrease in the output of food crops. The output of livestock increased by only 0.98 per cent. As a result of below normal amounts of rainfall in the growing season, shortages of feed were reported in some areas of Democratic Yemen. Despite below average rains which led to lower planting, the crop subsector performed relatively well when compared with the other agricultural sectors and output rose by 2.31 per cent. On a per capita basis, the output of all agricultural subsectors and the agricultural sector as a whole declined in 1987.

Agricultural policies in Democratic Yemen are aimed at achieving greater self-sufficiency in vegetables, fruit and cereals, and increasing the output of exportable commodities. The agricultural sector is organized into State, co-operative and private subsectors. The co-operatives constitute the Government's link with farmers. The output of co-operatives was relatively better than the output of State farms, and showed a more positive response to price incentives. Nevertheless, in general the performance of both State farms and co-operatives was disappointing, and resulted in a low agricultural growth rate.

The agricultural sector has the threefold responsibility of satisfying the increasing need for food, providing industry with raw materials and generating surpluses for export. In addition to meeting a larger share of food requirements, the fisheries sector is expected to increase its exports of the high quality products needed to reduce the deficit in the balance of payments.

Top priority has been given to increasing agricultural production by both expanding the cultivable area and increasing crop productivity. Owing to the prevailing irregular and unpredictable climatic conditions, the Government considers water management to be the corner-stone of its drive to increase agricultural growth. Another important element is promoting the application of new technologies in agriculture.

Notwithstanding natural limitations, agricultural production in Democratic Yemen could be increased substantially. To bring about such an increase, technical assistance is required, particularly in the field of agricultural research, to produce high-yielding varieties, ensure better water management, promote the use of fertilizers, control desertification and soil erosion, reduce post-harvest losses and improve stock breeding and management of rangelands. In addition, the stagnation of agricultural output and decline in agricultural export could be reversed if agricultural prices were increased sufficiently to restore the domestic profitability and competitiveness of a number of crops. Remunerative prices would result in improved crop husbandry and would attract additional resources to agriculture, especially labour, which has tended to abandon rural areas because of depressed rural incomes. The additional profits generated by remunerative prices would provide the basis for investment in infrastructural development, and would facilitate the use of modern inputs and machinery. Agricultural research is also vital to any increase in agricultural production. The provision of proper extension services to transmit research results would help to boost agricultural growth.

E. General outlook

The immediate outlook for agriculture seems promising. Owing to favourable weather conditions, the region is expected to produce above average cereal crops in 1988. As no major problems have been foreseen, the poultry subsector is expected to sustain its vigorous growth in 1988. Aggregate agricultural production is therefore expected to increase further in 1988. These developments will result in some limited improvement in self-sufficiency ratios for food crops, as well as livestock products.

Nevertheless, the region remains far from achieving its strategic objectives of sustained agricultural development and self-reliance in food security. The region needs to develop its technologies and institutional structures in order to utilize the limited land and water resources to their full potential and efficiency. It is now an accepted fact that technological change forms the basis for increasing agricultural productivity and promoting agricultural development. The effect of technology on agricultural development is crucial, as technology affects almost all aspects of agricultural activity, from water regulation and conveyance to field preparation, irrigation methods, agricultural practices, the development of high-yielding varieties, agricultural machinery, agricultural inputs, harvesting, storage, marketing, distribution and resource conservation and environment control. These developments cannot take place without a strong commitment to make substantial investments in agriculture.

Policy shapes the environment within which farmers undertake their activities. Policy instruments include relative input and output prices, the availability of inputs and accessibility to agro-support activities, institutions and infrastructure. Therefore, national policies in general, and agricultural policies in particular, need to be designed in such a way that they create the optimum environment for agricultural development.

Research and extension policies play a crucial role in agricultural development. The importance of research and extension in agricultural development, and in resolving the problems faced by farmers, is rarely disputed. The improvement of agriculture depends on the input of research. Research to improve agriculture must be sound in basic as well as applied aspects. In order to be effective in the long run, research should be relevant to actual production conditions and the needs of farmers.

Extension services are also a prerequisite to widespread and sustained agricultural development. The feedback functions of extension facilitate the continuous orientation of research towards the needs of farmers and the early solution of technological constraints. Extension services help farmers to take advantage of the findings of research and technological innovation. Many countries in the ESCWA region are still faced with severe shortages of qualified extension staff and experience difficulties in transferring knowledge and technology relating to agriculture to the level of the farmer. Agricultural extension services therefore need to be improved.

Many countries in the region still lack the capacity to formulate, execute and monitor their agricultural development policies, plans, programmes and projects. Great difficulty has been experienced in absorbing the flow of funds into the agricultural sector in view of the limited capacity to draw up and put into operation viable projects. With the renewed emphasis on agricultural development, the need to strengthen the capability and competence of planning agencies is widely recognized.

The analysis of policy options requires the use of analytical techniques. Training in improving analytical capacity in agricultural policy analysis is needed if the appropriate policies are to be selected. The costs and benefits of alternative policies have to be analysed carefully before decisions are taken. A policy to increase self-sufficiency in food production, for instance, would imply the provision of incentives to producers, which in turn raises other issues such as the type of incentives to be provided, their impact on the price of wage-goods, their influence on cropping patterns, whether these incentives would distort the use of resources, and how they will affect the government budget. The implications of such a policy must therefore be analysed carefully to facilitate decision-making. Policies often require complementary action in related fields such as credit, marketing and agrarian structure. The implications of these actions also have to be brought to the attention of decision makers. Training in policy analysis, which involves an examination of the implications of alternative policies, has not received the attention it deserves.

One of the main reasons for the low and fluctuating rate of development in agriculture in most of the countries of the ESCWA region is the lack of regional co-operation, both on the planning and implementation levels. It is already well known that the uneven distribution of land, water, human and financial resources make regional co-operation a necessary condition to sustain agricultural development and self-sufficiency in food production. The present state of regional co-operation falls far short of satisfying such a condition.

VII MANUFACTURING

A. Recent main developments in selected branches of industry in the ESCWA region

1. Food, beverages and tobacco

The food, beverages and tobacco industry is one of the principal traditional industries in the ESCWA region, particularly in Egypt and the Syrian Arab Republic, where these industries are well established and where they form a major part of manufacturing activity. However, this subsector faced problems in these two countries, mainly as a result of its weak links with the agricultural sector. The problems can also be partly attributed to the controlled pricing and subsidy policies these countries.

In the Syrian Arab Republic, a number of sugar refineries in the public sector, including the one at Homs, were closed down during the period 1980-1985. This was mainly due to the difficulties they faced in securing domestic feedstock. In Egypt, shortages of agricultural inputs resulted in the under-utilization of capacities in the food, beverages and tobacco industrial subsector, while at the same time the food import bill was high, reaching $3 billion in 1986. It would seem that the growth of production in this subsector is unable to keep pace with expanding local demand.

2. Textiles, wearing apparel and leather

The textile sector has traditionally been one of the dominant branches of the manufacturing industry in most of the diversified economies. In terms of production, it forms one of the leading industries in Iraq, Egypt and the Syrian Arab Republic, in spite of the great difficulties it has experienced in recent years. However, apart from large-scale spinning and weaving mills, the textile subsector is not mechanized and is dominated by small-scale industries. In Egypt and the Syrian Arab Republic, textile industries have recently encountered a number of problems that can be mainly attributed to a lack of some commodity imports and a shortage of spare parts, the result of insufficient foreign exchange allocations. In addition, in Egypt this subsector suffered from the use of obsolete machinery and equipment, while in the Syrian Arab Republic, a number of traditional markets were lost, particularly in the GCC countries, owing to competition from dumped imports.

Major restoration of the textile industry was recently begun in both Egypt and Democratic Yemen. In the former, it was initiated with the aim of eliminating bottle-necks and impediments to the subsector's expansion and development. In Democratic Yemen, the development of the country's textile plant, the largest manufacturing unit after refining, includes some modernization and expansion in order to meet the increased demand for clothing.

3. Chemicals and chemical products

The manufacturing activities of this subsector were dominated by oil refining and petrochemicals, including fertilizer production.

(a) Petroleum refining

Oil refining has only recently gained great importance in the ESCWA region, particularly in GCC countries. Part of the expansion in production capacity was earmarked for the export market, despite the continued contraction in world production capacities. In GCC countries, the refining capacity increased from an initial level of 1,747,000 b/d in 1980 to 2,692,000 b/d in 1985. Saudi Arabia is the major contributor to this growth. Kuwait has the third largest refining capacity in OPEC after Saudi Arabia and Venezuela.

In Democratic Yemen, the Aden refinery was subject to a major modernization programme. This was initiated in 1984, as a result of the recent discovery of oil deposits in the country.

(b) Fertilizers

Fertilizer plants have been established in most countries of the ESCWA region, except the LDCs. Kuwait has the largest nitrogenous fertilizer plant in the whole region.

In most of the diversified economies, the fertilizer industry faced difficulties either following the commissioning of new plants or during the process of its establishment. While in Jordan these difficulties can be attributed mainly to the inadequate anticipation of process by the plant feasibility study of the new company, in the Syrian Arab Republic they were mainly related to technical difficulties, design faults, as well as to electricity cuts.

In Egypt, much of the expansion in fertilizer output resulted from efforts to increase the utilization of existing capacities. Future expansion plans include a new plant with a daily capacity of 1,350 tons of ammonium nitrate.

The fertilizer industry provides a good example of the absence of industrial linkages in the region. In the Arab world, where the production of both nitrogenous and phosphatic products exceeds Arab demand, most of the exported surpluses are destined for non-Arab markets, while most of the imports of these same products originate in non-Arab countries.

(c) Petrochemicals

During the past few years significant developments have taken place in the petrochemical industry in the ESCWA region. Several major complexes were built in the GCC countries, including world-scale ethylene units, and Saudi Arabia emerged in the mid-1980s as the largest regional producer of petrochemicals.

In Saudi Arabia, all eight of the Saudi Basic Industries Corporation's (SABIC) petrochemical projects were commissioned in 1985, and a variety of intermediate petrochemical products from these plants began to be exported. In Bahrain, the petrochemical joint venture, the Gulf Petrochemical Industries Company, came into operation in 1985.

In non-GCC countries, a major petrochemical plant is currently under construction in Egypt. The first stage of the project includes the erection of three plants. The ethylene required by the complex will be imported. The second stage includes the production of ethylene.

Regional production of non-fertilizer petrochemicals is currently concentrated on two basic products, ethylene and methanol. Most of the methanol is exported, while intermediate and final products are imported in large quantities. Although the exporting countries of the region have faced difficulties in marketing their petrochemical products, opportunities for the further development of the industry through the establishment of downstream manufactures based on the regional market have not yet been explored in most GCC countries.

4. Non-metallic mineral products

Cement dominates the activity of this subsector in the region. In most countries, the production capacity of cement increased significantly during the period 1980-1985, to meet the needs of the construction sector. Apart from Saudi Arabia and Egypt, the region is almost self-sufficient in cement. It is anticipated that in a few years there will be an exportable surplus in Portland cement at the regional level, while special cements like white quick-setting cement will continue to be imported.

In GCC countries, the production capacity of cement increased almost threefold between 1980 and 1985. The major contributor to this growth was Saudi Arabia, followed by the United Arab Emirates and, to a lesser extent, Kuwait. In non-GCC countries, Iraq witnessed a pronounced expansion in its cement production capacity, which increased from an initial level of 7.1 million tons in 1980 to an estimated 22 million tons in 1986. Hopes are that an exportable surplus can be produced in the post-war period. For the first time, in 1984, the Syrian Arab Republic also produced a small exportable surplus of cement: in 1985, these exports reached 100,000 tons. In Egypt, the current annual production of the product is about 8 million tons, and this meets two thirds of the country's local demand. In Jordan, the South Cement Company started production in 1984, mainly to cater for the export market, while the Jordan Cement Factories Company expanded its production capacity to satisfy local demand.

Since the early 1980s, with the prevailing world recession in the cement industry, many ESCWA countries have faced problems in marketing their cement exports in the region. World cement producers have flooded the Gulf markets with products at extremely low prices. This mainly affected the United Arab Emirates and Jordan.

In Jordan, however, the difficulties faced by cement exports relate more to the commissioning of new cement plants in GCC countries. Competition from dumped imports aggravates the problem.

5. Basic metal industries

Basic metal industries mainly comprise the production of iron and steel and aluminium. In iron and steel, there has been a huge expansion in production in the region over the past few years. However, this expansion was concentrated solely in GCC countries. In diversified economies, with the exception of Egypt, the activities of this subsector have stagnated.

In Egypt, where the first major steel industry in the Arab world was built in Helwan in the 1960s, new integrated steelworks are being built at Dikheila in Alexandria. They will produce bars and rods to meet the basic needs of the domestic market. The expansion of steel production is being pursued by increasing the production capacity of existing steelworks. The plant's production capacity of flat rolled products will almost double.

In the Syrian Arab Republic, the iron and steel plant near Hamah faced great difficulties in achieving its targeted production levels, despite the amount of planned investment that was spent. This was basically the result of labour problems and the difficulties encountered in securing the necessary supplies, either on the domestic market or through imports.

In GCC countries, the first Gulf iron-pelletizing plant was commissioned in Bahrain in 1984. It has a 4 million ton production capacity and is run by the Arab Iron and Steel Company. It is one of the most modern and highly automated plants in the world, and was originally designed to meet regional demand. The major potential market is Saudi Arabia, where the Hadeed plant has an annual requirement of 1.2 million tons of iron ore pellets and lump ore. Hadeed, a SABIC project, was commissioned in 1985 as Saudi Arabia's first integrated steel complex. The plant however, secures its supplies from Brazil and Sweden. In Qatar, the Qatar Steel Company, commissioned in 1978, is one of the most advanced integrated plants of its kind. However, with the start of Hadeed, Qatar lost most of the potential Saudi Arabian market. Furthermore, Hadeed has emerged as a major competitor in Qatar's main export market, namely the GCC countries.

One of the major problems facing the iron and steel industry in the ESCWA region is the world-wide competition that results from an excess capacity in world steel production. In GCC countries, cheap products flood the markets, and this has caused financial difficulties for recently established plants. Competition among regional producers has aggravated the situation still further. Hence, while there is a shortfall in iron and steel production in the subregion to meet consumption needs, the industry suffers from under-capacity production.

6. Fabricated metal products

In the ESCWA region this activity has not been adequately developed to meet the increasing need for capital goods and engineering products. The region continues to depend heavily on imports to meet its spare parts and equipment needs. Although there has been an expansion of the subsector in the ESCWA region over the past few years, it has been dominated by the growth of assembly plant products, as was the case in Egypt and Saudi Arabia, by the output of workshops, as in the Syrian Arab Republic, or by the expansion of traditional industries, as in Democratic Yemen. Nevertheless, part of the growth of the subsector in Saudi Arabia was the result of an expansion in the manufacture of items such as cables, switchboards, valves, switch gears and transformers in an effort to meet the needs of the local market.

B. Major policy issues relating to petrochemicals and fertilizer products

The Arab world has become an important producer of a number of basic petrochemicals and fertilizers since the establishment of modern, world-scale petrochemical complexes in the region in the mid-1980s. Owing to the current initiations in domestic and regional markets, a sizeable quantity of petrochemical products is available for export to markets outside the Arab world.

In the past, many studies have shown that there is a world-wide demand for products produced in the region, which comprise ethylene and its derivatives (mainly low density polyethylen/linear low density polyethylene (LLDPE/LDPE) and high density polyethylene (HDPE), methanol and urea. However the marketing of these products poses a problem for the Arab producers, who lack experienced marketing organizations.

Although a part of the products produced in the region is marketed through the channels of the joint-venture company involved in the product, a large part of the production has to be marketed by the Arab producers themselves. In this respect they face the following obstacles:

- Tariff and non-tariff barriers;
- New forms of trade;
- Lack of marketing information;
- Competition from international corporations;
- Inadequate storage, distribution and transport;
- Inadequate technical support and after-sales service;
- Lack of co-operation with developing countries;
- Impact of the above issues on future investment in these industries.

1. Tariff and non-tariff barriers

Tariff rates differ in the three main producing regions, namely the United States of America, Europe and Japan. While the EEC exempts certain countries from tariffs under special agreements, there are other non-tariff barriers such as quotas for a range of petrochemical products, anti-dumping measures, arbitrary customs valuation, discretionary import licensing programmes and subsidies for local manufacturers. These measures also apply to Arab petrochemical producers, despite the fact that tariffs are not imposed on any products imported by the Arab petrochemical-producing countries, regardless of their source. These measures affect Arab petrochemical producers and hinder the marketing of their products.

Many discussions and negotiations between GCC countries and the EEC have taken place over recent years, but so far this has not led to any positive results for Arab producers.

2. New forms of trade

During the last decade, many forms of trade other than cash for goods transactions have been used in the trade of petrochemicals and fertilizers. According to the General Agreement on Tariffs and Trade (GATT) estimates for

1984, 8 per cent of world trade, or $US 155 billion, is already traded in this way.

The most widely used forms for the trading of petrochemicals and fertilizers are counterpurchase, buy-back and counter-investment. Many of the petrochemical complexes built in the ESCWA region are involved in some form of countertrade, whereby the supplier of the technology and/or equipment takes a share in the newly established joint venture, and becomes responsible for the marketing of a part of the production output. This method was applied by SABIC when it established its petrochemical ventures. Table 7.1 gives an overview of these joint ventures and the share of SABIC partners.

The new forms of trade require the producers of the region to set up specialized departments in their marketing organizations. At a later stage, it may be possible to establish an inter-Arab trading company to deal in the commodities involved in countertrade.

3. Lack of marketing information

In order to market petrochemical products effectively, it is imperative to have up-to-date information on production, prices, market trends, demand and supply, as well as a thorough knowledge of competitors and their capabilities. Arab producers, being only recently established, generally lack such information. Furthermore, the exchange of information between Arab producers has not yet been formalized in such a way as to be of benefit to all of them.

Only in the case of fertilizers is information on capacities, production, consumption, etc., being collected and disseminated by the Arab Federation of Chemical Fertilizer Producers. Efforts are being made by some regional organizations to form a regional data base on petrochemicals for use by Arab countries.

4. Competition from international corporations

The newly emerging petrochemical-producing countries, such as certain Arab countries, Mexico, Brazil and Canada, are entering a market which has been so far supplied by the three industrialized areas: the United States of America, Europe and Japan. Since the transport costs of petrochemicals play an important role in their marketing, it is clear that markets that lie geographically closer to the suppliers have an advantage over more distant ones. Thus it is evident that the natural market for Canadian and Mexican producers is the United States of America, while the European market is a natural market for the ESCWA countries. This, however, does not preclude the export of petrochemical products from the ESCWA region to other markets.

The competitiveness of the ESCWA countries is determined by the costs of feedstock, production, transportation, tariffs and custom duties, the expected rate of return on investment, and other related costs such as marketing expenses etc. The availability of natural gas feedstock at a reasonable price was the prime reason for establishing petrochemical complexes in the region. The anticipated competitiveness of the ESCWA countries has, however, been reduced in the last few years owing to the drop in crude oil prices, the lower exchange rate of the United States dollar, and the existing surplus production capacity of the petrochemical and fertilizer industry in industrialized countries.

Table 7.1

SABIC joint venture companies

Name of company	Joint venture partner	Foreign partners' marketing commitments
Ar-Razi (Methanol)	Mitsubishi (Japan 50%)	Marketing 86%
Ibn-Sina (Methanol)	Celanese/Texas Eastern (USA) 50%	Marketing 60-70%
Sadaf (various petro-chemicals)	Pecten Arabia (Shell) (USA) 50%	Total marketing of ethanol, a contract with Mitsu;(Japan) to buy 100,000 tons of ethylene dichoride
Kenya (various petro-chemicals)		Exxon (USA) 50%
Yanpet various petro-chemicals)	Mobil Oil (USA) 50%	Total marketing of products
Sharq (various petro-chemicals)	Mitsubishi (Japan) 50%	Marketing of 40% of project's products in Japan
Saad (Fertilizers)	Taiwan Fertilizer Co. 50%	Marketing of 60% of company's products
Safco (Fertilizers)	None	SABIC is responsible for marketing all products
Ibn-Hayyan (Plastics)	Lucky Group/Republic of Korea 15%	Marketing its share in the Republic of Korea
Ibn-Zahr (various petro-chemicals)	10% Apicorp 70% SABIC 10% Enichem (Italy) 10% Neste Oy (Finland)	
Arab Chemicals	Don Chemicals 50%	Domestic markets
Petrokemya	None	

Source: Economic and Social Commission for Western Asia, Trade in Industrial Strategic Commodities: Major Marketing Issues Relating to Trade in Petrochemicals and Fertilizers in the Arab World and their Impact on Investments (E/ESCWA/ID/87/15) (Baghdad, December 1987).

5. Inadequate storage, distribution and transport

It is essential for ESCWA petrochemical-producing countries to ensure that adequate, suitable and reliable shipping capacities for their products are available. Not only would this minimize their shipping costs, and thus improve their competitiveness, but it would also establish the confidence required by customers with regard to the continuity of supply of their products.

The successful marketing and continuity of supply of petrochemicals and fertilizers also requires the establishment of storage, terminal and distribution facilities at both ends of the marketing channel. Each product requires different facilities, and this necessitates additional investment. Co-operation between different ESCWA countries to set up joint facilities in geographically suitable Arab locations could solve this problem.

6. Inadequate technical support and after-sales service

The importance of providing technical support to the customer cannot be over-emphasized. This has always been an integral element of the marketing efforts of traditional producers. In order to market their products successfully, producers in the ESCWA region have to build up the capability to assist their customers in applying their petrochemical and fertilizer products. Although this could be an expensive and time-consuming process, co-operation could be sought either from a trading company or an established producer.

7. Lack of co-operation with developing countries

As access to traditional markets is hindered by various obstacles, petrochemical and fertilizer producers in the ESCWA region could look for other markets in the developing countries, particularly the more populated ones. The financial resources and structure of these countries often impede the establishment of appropriate downstream projects that could utilize some of the products presently produced in the ESCWA countries. Development banks and financial institutions could provide the funds or loans needed to finance trade between ESCWA countries and other developing countries. The setting up of joint ventures with other developing countries is another possibility.

Such activities, if successful, would secure unhindered marketing outlets without trade barriers for basic and intermediate petrochemical products from the ESCWA region.

8. Impact of the above issues on future investment in these industries

As stated above, it is skilful marketing activities that will determine the success of the region's petrochemical and fertilizer plants. Although the continued restructuring process of the petrochemical industry in the developed countries of the world will create potential markets for new producers, and the fact that demand in many developing countries is expected to grow substantially as a result of their industrialization efforts, the region's petrochemical producers need to build an integrated industry. Any integration process should be geared to producing end-products that will satisfy local demand, or to producing products based upon presently available feedstocks.

The process of identifying products and projects for investment should be based upon an accurate analysis of the products that are presently produced, their available quantities and quality, the technical feasibility of producing these products, as well as market studies to determine the local and regional demand for such products. If there is insufficient domestic or regional demand, the additional obstacles to exporting another product should also be evaluated.

C. Prospects and policy recommendations

In most of the ESCWA region the manufacturing sector now occupies a position of increased relative importance in the overall economic activity of its respective countries. In the 1980s, the pattern of industrial development in most countries was dominated by the growth of heavy industries that produced a limited range of commodities, most of which were destined for the export market. The lack of co-ordinated regional investment in manufacturing in many instances has led to the installation of parallel projects that produce competitive instead of complementary commodities, in heavy as well as in light industries, The problem of under-capacity utilization prevails, mainly owing to marketing problems in domestic as well as regional and world markets.

Serious obstacles impede the process of the expansion and development of the manufacturing sector in most ESCWA countries. This can mainly be attributed to the following factors:

1. Fluctuations in the availability of funds for development;

2. Shortages of inputs and spare parts owing to inadequate linkages with other sectors of the economy, namely agriculture, as well as inadequate linkages within the manufacturing sector itself. This is particularly true with respect to the development of the intermediate, engineering and capital goods industries;

3. Shortages in technological capabilities that are reflected in problems related to the preparation of feasibility studies, to design and technical problems, product quality, production costs, maintenance, management, etc.;

4. The limitations of individual domestic markets. These are aggravated by increased competition in export markets, and the subsequent emergence of a mood of protectionism, even in those countries that are known to be strong advocates of a free market economy, particularly EEC countries and the United States. The situation is accentuated by schemes for the expansion of manufacturing activities that are undertaken by developing countries, which further limits potential markets for the export of commodities produced in the region. This has already been reflected in the various marketing problems faced by most member countries.

In the long run, prospects for permanent outlets for regional exports remain primarily within the ESCWA region. With the impressive expansion of investment in manufacturing activities, including the development of major resource-based and strategic industries, any failure in these activities becomes increasingly costly.

To conclude, the following recommendations are related to major policy issues:

(a) Co-ordination between agricultural and industrial development should be strengthened, particularly in non-GCC countries. Agriculture should be given high priority to enable it to provide the necessary inputs for agro-industries, and to help to achieve food security.

(b) The production of spare parts and equipment should be promoted in the ESCWA region. On the one hand this would reduce the region's dependence on imports of these products, and on the other it would help countries like Iraq, Egypt and the Syrian Arab Republic to resolve the acute foreign exchange problems that face their economies. However, the production of spare parts and equipment are subject to economies of scale, and they are highly capital intensive and require a relatively broad market. Furthermore, in Iraq, Egypt and the Syrian Arab Republic, the establishment of successful capital goods industries at the country level has faced difficulties. This is an area that can and should constitute one of the areas of co-operation between ESCWA countries in order to meet regional market needs.

(c) There is a need to introduce production diversification at the plant level through an expansion of the range of products produced. In non-metallic mineral products, in addition to Portland cement, special cement like white or quick-setting cements could be produced in order to reduce the region's dependence on imports to obtain this kind of cement, and to reduce the existing unexportable production surplus in Portland cement at the country level. In basic metal industries, apart from the production of aluminium and steel bars and rods, diversification could be achieved through the production of a range of intermediate goods like flat products and pipes. This, in turn, would largely depend on the development of the engineering capital goods industries in the region.

(d) GCC countries need to co-ordinate investment efforts in manufacturing, mainly in major strategic projects, in order to avoid competition between these countries in both regional and international markets. Co-operation with other Arab and developing countries is necessary if the marketability of their products is to be enhanced.

(e) Since a duplication in the establishment of light industries in GCC countries also exists, co-ordination between import-substitution industries will enable these countries to avoid the problem of overcapacity and stiff regional competition.

(f) The development of small-scale industries could result in the production of a range of consumer goods that would reduce the dependence of the region, and particularly GCC countries, on imports. Moreover, small-scale industries could produce feed products for large-scale industries. It is likely that these industries will provide the private sector with an opportunity to develop its manufacturing activities.

(g) Particular attention should be paid to the preparation of adequate pre-feasibility and feasibility studies. Furthermore, emphasis should be placed on the provision of technical assistance to existing industries that face problems in design, technical aspects and start-up difficulties, as well as those related to operating, production cost and marketing.

PART THREE

MAJOR SOCIAL DEVELOPMENTS IN THE ESCWA REGION

VIII. POPULATION, LABOUR AND EMPLOYMENT

A. Overall social situation and development

The population of the region is a particularly young one; children and youth (i.e., persons under 25 years of age) constitute close to 60 per cent of total population. Health improvements have been extremely rapid and, as a result, a spectacular, and in some instances unprecedented, fall in mortality rates has taken place in the past two decades. Expectation of life at birth in the region as a whole has now reached 62 years and in some countries, such as Kuwait, it has surpassed the 70-year mark, making it commensurate with rates found in the developed countries. This annual combination of very high fertility (and hence a very young population) and a relatively high expectation of life has resulted in unusually low crude death rates which have reached, in some countries, the hitherto unknown levels of 3 to 5 per thousand. In other words, while the mortality levels across the different age groups remain somewhat higher than in the more developed countries, the fact that the region's population is much younger than in these countries gives crude death rates in some countries of the region which are significantly lower than those found in the more developed regions.

The growth of urban population is even more spectacular than that of total population. Urban growth is typically 50 per cent higher than total population growth and is generally concentrated in the major city of each country, usually the capital. In most countries of the region (with the notable exceptions of the Yemen Arab Republic and Saudi Arabia) between one third and two thirds of the urban population live in the major agglomeration. This has inevitably created tremendous strains on the physical and environmental infrastructures of some cities where electricity cuts, traffic jams and other similar urban problems have become a daily occurrence. The unusually rapid growth of these cities has often been accomplished at the expense of good and rational city planning as reflected, for example, in the widespread use of energy-inefficient building materials and architectural designs and a loss of the cultural character of many cities.

Because of the decline in oil prices and the slow-down of economic activities in the Gulf countries since 1983, intraregional migration and international migration into the region have slowed down considerably, particularly when compared with such peak periods as the mid-1970s and early 1980s. Indeed, in some of the Gulf countries a net decline in the proportion of non-national to national population has taken place. Furthermore, return migration to some of the traditional labour-sending countries of the region (e.g. Egypt, Jordan, Lebanon, Yemen Arab Republic and Democratic Yemen) has accelerated, trailing with it economic and social problems reflected, for example, in the decline in workers' remittances - a hitherto major source of foreign exchange - and in social tensions related to high unemployment rates.

It is undoubtedly true that one of the most important factors affecting the social situation in the ESCWA region has been the ongoing wars in various parts of the region. The repeated Arab-Israeli wars, the Lebanese conflict, and the Iraq-Iran war have all left their mark on the social landscape and fabric of the region. In terms of total casualties relative to population size, some of these conflicts have been the most destructive in recent history. According to some reports, perhaps as much as 15 per cent of the total population of Lebanon has died or been permanently disabled because of the conflict and the recurrent Israeli attacks which peaked in the 1982 Israeli invasion. In proportion to total population this compares to some 35 to 40 million fatal or serious casualties in countries the size of the United States or the Soviet Union. Indeed, it is now believed that the ESCWA region, particularly its northern part, has the highest rates of disability in the world. The needs for rehabilitation of the handicapped, the adaptation of the physical and social environment to their basic requirements and the formulation of appropriate policies remain staggering in spite of the tremendous efforts made by governmental and non-governmental organizations to expand services in this and related social areas.

In spite of the wars, educational expansion and improvements have continued to be a major characteristic of the social development in the region. The illiteracy rate for the region as a whole is believed to have already fallen to the 50 per cent mark. More significant perhaps in this regard is the fact that gross enrolment ratio in primary education - a more significant indicator of long-term trends in literacy - has already surpassed 85 per cent for the region as a whole and is close to 100 per cent in nine of the thirteen countries of ESCWA. In countries where gross enrolment ratios at primary school level are significantly below 100 per cent this is usually due to lower enrolment of women; these gross enrolment ratios generally vary at present between 60 and 70 per cent. Where they are below these levels, e.g. in the Yemen Arab Republic, the main reason for the slow expansion has been due more to financial limitations than to social barriers.

Nevertheless, crude economic activity rates of women, in most countries of the ESCWA region, remain unusually low. According to the latest ILO estimates this rate, for the region as a whole, does not much exceed 7 per cent (while for males it is around 44 per cent). One reason for this low reported rate is of course under-counting and the particular definition of economically active population which does not realistically reflect the contribution of women to economic production. Nevertheless, female activity rates remain low even when these considerations are accounted for. Reasons for this are many, including the still relatively high proportions of illiterate women and women with limited education, the Islamic traditions which, in certain countries, are thought to limit the occupations suitable for female employment and the general attitude of society towards the importance of the family and the traditional role of women within it. It is indeed a widespread belief in the region that ways must be found to promote the participation of women in economic activity without jeopardizing the status of the family or the proper upbringing and general welfare of the children.

The social causes and implications of the Palestinian uprising in the occupied territories which began in December 1987, and continued unabated until the time this material was written some four months later, have so far claimed some 150 Palestinian lives and caused several hundred serious injuries. While this uprising has important political roots, including the more than 20 years of occupation and the natural desire of the Palestinian people to end it, they also included an accumulation of negative social considerations. Israeli policies in the occupied territories have been characterized by massive expropriation of land and water resources and the establishment of settlements which claim extremely disproportionate land areas. This settlement effort has been accompanied by policies aimed at forcing Arabs to leave the territories which vary in subtlety, reaching the extreme level of outright expulsions. Many of those migrating out of the territories are denied the right of return. Finally, the Arab labour force and the economy of the occupied territories have been subordinated to the Israeli economy, which doubly benefits from the relation by using cheap labour and by finding an outlet for its surplus production. The 1967 war itself and the subsequent coercive policies just mentioned resulted in increased emigration which in total has amounted so far to more than half a million persons.

B. Demographic situation

At mid-1987, the total population of the ESCWA region reached 111 million and constituted 2.2 per cent of the world population, 2.9 per cent of the population of developing countries and 56 per cent of the population of the Arab world (see table 8.1).

The overall population density of the ESCWA region reached around 25 inhabitants per square kilometre (km^2), ranging between 5 and 7 in Saudi Arabia, Oman and Democratic Yemen to 107 in Kuwait, 271 in Lebanon and 728 in Bahrain. The Arab countries, as a whole, show a population density of 15 inhabitants while the world density is 37. However, it should be noted that cultivated area is very limited. The arable and permanent crop-land in both the ESCWA region and Arab countries as a whole amounts to 4 per cent of the total area: less than 1 per cent in Kuwait, Oman, the United Arab Emirates, Qatar, Saudi Arabia and Democratic Yemen; between 3 and 7 per cent in Egypt, Bahrain, Jordan (East Bank) and Yemen; and around 30 per cent in Lebanon and the Syrian Arab Republic. The world average, on the other hand, is 11 per cent, 10 per cent for the less developed regions and 12 per cent for the more developed. Hence, the population densities per square kilometre of arable and permanent crop-land are therefore quite different. In the ESCWA region population density is 368, while in Kuwait it reaches 63,000; population density is between 21,000 to 23,000 in the West Bank and Gaza, and in Bahrain; and between 200 to 900 in Lebanon, Saudi Arabia, Jordan (East Bank), Yemen, Iraq and the Syrian Arab Republic (see table 8.1).

The urban population, as defined by each country, amounts to more than 80 per cent in Qatar, the United Arab Emirates, Kuwait and Bahrain. In Saudi Arabia and Iraq it exceeds 70 per cent. In Jordan (East Bank), the Syrian Arab Republic, Egypt and Democratic Yemen it ranges between 40 and 60 per cent. And in Yemen and Oman less than 20 per cent of the populaton is urban (see table 8.1).

Fertility in the ESCWA region is still among the highest in the world as the weighted average of the total fertility rate (TFR), in 1987, was 6.1. TFR was 3.3 per woman for the world as a whole, 2.0 for the more developed regions and 3.7 per woman for the less developed ones. TFR varies widely in the region and the ESCWA countries may be grouped within three categories: the first group has a weighted average TFR of 5.1 (3.8 in Lebanon, 4.9 in Qatar, 5.1 in Kuwait, 5.2 in Bahrain and 5.2 in Egypt); the second a TFR weighted average of 7.0 (6.0 in the United Arab Emirates, 6.6 in Jordan, the "East Bank" and West Bank and Gaza, 7.0 in Iraq, the Syrian Arab Republic ad Oman, and 7.2 in Saudi Arabia); and the third a TFR of 7.5 (Democratic Yemen and Yemen Arab Republic) (see table 8.2).

Life expectancy at birth varies widely, between 71.4 in Kuwait and 47.8 in Yemen. Infant mortality is still high in most of the countries of the region in comparison with the developed countries. The infant mortality rate is higher than 100 per thousand live births in Yemen, Democratic Yemen, Oman and Saudi Arabia. The lowest infant mortality rate is in Kuwait where it reached 34 per thousand live births. The crude death rate (CDR) is relatively low in most of the countries as a result of the youthfulness of the population and it varies between 20 per thousand population in Yemen and 4 per thousand in Kuwait (see table 8.2). In most of these countries CDR is indeed lower than those found in the developed countries owing to the fact that mortality schedules, which are slightly higher than those found in developed countries, are here applied to much younger populations.

Recently some countries in the region have started to show significant concern for the integration of population issues into development planning. Democratic Yemen is planning to carry out a series of studies on population changes in terms of growth and structure, and their implications for education, health services, housing, food production and labour force. Bahrain has established a committee for strategic choices. Similarly, estimates and sectoral projections of population in Bahrain have been undertaken to serve in formulating development policy.

C. Main characteristics of female employment in the ESCWA region

The total size of the labour force is estimated to be 33 million in the ESCWA region in mid-1988, growing at a rate of 3.0 per cent, which is close to the population growth rate.

1. Size and activity rates

The female labour force forms 13 per cent of the total labour force, and is growing at a rate of 7.8 per cent (1980-1985), increasing from 3.4 and 5.6 in the 1960s and 1970s respectively.

The crude female activity rate[1/] is still very low, as mentioned above, varying between 4 (Jordan in 1983) and 10 per cent (Bahrain in 1981).[2/] Four main reasons may explain this situation: (a) The youthfulness of the age structure where the proportion of children below 15 years varied from 35 per cent in Bahrain to 51 per cent in Yemen (1986); (b) some social constraints which still prevent women from participating in economic life; (c) the inadequacy of social services which facilitate the combination of women's duties within the household and outside; and finally (d) the inadequacy of the statistical tools to measure female employment.

A review of the activity rates by age in the 1980s, reveals that females in the age group 20-34 are the most active, with an activity rate ranging from 10 to 36 per cent.[3/] A sharp decline is observed after 35 years. It is interesting to note here the relatively high activity level at all ages up to 44 years in Iraq (1977) ranging from 16 to 20 per cent, and the Syrian Arab Republic (1983) ranging from 11 to 17 per cent. (see table 8.1).

1/ Labour force as a percentage of total population.

2/ This rate was estimated by ILO at 45.7 per cent in Bulgaria in 1956 and at 48.1 per cent in the Soviet Union in 1980.

3/ With the exception of the United Arab Emirates (1980).

Table 8.1

Total population, urban percentage and density (persons per km²) for total surface and used area, 1987

Region/country	Population[a/] estimate (000)	Per cent urban	Total[b/] area (km²)	Arable and[c/] permanent crop-land (km²)	Density (inhabitants per km²): Total area	Density (inhabitants per km²): Arable and permanent crop-land	Per cent arable and permanent crop-land to total area
World total	5,000,471	41.7	133,906,710	14,764,830	37.3	338.7	11.0
More developed[d/]	1,188,197	71.9	56,196,670	6,759,530	21.1	175.8	12.0
Less developed[e/]	3,812,273	32.3	77,710,040	8,005,300	49.1	476.2	10.3
Africa	591,070	31.0	30,312,390	1,848,690	19.5	319.7	6.1
America	691,593	71.8	40,239,260	4,152,650	17.2	166.5	10.3
Asia	2,913,988	28.8	27,572,520	4,542,530	105.7	641.5	16.5
Europe	494,547	72.1	4,870,670	1,396,250	101.5	354.2	28.7
Arab world	198,384	47.3	13,313,953	538,660	14.9	368.3	4.0
ESCWA region	111,082	52.8	4,388,343	170,610	25.3	651.1	3.9
Bahrain	451	83.0	620	20	728.1	22,571.0	3.2
Democratic Yemen	2,277	41.3	332,970	1,670	6.8	1,363.6	0.5
Egypt	49,030	44,0	1,001,450	24,860	49.0	1,972.2	2.5
Iraq	16,596	72.0	434,920	54,500	38,2	304.5	12.5
Jordan (East Bank)	2,782	62.0	91,335	4,180	30.5	665.6	4.6
Kuwait	1,900	82.0[f/]	17,820	30	106.6	63,343.0	0.2
Lebanon	2,820	81.5[g/]	10,400	3,000	271.2	940.1	28.8
Oman	1,356	10.0	212,460	470	6.4	2,885.0	0.2
Qatar	406	88.3	11,000	40	36.9	10,160.6	0.4
Saudi Arabia	10,590	74.0	2,149,690	11,750	4.9	901.3	0.5
Syria	11,138	51.3	185,180	56,230	60.1	198.1	30.4
United Arab Emirates	1,731	86.0	83,600	170	20.7	10,181.2	0.2
West Bank and Gaza	1,544	---[h/]	6,030	739	256.0	2,088.9	12.4
Yemen	8,460	21.0	195,000	13,510	43.4	626.2	6.9

Sources: Population and urban percentage for ESCWA countries, estimated by the Economic and Social Commission for Western Asia.
Population and urban percentage for the world total and its regions, from: United Nations, Department of International Economics and Social Affairs. 1988. World Demographic Estimates and Projections, 1950-2025. New York. (ST/ESA/SER.R/79).
Total area of regions and countries, from United Nations, Department of International Economic and Social Affairs. 1986. 1983/1984 Statistical Yearbook, thirty-forth issue. New York. (ST/ESA/STAT/SER.S.10).
Arable and permanent crop-land, from: Food and Agriculture Organization (FAO). 1986/1987, FAO Production Yearbook, vol. 40. Rome.

Notes to table 8.1:

a/ *De facto* population (1987).

b/ Total area refers to total area of the country, including area under island water bodies.

c/ Arable and permanent crops land refers to the following two groups:

(i) Arable land which refers to land under temporary crops (double-cropped areas are counted only once), temporary meadows for mowing or pasture, land under market and kitchen gardens (including cultivation under glass), and land temporarily fallow or lying idle.

(ii) Land under permanent crops refers to land cultivated with crops that occupy the land for long periods and need not be replanted after each harvest, such as cocoa, coffee, and rubber; it includes land under shrubs, fruit trees, nut trees and vines, but excludes land under trees grown for wood or timber.

d/ More developed regions include Northern America, Japan, all regions of Europe, Australia-New Zealand and the Union of Soviet Socialist Republics.

e/ Less developed regions inlcude all regions of Africa, all regions of Latin America, China, Other East Asia, all regions of South Asia, Melanesia and Micronesia-Polynesia.

f/ Per cent in agglomerations of 20,000 and over.

g/ Per cent in agglomerations of 5,000 and over.

Table 8.2

Selected demographic indicators in the world and ESCWA region, 1985-1990

Region/country	CBR[a]	CDR[b]	TFR[c]	Life Expectancy at birth[d]	IMR[e]
World total	26.0	9.9	3.3	61.1	71
More developed	15.1	9.5	2.0	74.0	14
Less developed	29.4	10.0	3.7	59.1	79
Africa	45.2	15.1	6.2	51.3	101
America	24.3	8.1	3.0	68.0	44
Asia	25.4	9.1	3.1	61.1	74
Europe	13.5	10.8	1.8	74.0	13
Arab world	39.5	14.9	6.1	59.3	83.2
ESCWA region	39.5	9.9	6.1	60.9	76.3
Bahrain	36.8	5.8	5.2	66.4	50
Democratic Yemen	49.7	17.5	7.5	49.5	130
Egypt	36.5	9.0	5.2	61.0	70
Iraq	45.5	8.5	7.0	63.2	63
Jordan (East Bank)	34.5	5.8	6.6	67.3	48
Kuwait	36.5	4.3	5.1	71.4	34
Lebanon	30.4	7.7	3.8	66.8	49
Oman	44.0	12.5	7.0	55.2	115
Qatar	33.0	4.8	4.9	66.6	50
Saudi Arabia	37.3	12.5	7.2	56.5	107
Syrian Arab Republic	42.1	8.3	7.0	66.6	50
United Arab Emirates	33.5	3.9	6.0	70.0	39
West Bank and Gaza	34.5	5.8	6.6	67.3	48
Yemen	49.0	20.0	7.5	47.8	138

Sources:

For ESCWA countries, estimated by the Economic and Social Commission for Western Asia.
For total world and its regions, from: United Nations, Department of International Economic and Social Affairs. 1988. World Demographic Estimates and Projections, 1950-2025. New York. (ST/ESA/STAT/SER.S/10).

Notes:

a/ Crude birth rate (per 1,000).
b/ Crude death rate (per 1,000).
c/ Total fertility rate (per woman).
d/ Life expectancy at birth (both sexes) (years).
e/ Infant mortality rate (per thousand births).

Table 8.3

Female activity rate by age in selected countries, 1956-1985

Country	Bahrain(1)		Egypt		Iraq		Jordan			Kuwait a/			Qatar a/	Syria			U.A.E. a/		Japan		Bulgaria	
Age/Year	1971	1981	1960	1976	1957	1977	1961	1979	1983	1970	1980	1985	1981	1960	1970	1984	1975	1980	1960	1980	1956	1975
15-19	2.9	18.3	8.6	5.1	2.7	10.9	3.9	3.3	3.8	1.2	1.4	0.94	00.6	11.5	11.5	10.5	1.8	1.4	49.0	18.5	49.0	35.0
20-24	10.6	35.6	7.3	12.5	3.1	15.5	5.5	17.7	19.5	5.5	15.5	17.75	17.4	10.0	10.2	17.4	3.8	5.8	70.8	70.0	69.0	78.0
25-29	4.8	28.7	4.8	10.8	2.7	19.0	3.4	13.2	15.4	3.2	23.3	32.73	18.8	12.9	9.2	17.3	2.3	3.6	54.5	49.2	71.0 c/	93.0 e/
30-34	2.9	16.8	4.5	7.8	2.4	20.8	2.6	8.4	10.5	1.7	16.6	27.51	6.1	8.5	8.7	13.9	1.8	2.6	56.5	48.2	77.0 d/	
35-39	3.3	7.8	4.4	5.5	2.4	19.2		4.9	5.7	1.5	7.1	17.47	3.2	7.9	8.5	11.8	1.9	2.3	59.0	58.0		
40-44	3.5	5.0	5.3	4.4	2.6	19.3	2.3	3.0	4.0	1.8	3.9	6.93	3.3	8.0	8.2	10.6	2.4	2.3	59.0 b/	62.8		
R.A.R	3.8	17.5	6.0	6.3	2.6	14.6	3.1	6.4	7.9	2.1	9.6	13.81	7.7	7.9	8.6	10.5	1.8	2.7				
C.A.R	2.1	10.3	4.8		1.4	9.3	1.7	3.2	3.9	1.2	5.0	7.24	4.3	5.2	5.5		1.2	1.3			45.7	

Source: Economic and Social Commission for Western Asia, Labour Force Data Base.

a/ Nationals only.
b 40-54.
c/ 25-34.
d/ 35-44.
e/ 25-44.

Table 8.4

Percentage distribution of female labour force by educational attainment in selected ESCWA countries, 1960-1985

Country	Bahrain		Egypt				Iraq	Jordan		Kuwait			Qatar	S.Arabia	Syria			U.A.E	
Education / Year	1965	1981	1960	1970	1976	1982	1977	1979	1983	1965	1975	1983	1981	1981	1960	1970	1983	1975	1980
Illiterate	61.6	17.9	79.4	54.9	36.2	19.2	74.1	6.7	10.0	48.0	10.1	2.2	10.5	45.5	82.0	78.2	58.4	52.8	29.5
Illiterate, Read & Write	61.6	26.6	86.3	63.0	45.9	24.1	78.8	9.8	10.1	65.8	23.4	4.7	15.4	80.4	82.0	78.2	58.4	58.8	36.3
Secondary & above	24.5	57.0	3.4	14.9	7.8	29.8	14.8	77.0	74.9	16.6	58.6	72.3	76.2	14.9	0.7	9.5		31.1	49.7
Mean year of schooling																			
Female	4.6	10.8	1.8	4.7	6.7	9.7	2.9	13.1	12.8	4.5	11.8	13.8	13.4	3.8	1.2	2.1		5.8	9.1
Male	2.4	6.7	1.7	2.0	2.6	3.4	3.7	6.7	8.8	2.1	4.4	8.2	6.8	4.3	2.1	2.9		2.4	3.7

Source: Economic and Social Commission for Western Asia, Labour Force Data Base.

Table 8.5

Egypt, Iraq, Jordan and the Syrian Arab Republic: economically active population by industry and sex, 1960 and 1980

Country Industrial / Year	Grand total Total 1960	 Male 1960	 Female 1960	Per cent distribution Total 1960	 Male 1960	 Female 1960	Grand total Total 1980	 Male 1980	 Female 1980	Per cent distribution Total 1980	 Male 1980	 Female 1980
Agriculture and hunting	5,865,115	5,529,997	335,118	55.45	56.35	43.96	8,149,297	6,233,260	803,410	47.20	40.79	40.50
Mining and quarrying	33,582	33,155	427	0.32	0.34	0.06	82,504	84,266	4,749	0.48	0.55	0.24
Manufacturing	995,485	945,298	50,187	9.41	9.63	6.58	1,665,122	1,926,219	212,607	9.65	12.61	10.72
Elect., gas and water	56,274	55,801	474	0.53	0.57	0.06	102,165	108,421	8,899	0.59	0.71	0.45
Construction	312,108	310,329	1,779	2.95	3.16	0.23	954,065	1,163,973	20,233	5.53	7.62	1.02
Trade, rest. and hotels	846,620	804,933	41,687	8.00	8.20	5.47	1,437,630	1,350,607	97,881	8.33	8.84	4.93
Trans., store. and comm.	396,613	393,162	3,451	3.75	4.01	0.45	728,934	844,100	33,790	4.22	5.52	1.70
Finance and busin. serv.	33,717	30,150	3,568	0.32	0.31	0.47	62,157	128,491	35,340	0.36	0.84	1.78
Commun. and pers. serv.	1,777,508	1,483,398	294,111	16.81	15.11	38.58	3,746,275	3,154,398	693,077	21.70	20.64	34.94
Not stated	259,564	228,107	31,457	2.45	2.32	4.13	335,618	286,205	73,844	1.94	1.87	3.72
Total	10,576,588	9,814,330	762,258	100.00	100.00	100.00	17,263,769	15,279,939	1,983,830	100.00	100.00	100.00

Source: Economic and Social Commission for Western Asia, Labour Force Data Base.

Table 8.6

Egypt, Iraq, Jordan and the Syrian Arab Republic: economically active population by occupation and sex; 1960 and 1980

Country Year Occupation / Year	Grand total Total 1960	 Male 1960	 Female 1960	Per cent distribution Total 1960	 Male 1960	 Female 1960	Grand total Total 1980	 Male 1980	 Female 1980	Per cent distribution Total 1980	 Male 1980	 Female 1980
Prof. and tech. workers	334,070	239,869	94202	3.16	2.44	12.36	1,403,564	967,243	436,320	8.13	6.33	21.99
Managerial workers	98,553	92,451	6101	0.93	0.94	0.80	155,822	136,818	19,004	0.90	0.90	0.96
Clericals	477,956	453,127	24829	4.52	4.62	3.26	1,482,167	1,212,013	270,153	8.59	7.93	13.62
Sales workers	815,199	764,656	50543	7.71	7.79	6.63	1,108,176	1,043,940	64,235	6.42	6.83	3.24
Services workers	935,457	769,264	166193	8.84	7.84	21.80	1,284,192	1,157,234	126,957	7.44	7.57	6.40
Agr. and hunting workers	5,467,634	5214,187	253447	51.70	53.13	33.25	6,367,147	5,694,645	672,503	36.88	37.27	33.90
Prod. workers and labour	2,097,938	2000,315	97622	19.84	20.38	12.81	4,436,190	4,261,792	174,398	25.70	27.89	8.79
Not stated	349,782	280,461	69322	3.31	2.86	9.09	1,026,511	806,253	220,259	5.95	5.28	11.10
Total	10,576,588	9,814,330	762,258	100.00	100.00	100.00	17,263,769	15,279,939	1,983,830	100.00	100.00	100.00

Source: Economic and Social Commission for Western Asia, Labour Force Data Base.

2. Employment and education

Table 8.4 shows female labour force by educational attainment and mean years of schooling. One can note the higher female mean, compared with males, ranging from 9 to 13 years,1/ and the relatively low proportion of illiteracy among active females, (2 to 30 per cent),2/ and the high proportion of active holders of secondary school degrees and higher degrees (30 to 76 per cent).3/ Thus education seems to play an important factor in increasing female economic participation: the more educated a woman is, the more likely she is to participate in economic life.

3. Employment by industry

Data gathered in Egypt, Iraq, Jordan and the Syrian Arab Republic in the early 1960s and early 1980s, show that females are mainly employed in two sectors: (a) agriculture and (b) community and personal services, which together accounted for 83 and 76 per cent in 1960 and 1980 respectively. While these proportions have decreased, female employment in manufacturing slightly increased from 7 to 11 per cent during the same period (table 8.5).

In the GCC countries, female employment is mainly concentrated in "community and personal services". Over 90 per cent of Kuwaiti females, for example, were engaged in this sector during 1965-1985.

Two subsectors are to be identified here: "public administration and defence" which accounted for 67 per cent of female employment in Jordan (1979) and 14 per cent in Egypt (1976) and 19 per cent in Kuwait (1985), and "social services", accounting for 9, 26 and 73 per cent in these three countries respectively.

4. Employment by occupation

Distribution by occupation of the female labour force shows four major groups in 1980 in Egypt, Iraq, Jordan and the Syrian Arab Republic, as follows: (a) agricultural workers (34 per cent); (b) professional and technical workers (22 per cent); (c) clerical workers (14 per cent); and (d) production workers (9 per cent). In 1960 these four groups already accounted for as much as 61 per cent of total female employment (see table 8.6).

1/ With the exception of Iraq (2.9 in 1977) and Saudi Arabia (3.8 in 1981)

2/ With the exception of Iraq (74 per cent in 1977) and Saudi Arabia (46 per cent in 1981) and the Syrian Arab Republic (58 per cent in 1983)

3/ With the exception of Iraq (15 per cent in 1977) and Saudi Arabia (15 per cent in 1981)

The rate of growth of the female labour force in the "clerical" group was the highest, reaching 12 per cent during the 1960-1980 period, followed by the "professional and technical group" (8 per cent) and the "agricultural" group (5 per cent). Note, however, the negative growth rate (-1.4 per cent) for the "service workers" during the same period.

Distribution of the national female labour force in the GCC countries was different however; the proportion of "professional and technical workers" was the highest, ranging from 43 per cent in Bahrain (1981) to 75 per cent in Qatar (1981), followed by the "clerical workers" varying between 35 per cent in Kuwait (1980) and 40 per cent in Bahrain (1981).[1/]

The "teachers" sub-group was the most attractive occupation for the female labour force. It accounted for 51 per cent[2/] in Jordan (1979), 38 per cent in the United Arab Emirates (1980), 26 per cent in Bahrain (1981) and 15 per cent in Egypt (1976). "Other clerical and related workers" was the second most attractive occupation, ranging from 10 to 26 per cent, followed by the medical and related workers (5 to 7 per cent).

1/ With the exception of Saudi Arabia, where this proportion was very low (5 per cent in 1981).

2/ Out of the total female labour force

ANNEX TABLES

Table A-1

ESCWA region: overall trade flows 1980-1986 (Millions of US dollars)

	1980	1981	1982	1983	1984	1985	1986	Jan-June 1987
				Exports (f. o. b.)				
Total ESCWA region	196,113	189,335	137,263	99,199	92,236	81,880	58,388	
Major oil exporters	188,978	182,025	130,198	92,454	85,546	74,787	52,708	
Iraq	26,278	10,530	10,230	9,785	11,030	12,369	9,124	
GCC countries	162,700	171,495	119,968	82,669	74,516	62,418	43,584	
Bahrain	3,598	4,177	3,695	3,119	3,092	2,782	2,369	
Kuwait	19,854	16,298	10,964	11,574	12,272	10,484	7,342	
Oman	3,748	4,696	4,421	4,248	4,422	4,971	2,888	
Qatar	5,711	5,844	4,507	3,297	3,364	3,098	1,843	
Saudi Arabia	109,111	120,240	79,124	45,835	37,544	27,480	20,084	
United Arab Emirates	20,678	20,240	17,257	14,596	13,822	13,603	9,058	
Other ESCWA countries	7,134	7,310	7,065	6,745	6,690	7,093	5,680	
Democratic Yemen	515	359	400	310	298	314	142	
Egypt	3,046	3,233	3,120	3,215	3,140	3,714	3,016	
Jordan	574	732	753	579	752	838	647	337
Lebanon	868	836	727	691	582	482	500	
Syrian Arab Republic	2,108	2,103	2,026	1,923	1,853	1,637	1,325	
Yemen	23	47	39	27	65	108	50	
Of which:								
Least developed countries[a/]	538	406	439	337	363	422	192	
				Imports (c. i. f.)				
Total ESCWA region	83,632	103,342	110,040	98,167	89,477	74,092	66,590	
Major oil exporters	66,099	80,354	88,037	74,311	66,366	54,424	47,596	
Iraq	13,942	20,735	21,534	12,166	11,078	10,556	9,302	
GCC countries	52,157	59,619	66,503	62,145	55,288	43,868	38,294	
Bahrain	3,484	3,954	3,520	3,262	3,479	3,107	2,415	
Kuwait	6,531	6,969	8,283	7,373	6,898	5,936	5,818	
Oman	1,732	2,288	2,682	2,492	2,748	3,152	2,741	
Qatar	1,447	1,518	1,945	1,456	1,162	1,139	1,099	
Saudi Arabia	30,211	35,244	40,654	39,206	33,696	23,622	19,113	
United Arab Emirates	8,752	9,646	9,419	8,356	7,305	6,912	7,108	
Other ESCWA Countries	17,533	22,988	22,003	23,856	23,111	19,668	18,994	
Democratic Yemen	652	703	757	756	821	679	529	
Egypt	4,860	8,839	9,078	10,274	10,766	9,962	9,715	
Jordan	2,394	3,149	3,241	3,030	2,784	2,656	2,432	
Lebanon	3,650	3,499	3,391	3,661	2,948	2,203	2,203	
Syrian Arab Republic	4,124	5,040	4,015	4,542	4116	2,536	2,703	
Yemen	1,853	1,758	1,521	1,593	1676	1,632	1,412	
Of which:								
Least developed countries[a/]	2,505	2,461	2,278	2,349	2,497	2,311	1,941	

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

a/ Democratic Yemen and Yemen.

Table A-2

ESCWA region : geographical distribution of exports (f.o.b), 1980-1986
(Percentage shares)

Year	ESCWA	Other Developing Regions Total	Asia	America	Africa	EEC	EFTA	USA	Japan	European CMEA	China	Rest of World	World	For Reference LAS	LDCs	GCC
								ESCWA region								
1980	5.04	18.98	12.15	1.50	5.21	31.04	3.34	9.86	19.35	1.17	0.21	10.99	100.00	5.74	0.71	2.86
1981	6.34	19.73	13.49	1.89	4.24	29.01	2.64	9.68	19.93	0.84	0.09	11.74	100.00	7.31	0.51	3.56
1982	6.88	24.02	16.13	2.13	5.66	23.97	1.87	5.52	22.32	1.20	0.08	14.12	100.00	7.92	0.45	4.20
1983	6.31	24.53	17.20	1.86	5.36	19.61	1.37	4.62	25.79	1.56	0.16	16.05	100.00	7.35	0.41	4.00
1984	6.78	23.52	16.99	2.09	4.37	16.39	1.47	5.93	27.55	1.58	0.21	16.57	100.00	8.00	0.41	4.32
1985	7.10	20.79	14.43	2.18	4.10	18.03	1.74	4.02	29.54	1.79	0.15	16.83	100.00	8.38	0.44	4.57
1986	7.26	20.32	14.64	1.92	3.70	20.99	1.78	7.20	23.45	2.25	0.20	16.54	100.00	8.31	0.45	4.56
								Major oil exporters								
1980	4.39	19.47	12.49	1.47	5.38	30.74	3.36	10.05	20.05	0.81	0.16	10.97	100.00	5.07	0.59	2.51
1981	5.76	20.27	13.89	1.86	4.42	28.77	2.67	9.96	20.65	0.45	0.03	11.44	100.00	6.69	0.50	3.19
1982	6.33	25.01	16.90	2.02	5.97	23.31	1.89	5.69	23.52	0.35	0.04	13.86	100.00	7.26	0.42	3.89
1983	5.77	25.66	18.00	1.82	5.73	18.94	1.31	4.70	27.42	0.32	0.13	15.74	100.00	6.75	0.37	3.65
1984	6.22	24.60	17.81	2.04	4.68	15.43	1.39	6.14	29.34	0.22	0.16	16.51	100.00	7.35	0.36	4.02
1985	6.53	21.98	15.27	2.22	4.41	16.48	1.73	4.26	32.01	0.26	0.15	16.59	100.00	7.79	0.39	4.33
1986	6.71	21.67	15.63	1.93	4.03	19.49	1.63	7.73	25.53	0.23	0.19	16.81	100.00	7.71	0.37	4.41
								Other ESCWA countries								
1980	21.58	6.49	3.50	2.28	0.72	38.63	3.06	5.18	1.42	10.61	1.58	11.44	100.00	22.79	3.93	11.71
1981	20.43	6.65	3.86	2.77	0.01	34.81	1.90	3.03	2.54	10.21	1.37	19.06	100.00	22.40	0.77	12.50
1982	16.63	6.75	2.57	3.95	0.24	35.52	1.57	2.49	1.48	16.07	0.70	18.80	100.00	19.46	1.01	9.62
1983	14.23	7.85	5.37	2.48	0.00	29.45	2.21	3.41	1.83	19.84	0.66	20.51	100.00	16.05	1.03	9.17
1984	14.68	8.29	5.44	2.85	0.00	29.90	2.59	3.10	2.39	20.79	0.95	17.30	100.00	17.10	1.08	8.50
1985	13.34	7.80	5.28	1.84	0.67	34.94	1.85	1.40	2.62	18.51	0.17	19.38	100.00	14.83	1.04	7.12
1986	12.28	8.04	5.64	1.77	0.63	34.55	3.16	2.43	4.59	20.52	0.30	14.12	100.00	13.69	1.16	5.92

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data in: International Monetary Fund, Direction of Trade Yearbook, 1987.

Notes: Definition of markets:

CMEA (European) : European members of the Council for Mutual Economic Assistance comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania and the Union of Soviet Socialist Republics (U.S.S.R.).

EEC : European Economic Community comprises Belgium, Denmark, France, Germany (Fed. Rep. of), Ireland, Italy, Luxembourg, Netherlands, and the United Kingdom.

EFTA : European Free Trade Association comprises Austria, the Faeroe Islands, Finland, Iceland, Norway, Portugal, Sweden and Switzerland.

ESCWA : Economic and Social Commission for Western Asia includes Bahrain, Democratic Yemen, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

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

Other ESCWA countries are Democratic Yemen, Egypt, Jordan, Lebanon, the Syrian Arab Republic, and Yemen.

GCC : Gulf Co-operation Council comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

LDCs : Least developed countries are Democratic Yemen and Yemen.

LAS : League of Arab States comprises the ESCWA member countries and the other North African Arab countries (Algeria, Libyan Arab Jamahiriya, Mauritania, Morocco, Somalia, Sudan and Tunisia).

Other developing regions are defined to include developing countries in Asia (excluding ESCWA), America, Africa (excluding Egypt) and Oceania.

... = not available.
0.00 = nil or negligible.
Figures may not add up to totals because of rounding.

Table A-3

ESCWA region: geographical distribution of imports (c.i.f.), 1980-1986
(Percentage shares)

Year	ESCWA	Other developing regions: Total	Asia	America	Africa	EEC	EFTA	USA	Japan	European CMEA	China	Rest of world	World	For reference: LAS	LDCs	GCC
								ESCWA region								
1980	10.38	9.32	7.33	0.93	1.05	34.31	4.54	13.28	14.91	3.25	1.11	8.89	100.00	10.98	0.26	7.14
1981	10.88	8.72	6.95	0.70	1.07	33.65	4.38	13.79	14.60	4.05	1.14	8.80	100.00	11.24	0.21	8.03
1982	7.56	9.58	7.64	0.67	1.27	35.26	4.66	13.65	15.44	3.36	0.89	9.58	100.00	7.90	0.05	5.87
1983	6.69	10.98	8.81	0.73	1.45	34.76	4.49	14.02	15.38	3.27	0.92	9.49	100.00	7.13	0.08	5.29
1984	7.55	12.94	10.14	1.11	1.69	33.54	4.14	12.28	14.92	3.60	0.83	10.21	100.00	8.35	0.09	6.04
1985	7.57	14.84	11.74	1.11	1.99	33.26	4.77	11.57	14.10	3.51	0.85	9.54	100.00	8.40	0.10	5.86
1986	6.56	13.91	10.93	1.08	1.91	35.66	4.45	12.35	12.03	3.42	2.69	8.93	100.00	7.37	0.10	4.97
								Major oil exporters								
1980	7.91	9.50	7.80	0.59	1.11	34.31	4.46	14.39	17.48	2.16	1.10	8.70	100.00	8.24	0.30	6.01
1981	9.17	9.19	7.67	0.57	0.95	33.76	4.40	14.40	17.62	2.88	0.97	7.60	100.00	9.48	0.23	7.30
1982	6.75	9.06	7.36	0.59	1.11	35.78	4.53	14.13	17.81	2.44	0.77	8.72	100.00	7.07	0.01	5.44
1983	6.37	10.43	8.35	0.58	1.50	34.90	4.46	14.78	18.12	2.04	0.81	8.09	100.00	6.71	0.02	5.02
1984	7.44	12.21	10.12	0.46	1.63	33.50	3.89	13.35	17.91	2.15	0.79	8.76	100.00	7.70	0.02	5.90
1985	7.37	15.03	12.35	0.48	2.19	33.08	4.39	12.33	17.22	2.00	0.81	7.78	100.00	7.68	0.02	5.93
1986	6.72	14.48	12.11	0.45	1.92	36.26	4.63	12.31	15.20	1.69	1.04	7.66	100.00	7.04	0.02	5.43
								Other ESCWA countries								
1980	19.10	8.68	5.67	2.14	0.87	34.32	4.83	9.40	5.88	7.11	1.13	9.55	100.00	20.62	0.09	11.12
1981	16.63	7.15	4.53	1.16	1.46	33.29	4.31	11.70	4.39	7.99	1.68	12.85	100.00	17.18	0.13	10.51
1982	10.81	11.67	8.76	1.00	1.91	33.18	5.17	11.76	5.94	7.05	1.40	13.02	100.00	11.23	0.20	7.58
1983	7.64	12.66	10.19	1.18	1.29	34.32	4.58	11.73	7.13	6.98	1.26	13.71	100.00	8.37	0.24	6.10
1984	7.88	14.98	10.20	2.94	1.84	33.64	4.84	9.25	6.49	7.67	0.93	14.31	100.00	10.19	0.27	6.43
1985	8.13	14.31	10.02	2.86	1.43	33.76	5.86	9.45	5.33	7.73	0.96	14.46	100.00	10.42	0.30	5.65
1986	6.19	12.67	8.33	2.46	1.88	34.33	4.04	12.42	5.06	7.23	6.31	11.74	100.00	8.11	0.29	3.95

Source: Compiled by the Economic and Social Commission for Western Asia secretariat on the basis of data in: International Monetary Fund, Direction of Trade Yearbook, 1987.

Notes: Definition of markets:

CMEA (European) : European members of the Council for Mutual Economic Assistance comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania and the Union of Soviet Socialist Republics (U.S.S.R.).

EEC : European Economic Community comprises Belgium, Denmark, France, Germany (Fed. Rep. of), Ireland, Italy, Luxembourg, Netherlands, and the United Kingdom.

EFTA : European Free Trade Association comprises Austria, the Faeroe Islands, Finland, Iceland, Norway, Portugal, Sweden and Switzerland.

ESCWA : Economic and Social Commission for Western Asia includes Bahrain, Democratic Yemen, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and Yemen.

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

Other ESCWA countries are Democratic Yemen, Egypt, Jordan, Lebanon, the Syrian Arab Republic, and Yemen.

GCC : Gulf Co-operation Council comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

LDCs : Least Developed Countries are Democratic Yemen and Yemen.

LAS : League of Arab States comprises the ESCWA member countries and the other North African Arab countries (Algeria, Libyan Arab Jamahiriya, Mauritania, Morocco, Somalia, Sudan and Tunisia).

Other developing regions are defined to include developing countries in Asia (excluding ESCWA), America, Africa (excluding Egypt) and Oceania.

... = not available.
0.00 = nil or negligible.
Figures may not add up to totals because of rounding.

Table A-4

Leading* partners in intraregional trade, 1985
(Percentage trade)

	Exports	Imports
Bahrain	United Arab Emirates (75.1), Saudi Arabia (11.3), Kuwait (7.6)	Saudi Arabia (96.2)
Democratic Yemen	Yemen (90.8), Saudi Arabia (5.9)	United Arab Emirates (40.7), Bahrain (19.0), Qatar (18.1), Saudi Arabia (7.9)
Egypt	Saudi Arabia (44.3), Iraq (23.3), Lebanon (13.4), Kuwait (6.4), Jordan (5.5)	Kuwait (40.5), Saudi Arabia (32.9), Iraq (8.7), United Arab Emirates (5.5)
Iraq	Jordan (46.5), Lebanon (35.5), Kuwait (7.8)	Kuwait (41.8), Jordan (33.3), United Arab Emirates (8.4), Egypt (7.7), Saudi Arabia (6.1)
Jordan	Iraq (51.9), Saudi Arabia (30.4), Kuwait (5.7)	Saudi Arabia (59.4), Iraq (27.4)
Kuwait	Saudi Arabia (32.2), Iraq (29.0), Egypt (10.9), United Arab Emirates (10.4), Lebanon (6.4)	Lebanon (21.0), United Arab Emirates (19.2), Iraq (14.3), Saudi Arabia (13.8), Qatar (10.7), Jordan (8.9), Egypt (5.6)
Lebanon	Saudi Arabia (41.6), Kuwait (14.4), United Arab Emirates (10.5), Jordan (8.6), Syrian Arab Republic (8.1)	Saudi Arabia (36.2), Iraq (18.3), Kuwait (18.2), Bahrain (9), Egypt (8.9)
Oman	Saudi Arabia (32.6), United Arab Emirates (25.8), Bahrain (21.2), Jordan (7.6), Iraq (5.3)	United Arab Emirates (92.2)
Qatar	Saudi Arabia (29.7), Democratic Yemen (20.7), Kuwait (14.6), United Arab Emirates (12.9), Oman (15.1)	Jordan (13.4), United Arab Emirates (48.4), Lebanon (14.7), Syrian Arab Republic (12.9), Kuwait (7.4)
Saudi Arabia	Bahrain (62.2), Jordan (18.2), Yemen (5.9)	Lebanon (19.7), United Arab Emirates (16.9), Jordan (16.0), Kuwait (13.8), Egypt (12.0), Bahrain (7.8), Qatar (7.2)

Table A-4 (cont'd)

	Exports	Imports
Syrian Arab Republic	Saudi Arabia (30.0), Qatar (18.5), Jordan (17.9), Lebanon (17.1), Kuwait (8.0), Yemen (8.0)	Lebanon (43.1), Jordan (39.3), Saudi Arabia (9.8)
United Arab Emirates	Oman (64.3), Saudi Arabia (11.1), Democratic Yemen (7.3)	Bahrain (67.8), Saudi Arabia (9.1), Kuwait (7.7), Lebanon (7.1)
Yemen	Democratic Yemen (63.4), Saudi Arabia (35.1)	Saudi Arabia (63.5), Democratic Yemen (19.6), Kuwait (7.8)

<u>Source</u>: International Monetary Fund, <u>Direction of Trade Yearbook, 1987</u>.

* Accounting for 5 per cent or more of exports/imports.

Table A-5

ESCWA region: major balance of payments flows, 1980-1986

(Millions of United States dollars)

	Trade balance a/	Services (net)	Balance on goods & services	Unrequited transfers (net) Private	Unrequited transfers (net) Official	Balance on current account	Capital flows (net) Long-term	Capital flows (net) Short-term	Errors and omissions	Overall balance	Counterpart items, exceptional Financing and Others: Total	Counterpart items	Exceptional financing	Others	Total change in reserves (- = increase)
Gulf Co-operation Council countries															
Bahrain															
1980	520	-162	358	-283	181	256	10	-248	418	437	-97	-96	-	-1	-340
1981	618	-65	553	-318	194	430	-3	-357	521	591	-	-	-	-	-591
1982	657	55	712	-331	190	570	-95	24	-503	-4	-6	-6	-	-	9
1983	253	84	337	-300	143	179	41	-207	-120	-107	-2	-2	-	-	108
1984	72	354	426	-346	124	205	151	-187	-126	43	-168	-168	-	-	124
1985	100	440	540	-396	120	264	36	-334	209	175	181	181	-	-	-357
1986	177	411	588	-674	121	35	-68	-155	-36	-224	54	54	-	-	170
Kuwait															
1980	13,877	3,004	16,881	-692	-888	15,302	-37	-11,269	-2,950	1,045	13	13	-	-	-1,058
1981	9,287	6,152	15,439	-689	-972	13,778	384	-8,684	-5,191	286	-147	-147	-	-	-139
1982	3,008	3,387	6,395	-875	-646	4,873	-244	-2,789	137	1,978	-132	-132	-	-	-1,846
1983	4,584	2,254	6,838	-865	-686	5,287	-902	1,026	-6,398	-988	267	267	-	-	721
1984	5,604	2,148	7,752	-963	-415	6,374	-1075	-6,377	1,046	-32	-570	-570	-	-	602
1985	4,712	1,676	6,388	-1,044	-529	4,815	-681	-1,623	-1,966	545	336	336	-	-	-881
1986	1,979	5,448	7,427	-1,084	-182	6,161	-2103	-2,319	-1,821	-83	114	114	-	-	-30
Oman															
1980	1,968	-766	1,202	-362	102	942	39	-124	-67	790	-492	-492	-	-	-298
1981	2,524	-850	1,674	-459	145	1,360	224	-184	-163	1,237	-830	-830	-	-	-406
1982	1,840	-825	1,015	-556	43	503	252	-62	53	746	-523	-523	-	-	-224
1983	1,895	-843	1,052	-695	148	506	522	-198	-478	352	-240	-240	-	-	-112
1984	1,781	-855	926	-819	211	318	569	-136	-434	317	-37	-37	-	-	-280
1985	1,943	-927	1,016	-906	-26	84	308	149	-417	124	86	86	-	-	-210
1986	607	-725	-118	-851	-	-969	686	328	-673	-628	122	122	-	-	507
Qatar															
1980	4,245	-1,598 b/	2,647	...	...	2,647		-1,929 c/	...	718	-	-	-	-	-718
1981	4,326	-1,942 b/	2,384	...	...	2,384		-1,481 c/	...	903	-	-	-	-	-903
1982	2,560	-1,432 b/	1,128	...	...	1,128		-1,890 c/	...	-762	-	-	-	-	762
1983	1,842	-1,432 b/	410	...	...	410		-1,006 c/	...	-596	-	-	-	-	596
1984	2,202	-1,372 b/	830	...	...	830		-551 c/	...	279	-	-	-	-	-279
1985	1,959	-1,410 b/	549	...	...	549		-648 c/	...	-100	-	-	-	-	100
1986	744	-939 b/	-194	...	...	-194		-376 c/	...	-570	-	-	-	-	570
Saudi Arabia															
1980	75,155	-22,407	52,748	-4,094	-5,901	42,754	-27,381	-11,435 d/	...	3,937	217	217	-	-	-4,154
1981	81,942	-29,765	52,177	-5,348	-5,700	41,129	-27,725	-3,836 d/	...	9,568	-769	-769	-	-	-8,799
1982	39,432	-22,111	17,321	-5,347	-4,399	7,575	-2,976	-6,908 d/	...	-2,308	-379	-379	-	-	2,687
1983	12,444	-20,161	-7,717	-5,236	-4,000	-16,953	12,476	2,969 d/	...	-1,508	-753	-753	-	-	2,262
1984	8,865	-18,387	-9,522	-5,284	-3,598	-18,403	20,319	-3,395 d/	...	-1,480	-1,059	-1,059	-	-	2,539
1985	7,073	-11,002	-3,929	-5,199	-3,249	-12,377	11,877	-209 d/	...	-709	965	965	-	-	-255
1986	3,051	-5,676	-2,625	-4,804	-2,959	-10,388	4,372	-1603 d/	...	-7,619	939	939	-	-	6,680
United Arab Emirates															
1980	13,333	-1,537 b/	11,796	...	-1,726	10,070		-620 e/	-4,594 f/	4,856	-	-	-	-	-4,856
1981	11,986	-1,716 b/	10,270	...	-1,062	9,208		-1,725 e/	-3,609 f/	3,874	-	-	-	-	-3,874
1982	8,962	-1,308 b/	7,654	...	-654	7,001		-1,062 e/	-4,304 f/	1,634	-	-	-	-	-1,634
1983	7,110	-1,498 b/	5,612	...	-354	5,257		-951 e/	-2,795 f/	1,512	-	-	-	-	-1,512
1984	9,044	-1,362 b/	7,682	...	-218	7,464		-177 e/	-5,579 f/	1,708	-	-	-	-	-1,708
1985	8,226	-1,090 b/	7,136	...	-191	6,946		-327 e/	-5,900 f/	719	-	-	-	-	-719
1986	3,841	-1,090 b/	2,751	...	-381	2,370		-223 e/	-975 f/	1,308	-	-	-	-	-1,308

Table A-5 (cont'd)

	Trade balance a/	Services (net)	Balance on goods & services	Unrequited transfers (net) Private	Unrequited transfers (net) Official	Balance on current account	Capital flows (net) Long-term	Capital flows (net) Short-term	Errors and omissions	Overall balance	Counterpart items, exceptional Financing and others: Total	Counter-part items	Excep-tional financing	Others	Total change in reserves (- = increase)
Other ESCWA Countries															
Democratic Yemen															
1980	-538	-20	-558	347	79	-133	76	28	66	37	6	-5	11	-	-43
1981	-592	-23	-615	404	122	-89	144	6	-50	11	18	-15	1	32	-29
1982	-653	-54	-707	470	126	-110	149	24	-52	10	8	-16	-	24	-18
1983	-643	-80	-723	486	43	-194	244	3	-47	6	-9	-17	-	8	3
1984	-704	-88	-792	499	31	-261	145	63	44	-8	-21	-24	-	3	29
1985	-581	-106	-687	426	32	-229	93	27	34	-75	14	33	...	-19	62
1986	-401	-89	-490	282	18	-191	156	20	21	-36	-6	21	...	-29	41
Egypt															
1980	-2,960	-269	-3,229	2,791	...	-438	951	61	35	609	53	-36	89 g/	-	-662
1981	-3,919	-447	-4,366	2,230	...	-2,136	2,029	36	124	53	-305	-421	116 g/	-	252
1982	-3,715	-618	-4,333	2,481	...	-1,852	1,390	83	132	-245	269	-191	460 g/	-	-24
1983	-3,822	-277	-4,099	3,688	...	-411	656	-377	213	81	-3	-77	74 g/	-	-79
1984	-5,386	-676	-6,062	3,981	...	-2,081	1,241	459	115	-266	235	24	211 g/	-	32
1985	-4,503	-958	-5,461	3,216	...	-2,245	1,685	-335	664	-231	294	-56	350 g/	-	-63
1986	-4,011	-375	-4,386	2,515	...	-1,870	1,726	168	-96	-73	121	-249	370 g/	-	-48
Jordan															
1980	-1,561	-44	-1,605	666	1,313	374	106	222	-257	445	62	62	-	-	-507
1981	-2,082	-139	-2,221	922	1,260	-39	217	83	-100	161	-183	-183	-	-	22
1982	-2,127	-172	-2,299	933	1,034	-333	320	66	-152	-100	-72	-72	-	-	171
1983	-2,120	10	-2,110	924	795	-391	433	128	-40	130	-80	-80	-	-	-50
1984	-1,721	-260	-1,981	1,028	688	-265	164	172	-48	24	-331	-331	-	-	307
1985	-1,638	-208	-1,847	846	740	-260	358	58	-85	70	29	29	-	-	-100
1986	-1,426	-232	-1,658	984	634	-40	147	30	-17	120	71	71	-	-	-191
Syrian Arab Republic															
1980	-1,898	-145	-2,043	774	1,520	251	-25	431	-915	-258	15	15	-	-	243
1981	-2,614	-62	-2,676	582	1,819	-275	48	531	-285	19	-64	-64	-	-	45
1982	-1,671	-405	-2,076	446	1,379	-251	-8	148	208	97	-190	-190	-	-	93
1983	-2,224	-330	-2,554	461	1,278	-815	309	310	66	-131	-15	-15	-	-	146
1984	-1,942	-437	-2,379	327	1,201	-852	326	581	-68	-13	229	229	-	-	-216
1985	-1,951	-355	-2,306	293	1,061	-952	179	857	62	146	-329	-329	-	-	183
1986	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Yemen															
1980	-1,855	-45	-1,900	1,070	146	-685	475	-81	90	-201	56	56	-	-	145
1981	-1,714	-51	-1,765	777	332	-655	233	14	98	-310	-11	-11	-	-	321
1982	-1,921	-37	-1,958	911	439	-607	168	-55	68	-425	18	-6	-	24	408
1983	-1,756	-47	-1,803	1,084	160	-559	157	13	182	-207	8	-9	-	17	199
1984	-1,393	-45	-1,438	996	142	-301	99	7	112	-83	36	33	-	3	47
1985	-1,071	-69	-1,140	763	89	-287	106	123	22	-36	13	8	-	5	23
1986	-780	-71	-851	527	198	-125	197	-71	78	79	59	53	-	6	-138

Source: Compiled by the Economic and Social Commission for Western Asia on the basis of data given in national and international sources.

Note: Figures were rounded to the nearest million; figures therefore may not add up to totals.

a/ Merchandise trade is valued f.o.b. except imports of Qatar and the United Arab Emirates which are valued c.i.f.

b/ Including private transfers.

c/ Private and official capital flows.

d/ Includes errors and omissions and is believed to cover mainly private capital flows.

e/ Official loans.

f/ Including private capital flows.

g/ Including official transfers.

\- = Nil, negligible, or deficit.

... = Not available.

Table A-6

ESCWA region: international reserves[a/]
(Millions of U.S. dollars)

	1975	1980	1981	1982	1983	1984	1985	1986	1987 b/
ESCWA region[c/]	30,033.2	38,083.9	48,984.1	47,499.1	43,281.1	38,807.8	41,474.2	34,370.0	37,515.6
GCC countries	26,531.5	31,725.8	42,748.9	41,056.0	37,706.8	34,778.3	37,428.9	30,789.1	33,575.6
Bahrain	295.8	960.0	1,550.7	1,541.4	1,433.0	1,309.0	1,666.3	1,496.0	1,084.7[d/]
Kuwait	1,661.1	4,045.3	4,180.1	6,023.0	5,300.5	4,694.3	5,580.4	5,609.5	4,885.9
Oman	164.2	621.4	814.5	944.3	838.2	976.2	1,166.2	1,036.2	1,288.7[d/]
Qatar	104.4	364.6	394.8	421.2	423.1	421.3	446.1[e/]	571.9[e/]	...
Saudi Arabia[f/]	23,319.0	23,641.0	32,422.0	29,726.0	27,455.0	24,906.0	25,181.0	18,521.0	21,900.0
United Arab Emirates[g/]	987.0	2,093.5	3,386.8	2,400.1	2,257.0	2,471.5	3,388.9	3,554.5	4,415.3[d/]
Other ESCWA countries	3,501.7	6,358.1	6,235.2	6,443.1	5,574.3	4,029.5	4,045.3	3,580.9	3,940.0
Democratic Yemen	54.7	235.3	256.3	288.0	283.4	250.5	188.4	139.8	105.9[d/]
Egypt	297.0	1,149.0	1,491.0	1,276.0	1,528.0	1,415.0	1,370.0	1,451.0	2,033.0[d/]
Jordan	491.7	1,347.0	1,300.1	1,100.1	1,023.7	687.2	612.6	641.6	501.9
Lebanon	1,590.8	1,977.6	1,905.8	2,997.5	2,291.9	1,061.0	1,463.2	877.4	788.4
Syrian Arab Republic	730.0	366.0	320.0	227.0	81.0	297.0	114.0	39.0[h/]	...
Yemen	337.5	1,283.0	962.0	554.5	366.3	318.8	297.1	432.1	510.8

Source: International Monetary Fund, International Financial Statistics (various issues).

a/ End of period data on gold (national valuation) and foreign exchange reserves holdings by monetary authorities; reserve position in the Fund plus Special Drawing Rights (SDRs), when applicable. These, however, may differ from those reported as "Reserves (net)" in balance of payments data due to differences in coverage and timing.

b/ End of November data except for Democratic Yemen, Egypt, and Yemen (end of September).

c/ Excluding Iraq for lack of data.

d/ Assuming same value for gold as last reported.

e/ Excluding gold which has generally constituted a small fraction of reserves.

f/ Beginning April 1986, the foreign exchange component excludes the foreign exchange cover against note issue.

g/ Beginning June 1982, the foreign exchange component excludes foreign assets of the central bank and the accrued interest attributable to the Emirates Government.

h/ End of June data.

Table B-1

Government revenue, expenditure and surplus deficit*
(Millions of national currency units)

	1981	1982	1983	1984	1985	1986a/	1987b/	1988b/
GCC countries								
Bahrain								
Revenue	540.6	556.1	484.8	548.8	533.2	550.0b/	560.0	430.0
Expenditure	472.6	532.2	535.2	538.6	508.5	550.0b/	560.0	490.0
Surplus/deficit	68.0	23.9	-50.4	10.2	24.7	--	--	-60.0
Kuwait								
Revenue	6,403.2	4,349.2	4,223.7	4,439.2	3,883.2	2,330.8	1,692.0a/	
Expenditure	3,377.9	3,783.0	3,732.6	3,660.3	3,383.5	3,047.9	2,473.0a/	
Surplus/deficit	3,025.3	566.2	491.7	778.9	500.7	-717.1	-781.0	
Oman								
Revenue	1,362.7	1,231.8	1,467.4	1,564.2	1,693.0	1,416.4	1,335.0	1,350.0
Expenditure	1,174.3	1,364.4	1,488.3	1,700.1	1,953.0	1,892.7	1,610.0	1,602.0
Surplus/deficit	188.4	-132.6	-20.9	-135.9	-260.0	-476.0	275.0	252.0
Qatar								
Revenue	19,123.0	17,103.0	14,961.0	12,849.0	13,610.6	10,393.0	7,130.0a/	6,745.0
Expenditure	12,840.0	14,261.0	13,780.0	12,518.0	12,173.0	10,374.0	9,883.0a/	12,217.0
Surplus/deficit	6,283.0	2,842.0	2,362.0	331.0	1,437.6	19.0	-2,753.0a/	-5,471.0
Saudi Arabia								
Revenue	348,119.9	368,006.0	246,180.0	206,418.0	171,510.0	131,498.0	117,280.0	105,300.0
Expenditure	236,570.0	284,648.0	244,910.0	230,190.0	216,363.0	181,548.0	170,000.0	141,200.0
Surplus/deficit	111,549.0	83,358.0	1,270.0	-23,772.0	-44,853.0	-50,050.0	-52,720.0	-35,900.0
United Arab Emirates								
Revenue	23,193.7	16,100.4	13,807.6	12,826.3	15,525.0	12,837.0	11,066.4	--
Expenditure	20,633.6	19,979.8	16,310.3	15,669.2	15,939.0	14,023.8	14,421.3	--
Surplus/deficit	2,560.1	3,879.4	-2,502.7	-2,842.9	-414.0	-1,186.8	-3,354.9	--
Diversified economies								
Egypt								
Revenue	--	7,890.0	8,693.0	11,197.0b/	12,877.0b/	15,010.0b/	14,386.0b/	--
Expenditure	--	11,416.0	13,538.0	16,209.0b/	18,277.0b/	19,910.0b/	20,001.0b/	23,000.0
Surplus/deficit	--	-3,526.0	-4,845.0	-5,012.0b/	-5,400.0b/	-4,900.0b/	-5,615.0b/	--
Jordan								
Revenue	598.5	627.2	676.7	666.8	842.4	886.0	991.3c	1,008.5
Expenditure	647.1	693.6	765.3	729.4	818.8	923.7	1,080.1c	1,075.3
Surplus/deficit	-48.6	-66.4	-28.6	-62.6	+23.6	-37.7	-88.8	-66.8

Table B-1 (cont'd)

	1981	1982	1983	1984	1985	1986a/	1987b/	1988b/
Lebanon								
Revenue	3,255.0	3,024.0	5,080.0	7,032.0b/	4,740.0a/	5,640.0a/	1,575.0	--
Expenditure	5,220.0	5,945.0	8,610.0	10,757.0	20,408.0	27,347.0	27,250.0	--
Surplus/deficit	-1,965.0	-2,921.0	-3,530.0	-3,725.0	-15,668.0	-21,707.0	-11,500.0	--
Syrian Arab Republic								
Revenue	30,480.0	33,345.0	37,253.0	41,289.0	42,984.2	43,841.0	41,703.0	--
Expenditure	30,480.0	33,345.0	37,253.0	41,289.0	42,984.2	43,841.0	41,703.0	--
Surplus/deficit	-10,483.0d/	-13,161.0d/	--	--	--	--	--	--
Least developed countries								
Democratic Yemen								
Revenue	135.3	148.2	155.0	159.6	--	--	--	--
Expenditure	230.6	259.2	294.0	299.2	--	--	--	--
Surplus/deficit	-72.6	-117.7	-117.9	-139.7	--	--	--	--
Yemen Arab Republic								
Revenue	--	5,455.6	5,562.6	5,145.5	6,216.7	8,474.5	8,310.0	13,718.0
Expenditure	--	9,119.3	9,276.9	9,166.2	10,635.7	13,022.3	11,833.0	15,542.0
Surplus/deficit	--	-3,663.7	-3,714.3	-4,020.7	-4,419.0	-4,547.8	-3,523.0	-1,824.0

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

* Deficit is net, i.e. including grants and loans.

a/ Provisional/preliminary.

b/ Budget estimates.

c/ Including supplementary budget with a revenue of JD 12.3 million and expenditure of JD 61.4 million.

d/ International Monetary Fund estimates.

Table B-2

Money supply in the ESCWA region, 1980-1987*
(Millions of national currency units)

End of period	Currency in circulation (1) Amount	% of M1	Demand deposits (2) Amount	% of M1	Total money supply (M1) (1 + 2) = (3) Amount	% of M2	Time and saving deposits (4) Amount	% of total	Total money supply (M2) (3 + 4) = (5) Amount	% of total
Oil economies										
Bahrain										
1980	58.3	30.3	133.9	69.7	192.2	36.7	331.8	63.3	524.1	100.0
1981	63.4	25.5	185.4	74.5	248.8	34.0	481.8	66.0	730.6	100.0
1982	71.5	26.7	196.5	73.3	268.0	34.3	513.1	65.7	781.3	100.0
1983	73.5	29.4	176.5	70.6	250.0	29.6	593.1	70.4	843.1	100.0
1984	78.2	32.7	161.1	67.3	239.3	28.9	588.5	71.1	827.8	100.0
1985	79.0	32.5	164.2	67.5	243.1	26.9	660.1	73.1	903.3	100.0
1986	80.0	32.5	155.7	66.1	235.7	26.6	649.5	73.4	885.2	100.0
1987 (August)	80.4	34.0	155.8	66.0	236.2	27.0	639.7	73.0	875.9	100.0
Kuwait										
1980	251.3	37.5	418.4	62.5	669.7	23.4	2,187.8	76.6	2,857.5	100.0
1981	284.7	23.4	930.1	76.6	1,214.8	31.4	2,652.9	68.6	3,867.8	100.0
1982	342.8	29.1	837.0	71.0	1,179.7	28.2	3,003.1	71.8	4,182.8	100.0
1983	340.6	30.6	772.9	69.4	1,113.5	25.5	3,254.3	74.5	4,367.8	100.0
1984	325.1	35.6	588.8	64.4	913.9	20.3	3,583.0	79.7	4,496.9	100.0
1985	327.9	36.7	565.7	63.3	893.6	20.1	3,554.6	79.9	4,448.2	100.0
1986	337.1	36.5	585.0	63.4	922.1	20.2	3,639.8	79.8	4,561.9	100.0
Oman										
1980	94.8	59.2	65.3	40.8	160.1	50.2	159.1	49.8	319.2	100.0
1981	116.2	53.4	101.5	46.6	217.7	49.0	226.6	51.0	444.3	100.0
1982	129.8	50.8	125.8	49.2	255.6	46.0	299.6	54.9	555.2	100.0
1983	140.4	49.7	141.9	50.3	282.3	42.4	383.0	57.6	665.3	100.0
1984	150.0	51.5	141.4	48.5	291.4	36.0	517.8	64.0	809.2	100.0
1985	178.5	54.6	148.7	45.4	327.2	35.4	597.6	64.6	924.8	100.0
1986	168.8	54.4	141.5	45.6	310.3	35.8	555.5	64.2	865.8	100.0
1987 (September)	174.4	53.9	149.3	46.1	323.7	36.9	552.8	63.1	876.5	100.0
Qatar										
1980	811.1	35.6	1,466.0	64.4	2,277.1	43.2	3,003.0	56.9	5,280.1	100.0
1981	991.6	29.1	2,411.6	70.9	3,403.2	45.5	4,072.0	54.5	7,475.2	100.0
1982	1,151.3	30.3	2,643.5	69.7	3,794.8	44.3	4,772.1	56.7	8,566.9	100.0
1983	1,068.4	29.5	2,556.1	70.5	3,624.5	42.7	4,863.2	57.3	8,487.7	100.0
1984	1,186.3	28.7	2,948.1	71.3	4,134.4	40.0	6,219.5	60.1	10,354.0	100.0
1985	1,120.0	27.9	2,896.7	72.1	4,016.7	35.5	7,288.7	64.5	11,305.4	100.0
1986	1,287.8	28.7	3,199.4	71.3	4,487.2	35.7	8,081.7	64.3	12,568.9	100.0
1987 (June)	1,345.5	28.0	3,458.6	72.0	4,804.1	36.5	8,354.7	63.5	13,158.8	100.0

Table B-2 (cont'd)

End of period	Currency in circulation Amount (1)	% of M1	Demand deposits Amount (2)	% of M1	Total money supply (M1) Amount (1 + 2)	% of M2 = (3)	Time and saving deposits Amount (4)	% of total	Total money supply (M2) Amount (3 + 4)	% of total = (5)
Saudi Arabia[b/]										
1980	25,680.0	43.6	33,280.0	56.4	58,960.0	80.9	13,930.0	19.1	72,890.0	100.0
1981	29,490.0	40.4	43,490.0	59.6	72,980.0	76.9	21,930.0	23.1	94,916.0	100.0
1982	34,440.0	41.1	49,340.0	58.9	83,780.0	73.8	29,680.0	26.2	113,460.7	100.0
1983	35,420.0	41.7	49,510.0	58.3	84,930.0	71.3	34,130.0	28.7	119,060.0	100.0
1984	35,110.0	42.3	47,860.0	57.7	82,970.0	66.5	41,790.0	33.5	124,760.0	100.0
1985	35,770.0	43.7	46,060.0	56.3	81,830.0	65.9	44,090.0	35.0	125,920.0	100.0
1986	38,810.0	45.0	47,470.0	55.0	86,280.0	65.8	44,920.0	34.2	131,200.0	100.0
1987 (August)	--	--	46,850.0	--	--	--	44,240.0	--	--	--
United Arab Emirates										
1980	2,142.5	29.1	5,211.8	70.9	7,354.3	31.2	16,239.5	68.8	23,593.8	100.0
1981	2,770.8	30.9	6,198.0	69.1	8,968.8	30.8	20,196.3	69.2	29,165.1	100.0
1982	2,989.5	30.7	6,749.0	69.3	9,738.0	28.9	23,990.0	71.1	33,728.0	100.0
1983	2,878.8	31.6	6,245.4	68.4	9,124.2	25.1	27,291.6	74.9	36,415.8	100.0
1984	2,929.0	32.9	5,962.6	67.1	8,891.6	19.0	38,025.0	81.0	46,916.6	100.0
1985	3,161.0	33.3	6,344.0	66.7	9,505.0	19.0	40,413.0	81.0	49,918.6	100.0
1986	3,246.0	35.3	5,956.0	64.7	8,202.0	17.7	42,875.0	82.3	52,077.0	100.0
Diversified economies										
Egypt										
1980	3,398.0	57.6	2,504.0	42.4	5,902.0	62.2	3,589.0	37.8	9,491.0	100.0
1981	4,291.0	59.8	2,886.0	40.2	7,177.0	54.8	5,920.0	45.2	13,097.0	100.0
1982	5,503.0	61.1	3,498.0	38.9	9,001.0	52.2	8,240.0	47.8	17,241.0	100.0
1983	6,475.0	63.6	3,798.0	37.0	10,273.0	48.6	10,884.0	51.4	21,157.0	100.0
1984	7098.0	60.9	4554.0	39.1	11652.0	46.4	13486.0	53.6	25138.0	100.0
1985	8285.0	59.6	5606.0	40.4	13891.0	46.5	15978.0	53.5	29869.0	100.0
1986	8803.0	58.9	6135.0	41.1	14938.0	41.4	21127.0	58.6	36065.0	100.0
1987 (September)	9337.0	57.1	7003.0	42.9	16340.0	39.9	24617.0	60.1	40957.0	100.0
Jordan										
1980	351.6	59.1	243.1	40.9	594.8	60.4	390.0	39.6	984.8	100.0
1981	412.3	58.8	289.4	41.2	701.7	59.5	478.2	40.5	1,179.9	100.0
1982	470.0	59.7	317.5	40.3	787.5	56.1	615.8	43.9	1,403.4	100.0
1983	516.0	59.4	353.4	40.6	869.4	53.8	745.7	46.2	1,615.2	100.0
1984	530.5	60.4	347.9	39.6	878.4	50.0	879.3	50.0	1,757.7	100.0
1985	531.8	62.7	316.4	37.3	848.2	45.2	1,026.6	54.8	1,874.8	100.0
1986	583.9	65.1	313.2	34.9	897.0	43.3	1,175.3	56.7	2,072.4	100.0
1987 (August)	667.5	67.4	322.1	32.6	989.6	43.3	1,298.1	56.7	2,287.7	100.0

Table B-2 (cont'd)

End of period	Currency in circulation Amount	% of M1	Demand deposits Amount	% of M1	Total money supply (M1) Amount	% of M2	Time and saving deposits Amount	% of total	Total money supply (M2) Amount	% of total
	(1)		(2)		(1 + 2) = (3)		(4)		(3 + 4) = (5)	
Lebanon										
1980	3,982.0	51.9	3,684.0	48.1	7,666.0	26.6	21,160.0	73.4	28826.0	100.0
1981	4,625.0	51.3	4,380.0	48.7	9,005.0	22.3	31,392.0	77.7	40397.0	100.0
1982	5,582.0	50.4	5,488.0	49.6	11,070.0	22.8	37,487.0	77.2	48557.0	100.0
1983	6,958.0	54.1	5,887.0	45.9	12,845.0	20.8	48,775.0	79.2	61620.0	100.0
1984	7,669.0	55.6	6,114.0	45.4	13,783.0	18.1	62,494.0	81.9	76277.0	100.0
1985	10,267.0	50.9	9,887.0	49.1	20,154.0	16.9	98,948.6	88.1	119102.0	100.0
1986	14,719.0	48.6	15,557.0	51.4	30,276.0	9.4	293,572.0	90.6	323848.0	100.0
1987 (July)	23,563.0	50.0	23,555.0	50.0	47,118.0	7.3	596,368.0	92.7	643,486.0	100.0
Syrian Arab Republic										
1980	13,421.7	61.4	8,433.5	38.6	21,855.2	91.0	2,175.7	9.0	24,030.9	100.0
1981	14,046.6	56.6	10,785.8	43.4	24,831.0	89.2	3,009.1	10.8	27,840.9	100.0
1982	17,347.5	58.8	12,170.8	41.2	29,518.3	88.1	3,992.2	11.9	33,511.2	100.0
1983	20,499.3	55.3	16,542.4	44.7	37,041.7	87.7	5,203.8	12.3	42,245.5	100.0
1984	25,154.5	55.2	20,452.0	44.8	45,606.5	86.4	7,167.1	13.6	52,773.6	100.0
1985	29,562.4	53.8	25,413.9	46.2	54,976.3	86.6	8,516.2	13.4	63,492.5	100.0
1986 c/	36,416.1	58.3	26,007.1	41.7	62,423.2	86.3	9,907.4	13.7	72,330.6	100.0
Democratic Yemen										
1980	171.1	72.9	63.5	27.2	234.6	82.0	51.5	18.0	286.1	100.0
1981	192.6	74.3	66.5	25.7	259.1	80.5	62.7	19.5	321.8	100.0
1982	223.8	75.4	73.1	24.6	296.9	77.6	85.6	22.4	382.5	100.0
1983	244.3	54.6	87.3	26.3	331.6	74.2	115.6	25.8	447.2	100.0
1984	255.9	73.7	112.8	30.6	368.7	72.2	141.8	27.8	510.5	100.0
1985	276.4	68.6	126.4	31.4	402.8	73.0	148.5	27.0	551.3	100.0
1986	187.9	68.6	131.8	31.4	419.7	72.9	155.9	27.1	575.6	100.0
1987 (August)	302.1	66.9	149.6	33.1	451.7	74.7	153.0	25.3	604.7	100.0
Yemen										
1980	6,894.5	91.1	674.0	8.9	7,568.5	82.4	1,611.1	17.6	9,179.6	100.0
1981	7,043.5	89.5	824.2	10.5	7,867.7	79.4	2,037.5	20.6	9,905.2	100.0
1982	8,940.5	87.0	1,332.5	13.0	10,273.0	82.1	2,246.4	17.9	12,519.4	100.0
1983	10,733.0	81.7	2,401.8	18.3	13,134.8	82.3	2,832.2	17.7	15,967.0	100.0
1984	13,314.0	81.6	2,997.9	18.4	16,311.9	80.1	4,052.7	19.9	20,364.6	100.0
1985	15,633.4	82.9	3,221.9	17.1	18,855.3	77.2	5,575.0	22.8	24,430.3	100.0
1986	19,062.0	83.0	3,916.0	17.0	22,977.6	75.0	7,673.0	25.0	30,651.1	100.0
1987	19,984.0	80.0	5,125.1	20.0	25,108.8	75.5	8,140.7	24.5	33,249.5	100.0

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

* Excluding Iraq.

a/ Including foreign currency deposits for Egypt, Lebanon, Qatar, the Syrian Arab Republic, the United Arab Emirates and Yemen, together with the earmarked deposits for Yemen.

b/ Approximate end of period.

c/ Provisional.

Table B-3

Annual percentage change in money supply in the ESCWA region, 1980-1985*

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
GCC countries					
Bahrain					
1981/1980	8.8	38.5	29.4	45.2	39.4
1982/1981	12.8	6.0	7.7	6.5	6.9
1983/1982	2.8	-10.2	-6.7	15.6	7.9
1984/1983	6.4	-8.7	-4.3	-0.8	-1.8
1985/1984	1.0	1.9	1.6	12.2	9.1
1986/1985	1.3	-5.2	-3.0	-1.6	-2.0
Kuwait					
1981/1980	13.3	122.3	81.4	21.3	35.4
1982/1981	20.4	-10.0	-2.9	13.2	8.1
1983/1982	-0.6	-7.7	-5.6	8.4	4.4
1984/1983	-4.6	-23.8	-17.9	10.1	3.0
1985/1984	0.9	-3.9	-2.2	-0.8	-1.1
1986/1985	2.8	3.4	3.2	2.4	2.6
Oman					
1981/1980	22.6	55.4	36.0	42.4	39.2
1982/1981	11.7	23.9	17.4	32.2	25.0
1983/1982	8.2	12.8	10.4	27.8	19.8
1984/1983	6.8	-0.4	3.2	35.2	21.6
1985/1984	19.0	5.2	12.3	15.4	14.3
1986/1985	-5.4	-4.8	-5.2	-7.0	-6.4
Qatar					
1981/1980	22.2	64.5	49.4	35.6	41.6
1982/1981	16.1	9.6	11.5	17.2	14.6
1983/1982	-7.2	-3.3	-4.5	1.9	-0.9
1984/1983	11.0	15.3	14.1	27.9	22.0
1985/1984	-5.6	-1.7	-2.8	17.2	9.2
1986/1985	15.0	10.4	11.7	10.9	11.2
Saudi Arabia					
1981/1980	14.8	30.7	23.8	57.4	30.2
1982/1981	16.8	13.5	14.8	35.3	19.5
1983/1982	2.8	0.3	1.4	15.0	4.9
1984/1983	-0.9	-3.3	-2.3	22.4	4.8
1985/1984	1.9	-3.8	-1.4	5.5	0.9
1986/1985	8.5	10.3	5.4	1.9	4.2

Table B-3 (cont'd)

Country	Currency in circulation	Demand deposits	Money Supply (M1)	Time & saving deposits	Total money supply (M2)
United Arab Emirates					
1981/80	29.3	18.9	22.0	24.4	23.6
1982/81	7.9	8.9	8.6	18.8	15.6
1983/82	-3.7	-7.5	-6.3	13.8	8.0
1984/83	1.7	-4.5	-2.6	39.3	28.8
1985/84	7.9	6.4	6.9	6.3	6.4
1986/85	2.7	-6.1	-3.2	6.1	4.3
Diversified economies					
Egypt					
1981/80	26.3	15.3	21.6	65.0	38.0
1982/81	28.2	21.2	25.4	39.2	31.6
1983/82	17.7	8.6	14.1	32.1	22.7
1984/83	9.6	19.9	13.4	23.9	18.8
1985/84	16.7	23.1	19.2	18.5	18.8
1986/85	6.2	9.4	7.5	32.2	20.7
Jordan					
1981/80	17.3	19.0	18.0	22.6	19.8
1982/81	14.0	9.8	12.2	28.8	18.9
1983/82	9.8	11.3	10.4	21.1	15.1
1984/83	2.8	-1.6	1.0	17.9	8.8
1985/84	0.2	-9.1	-3.4	16.8	6.7
1986/8*	9.8	-1.0	5.8	14.5	10.5
Lebanon					
1981/80	16.2	18.9	17.5	48.4	40.1
1982/81	20.7	25.3	22.9	19.4	20.2
1983/82	24.6	7.3	16.0	30.1	26.9
1984/83	10.2	3.9	7.3	28.1	23.8
1985/84	33.9	61.7	46.2	58.3	56.1
1986/85	43.4	57.4	55.6	103.1	98.7
Syrian Arab Republic					
1981/80	4.6	27.9	13.6	41.8	15.8
1982/81	23.5	12.8	18.9	32.7	20.4
1983/82	18.2	35.9	25.5	30.3	26.1
1984/83	22.7	23.6	23.1	37.7	24.9
1985/84	17.5	24.3	20.5	18.8	20.3
1986/85	23.2	2.3	13.6	16.3	13.9

Table B-3 (cont'd)

Country	Currency in circulation	Demand deposits	Money supply (M1)	Time & saving deposits	Total money supply (M2)
Least developed countries					
Democratic Yemen					
1981/1980	12.6	4.7	10.4	21.8	12.5
1982/1981	16.2	9.9	14.6	36.5	18.9
1983/1982	9.2	19.4	11.7	35.0	16.9
1984/1983	4.8	29.2	11.2	22.7	14.2
1985/1984	8.0	12.1	9.2	4.7	8.0
1986/1985	4.2	4.3	4.2	5.0	4.4
Yemen					
1981/1980	2.2	22.3	4.3	26.5	7.9
1982/1981	26.9	61.7	28.0	10.3	26.4
1983/1982	20.0	80.2	27.9	26.1	27.5
1984/1983	24.0	24.8	24.2	43.1	27.5
1985/1984	17.4	7.5	15.6	37.6	20.0
1986/1985	21.9	21.5	21.9	37.6	25.5

Source: Based on annex table B-2.

* Excluding Iraq.

Table B-4

General consumer price indices in the ESCWA region, 1981-1986
(1980 = 100)

	1981	1982	1983	1984	1985	1986
GCC countries						
Bahrain	111.3	121.3	124.8	125.2	122.0	119.1
Kuwait	107.4	116.1	121.2	122.6	124.4	125.6
Qatar	104.7	110.6	113.7	115.0	116.7	...
Saudi Arabia	102.7	102.1	101.5	100.3	97.4	94
United Arab Emirates	102.1	114.8	118.1	119.4	121.2 a/	...
Diversified economies						
Egypt	110.5	126.9	147.2	172.3	195.2	239.3
Jordan	107.7	115.7	121.5	126.2	130.0	130.0
Lebanon	119.4	141.5	149.9	164.4	279.5	559.2 b/
Syrian Arab Republic	118.4	135.3	143.4	157.2	183.9	250.3
Least developed countries						
Democratic Yemen	103.8	113.7	125.9	127.8	129.7 a/	...
Yemen	105.0	107.8	113.5	123.2	156.7	203.7

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

a/ ESCWA estimation.

b/ Based on An-Nahar January 1987 estimate of 100 per cent inflation rate in 1986 (An-Nahar (Beirut), 1 January 1987).