



COVID-19: Impact on Transport in the Arab Region



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COVID-19: Impact on Transport in the Arab Region



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Introduction

The COVID-19 pandemic has triggered a global health and economic crisis that has transformed the world. The United Nations Conference on Trade and Development (UNCTAD) expects world gross domestic product (GDP) to contract by 4.3 per cent in 2020, leaving a shortfall in global output by year's end of over \$6 trillion. Trade is expected to shrink by around one-fifth in 2020, while foreign direct investment and remittances are set to fall by up to 40 per cent and over \$100 billion, respectively.¹

The Arab region is not immune to the shock caused by the pandemic. In line with global trends, GDP in the Arab region is expected to decline at an annual rate of 5.7 per cent in 2020, with the entire economy for the region losing around \$900 billion in output between 2020 and 2022.² In the worst-case scenario, the region is not expected to return to pre-COVID-19 levels before 2023. The economic prospects of the region remain highly dependent on developments in the energy market, given that oil revenues accounted for nearly two thirds of the Arab region's nominal GDP in 2019. Meanwhile, foreign direct investment (FDI) inflows are expected to fall by 45 per cent in 2020, and unemployment is set to reach unprecedented levels.³

The disruption caused by the pandemic directly affects global supply chains and their underlying transport networks. Border closures and the introduction of various safety restrictions and protocols limiting the movement of people and goods have directly impacted the transport and

logistics sectors. Constrained transport activity means that the delivery of trade and essential goods required to fend against the pandemic (e.g. medical equipment, personal protection gear and medicine) is also delayed and hampered. In the Arab region, disruption to transport and trade has varied across countries and modes of transport, with air transport experiencing its worst year ever. Meanwhile, land transport is expected to suffer a relatively smaller shock, while maritime freight transport has shown some resilience despite the wide-ranging adjustments introduced by shipping companies and ports.

At the global level, responses and coping strategies by the transport industry to ensure business continuity have varied across regions, and have included the following: operational adjustments; financial and economic adjustments; sanitary protocols and processes; and adjustments to working practices and organizational aspects. In many cases, industry stakeholders have relied upon existing contingency plans, capacity to coordinate with national and/or local authorities, and tailored communication strategies and guidelines that document ways in which transport operations could be maintained while ensuring safety and security. In April 2020, UNCTAD outlined a ten-point action plan to help the shipping industry keep trade afloat during and in the wake of the COVID-19 crisis.⁴ Guidelines were also issued to adapt the UNCTAD Automated System for Customs Data (ASYCUDA)

¹ UNCTAD, Trade and Development Report 2020. From Global Pandemic to Prosperity for All, 2020.

² ESCWA calculation based on data from ICAO, available at <https://data.icao.int/COVID-19/> (accessed on 25 July 2020).

³ UN, The impact of COVID-19 on the Arab region: an opportunity to build back better, 2020. Available at www.un.org/sites/un2.un.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf.

⁴ UNCTAD, Ten-point plan to bolster global transport, ease trade during COVID-19, 27 April 2020. Available at <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2344>.

to help assist customs and cross-border agencies in scaling-up necessary actions to better deal with the pandemic.⁵ Port level adjustments, for example, include prioritization of essential services;

reorganization of operations and working conditions due to safety measures and sanitary protocols; and greater reliance on digitalization and communication strategies.⁶

⁵ UNCTAD, Adapting the use of ASYCUDA World to the COVID-19 situation: guidelines to customs administrations, 2020. Available at https://unctad.org/en/PublicationsLibrary/dtlasycudainf2020d1_en.pdf.

⁶ UNCTAD, COVID-19 and maritime transport: Impact and responses, 2020.

I. Impact of COVID-19 on Transport in Arab Countries

Like in other parts of the world, Arab countries reacted quickly by introducing restrictions on the movement of people and goods and closing borders. Data for 97 land border crossing points, 66 airports, 42 blue border crossing points (including sea, river and lake ports) in the region indicate that between 4 and 11 June 2020, around 65 per cent of monitored international airports were fully closed and 30 per cent were partially operational. Almost 60 per cent of monitored land border crossing points were affected by total closures, and 37 per cent were only partially operational. Of 42 monitored blue border crossing points in the region, 60 per cent were fully closed and 33 per cent were partially operational. Meanwhile, only two blue border crossing points were fully operational for passengers.⁷ Since May 2020, there have been reports of Arab countries easing their lockdowns and relaxing restrictions.⁸ For example, in July 2020, Saudi Arabia re-opened part of its border with Bahrain, Kuwait and the United Arab Emirates after four months of closure.⁹

At the height of the pandemic, and to ensure business continuity and mitigate the impact of the new restrictions on the delivery of essential goods and trade flows, Arab countries implemented dedicated trade facilitation measures during the lockdown period. For instance, Qatar exempted food

and medical goods from customs duties (905 commodities) for a period of six months, as part of economic precautionary measures implemented by the State to combat the spread of the disease. It also reduced the number of documents required for release of goods, accepting documents stating the origin of the goods as an alternative to certificates of origin and package lists. Moreover, it cancelled the requirement to submit a paper release permit before leaving the customs office.¹⁰ The customs authority of Bahrain urged all its clients to pay customs taxes and fees through the e-payment system *Fawateer*. It highlighted that the system was linked to the e-customs clearance system and that payment could be made through any local bank.¹¹ The Algerian authorities put in place exceptional measures aimed at facilitating and accelerating the import of goods and their removal upon arrival, subject to a commitment to finalize customs formalities later. These exceptional measures related to health products, medical equipment and all products directly linked to the national policy to combat the spread of COVID-19, as well as basic food products to meet citizens' needs.¹² Oman began providing remote customs clearance service, by not requiring the presence of the owners of goods or their representatives (customs brokers) during inspections in ports and airports.

⁷ IOM, Tracking mobility impact – Points of entry analysis, 11 June 2020.

⁸ The Arab Weekly, Arab countries to gradually lift COVID-19 restrictions, 26 May 2020. Available at <https://the arabweekly.com/arab-countries-gradually-lift-covid-19-restrictions>.

⁹ Neha Bhatia, Saudi land borders reopen as restrictions ease, Middle East Business Intelligence, 26 July 2020. Available at www.meed.com/saudi-land-borders-reopen-as-covid-19-curbs-ease.

¹⁰ <https://www.customs.gov.qa/Arabic/Media/Pages/NewsDetails.aspx#/C-NewsDetails-ID/165> (in Arabic).

¹¹ <http://www.customs.gov.bh/news.php?SID=WVZkUk9VNUVUWHBLYIRBNVQwTmFibUpVTUhwT2VWazk%253D&lang=ar> (in Arabic).

¹² <https://douane.gov.dz/spip.php?article431> (in French).

A. International maritime transport

Of all transport modes, shipping and ports are of particular importance for supply chains and international trade. Maritime transport underpins global economic interdependency, with shipping and ports handling an estimated 80 per cent of global merchandise trade by volume and over 70 per cent by value. As a result, when disruptive factors such as COVID-19 occur affect the sector, shockwaves reverberate across supply chains worldwide. The disruption caused by the pandemic has underscored the critical importance of keeping transport networks, including ports, open to enable delivery of essential goods and to sustain trade flows.

Workers on board ships have been collateral victims of the crisis, as travel restrictions have left thousands of seafarers stranded on ships, or unable to join ships. Many were serving on extended crew contracts and overdue to return home, with numerous seafarers urgently needed to join ships to replace them. In June 2020, in their joint statement, UNCTAD and the International Maritime Organization (IMO) reiterated the importance of keeping ships moving, ports open and cross-border trade flowing, and of supporting ship crew changeovers.¹³

Trends in global container ship port calls reveal the magnitude of the pandemic's impact on

maritime transport and trade (figure 1).¹⁴ Ship arrivals started to fall below 2019 levels around mid-March 2020. Most regions have seen some recovery in the third quarter of 2020, both in absolute numbers and compared with 2019 levels. Nonetheless, port calls globally were still 3 per cent below their 2019 levels in early August.¹⁵ Overall, however, most ports have managed to avoid significant impacts on cargo operations. Shipping has also managed to weather the storm and ensure profitability despite the crisis. Strict ship-supply capacity management, through blank sailing, service cancellation and ship idling, ensured that freight rates remained stable or even increased, leading many carriers to expect 2020 to be a profitable year. The implications for shippers and trade of continued cuts in ship-carrying capacity should however be monitored to ensure that the current market concentration in liner shipping and alliances' strategies support a sustainable trade recovery.¹⁶ The container shipping industry is projected to generate \$9 billion in operating profits in 2020, in stark contrast to the \$4 billion deficit initially projected when the pandemic began.¹⁷ Port hinterland connections and landside operations have been more difficult to manage from the maritime supply chain perspective, highlighting the need for greater operational integration and stakeholder cooperation across the maritime and landside segments of door-to-door transport operations.¹⁸

¹³ UNCTAD and IMO, Joint statement in support of keeping ships moving, ports open and cross-border trade flowing during the COVID-19 pandemic, 8 June 2020. Available at https://unctad.org/meetings/en/SessionalDocuments/osg_2020-06-08_stat01_en.pdf.

¹⁴ 'Port of call' is a port where a ship (cargo or passenger) stops on its journey to take on supplies or fuel, or to embark and disembark passengers.

¹⁵ UNCTAD, Navigating through the coronavirus crisis and uncertainty: How maritime transport data can help, 2020.

¹⁶ Ibid.

¹⁷ Drewry Maritime Research, Container Forecaster, Second Quarter, June 2020.

¹⁸ UNCTAD, COVID-19 and maritime transport: Impact and responses, 2020.

Figure 1. Global container ships port calls, weeks 1 to 31, 2019 and 2020



Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).

Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

B. Maritime transport in the Arab region

Maritime transport is the main gateway to the global marketplace for ESCWA member States. While as a group they account for less than 5 per cent of global merchandise trade by value,¹⁹ they contribute higher shares to the volume of global seaborne trade. ESCWA member States account for an estimated 14.5 per cent of world maritime exports in metric tons (with oil and gas trade accounting for much of these shipments) and 5.6 per cent of world maritime imports.²⁰

In line with global trends, port calls by ships in the Arab region declined in the first half of 2020 compared with the same period in 2019 (figure 2). The decline started in week 16 (mid-April) and deepened in weeks 30 and 31.

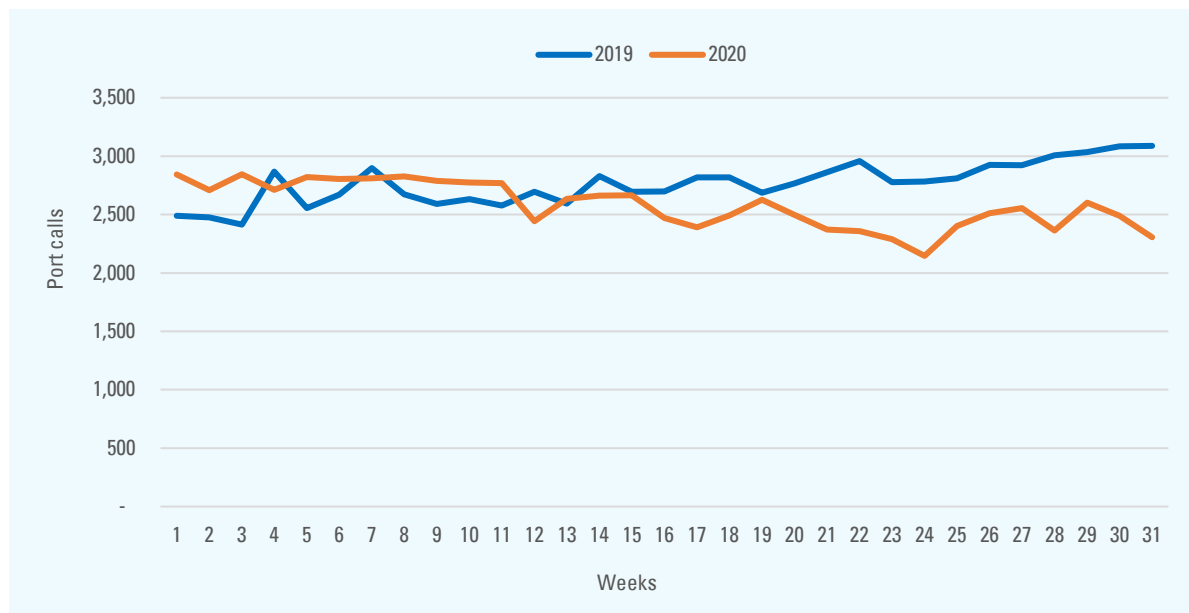
This underscores the delayed impact of COVID-19 on the region compared with global trends, where port calls decreased four weeks earlier.

With the exception of Bahrain and the United Arab Emirates, Arab countries witnessed a sharp decline in ship arrivals over the first 31 weeks of 2020 compared with the same period in 2019 (figure 3). Variations also occurred in port calls by ship type. More detailed data on port calls indicate that while port calls by all vessel types declined by 6 per cent, those by passenger and roll-on/roll-off vessels declined by 40.1 per cent and 18.6 per cent, respectively. Port calls by commercial cargo vessels (wet bulk, dry bulk, containerized, breakbulk, LPG and LNG) declined by 1 per cent. Reduced port calls by wet and dry bulk carriers has been the main factor behind the decline in port calls by cargo ships (figure 4).

¹⁹ UNCTAD, UNCTADstat databank, Trade Trends, 2020.

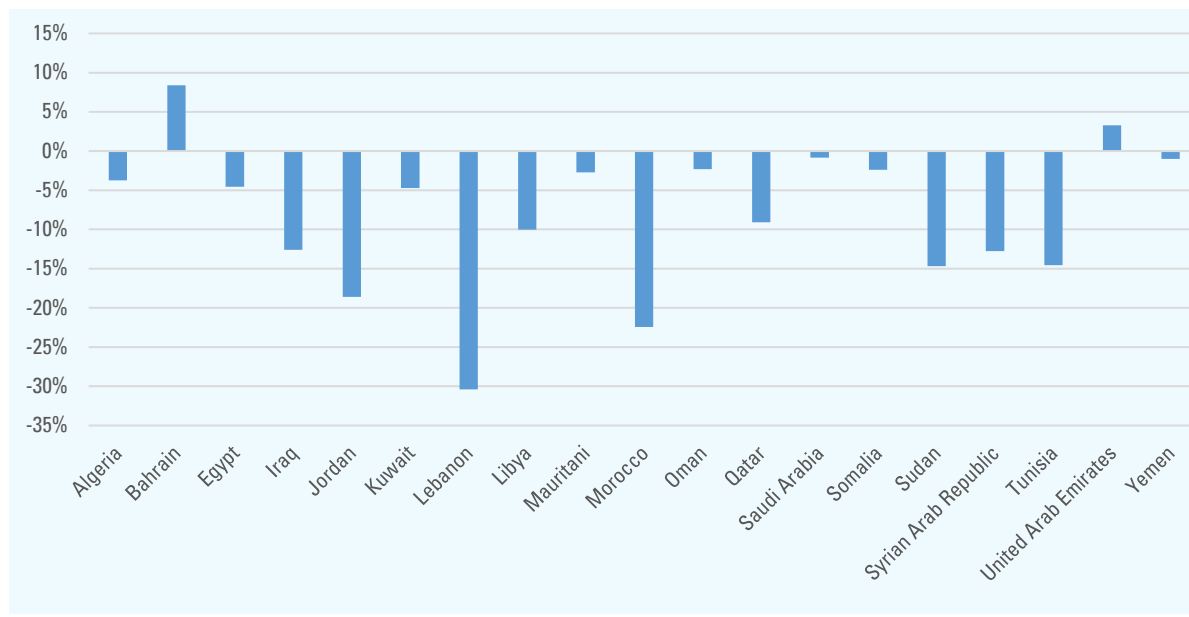
²⁰ UNCTAD, Review of Maritime Transport, 2019.

Figure 2. Ship port calls, all vessel types in the Arab region, weeks 1 to 31, 2019 and 2020



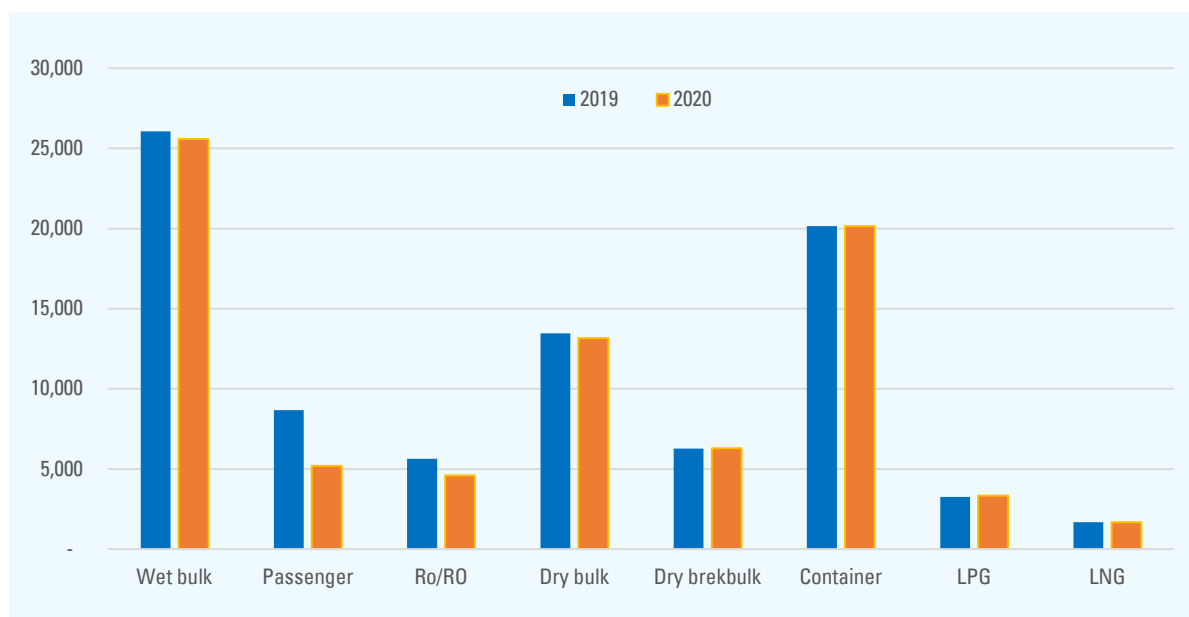
Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).
Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

Figure 3. Ships port calls in ESCWA member States (first 31 weeks, 2019 and 2020) (Percentage change)



Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).

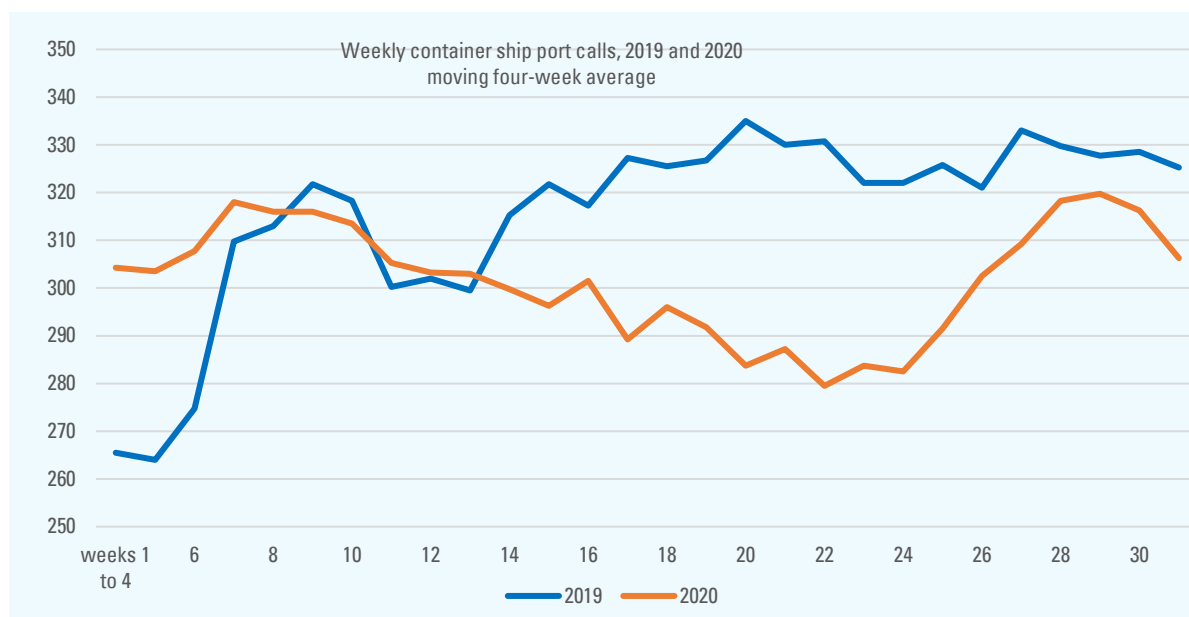
Figure 4. Port calls in the Arab region by ship type, first 31 weeks, 2019 and 2020



Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).

Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

Figure 5. Containership port calls in African ESCWA member States, first 31 weeks, 2019 and 2020



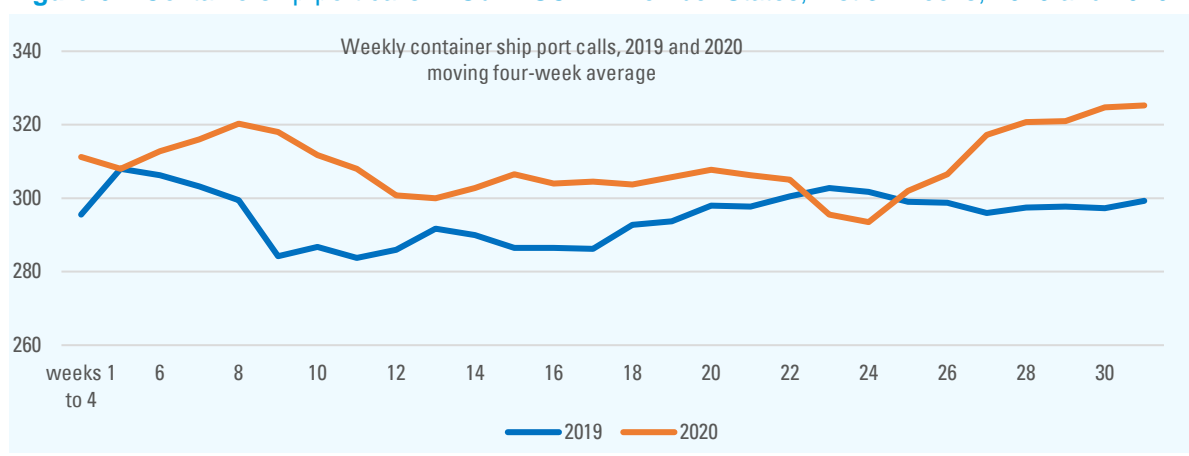
Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).

Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

A breakdown by subregion reveals some additional underlying trends (figures 5-7). Container ship port calls in African ESCWA member States declined by 4.5 per cent in the first 31 weeks of 2020 compared with the same period in 2019. In contrast, container port calls in the remaining ESCWA member States increased by 2 per cent. These port call

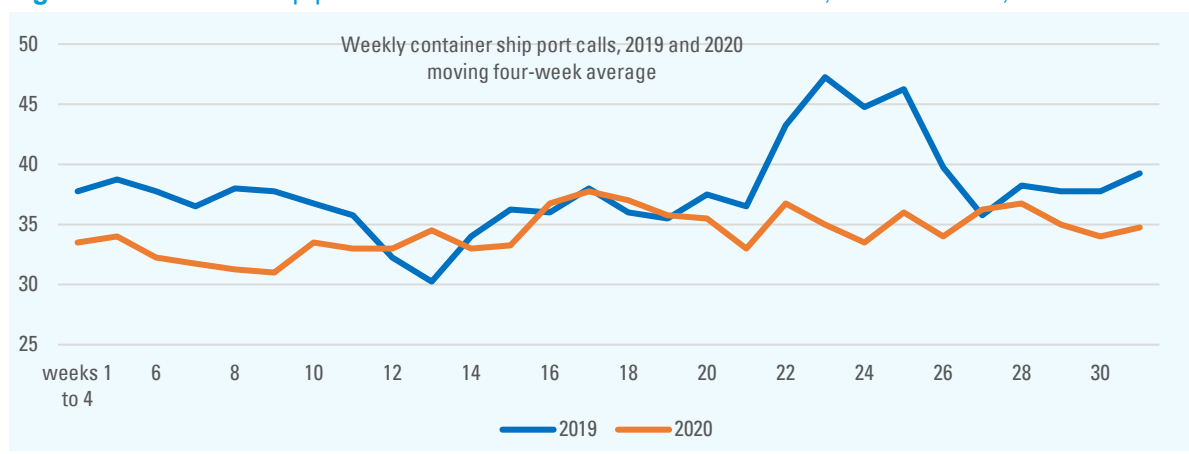
trends are, to some extent, consistent with data on projected container port traffic. Existing estimates by Drewry Maritime Research indicate that container port traffic in the Middle East is expected to grow at a moderate 2.3 per cent in 2020. In North Africa, container port volumes are expected to fall by 16.2 per cent.²¹

Figure 6. Containership port calls in Gulf ESCWA member States, first 31 weeks, 2019 and 2020



Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).
Note: Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

Figure 7. Containership port calls in ‘other’ ESCWA member States, first 31 weeks, 2019 and 2020



Source: Calculations based on UNCTAD data sourced from MarineTraffic (www.marinetraffic.com).
Note: These figures include Iraq, Jordan, Lebanon and the Syrian Arab Republic. Aggregated figures are derived from the combination of automatic identification system (AIS) data with port mapping intelligence by MarineTraffic, covering ships of 5,000 GT. Only arrivals are taken into account to measure the number of port calls.

²¹ Drewry Maritime Research, Container Forecaster, Second Quarter, June 2020.

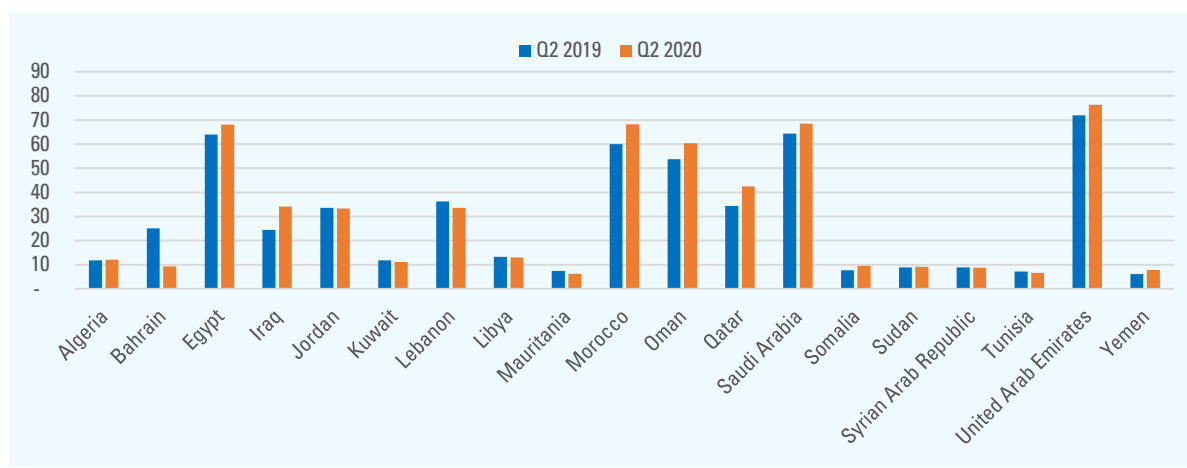
While port calls provide some indication of the impact of the pandemic disruption on trade and shipping activity, not all changes in weekly port calls were caused by COVID-19. Seasonal factors, trade policy changes resulting in shifting trade patterns, and regulatory measures that may affect shipping and ports can also affect port calls. Moreover, ship capacity deployment strategies by carriers and decisions by shipping alliances can all influence port call choices.

Looking at trends in the region’s liner shipping connectivity, which is based on container shipping schedules, it cannot be concluded that there has been deterioration in levels across the board. As shown in figure 8, some countries (Bahrain, Kuwait, Lebanon, Libya, Mauritania, the Syrian Arab Republic and Tunisia) saw their Liner Shipping Connectivity Index (LSCI) levels decline in the second quarter of 2020 compared with the same period in 2019. While it may have had a role to play, these trends cannot be attributed entirely to COVID-19, as many factors can affect LSCI components, including shipping carriers and alliance strategies relating to services and ship

capacity deployment. Meanwhile, LSCI levels for Arab countries other than the seven countries mentioned earlier have either remained steady or improved in the second quarter of 2020 compared with the same quarter in 2019. Vessel up sizing trends in Gulf countries, for example, might have had a positive impact on liner shipping connectivity. Like in many other regions, liner shipping companies in the Arab region have continued to exploit the benefits of economies of scale, with the deployment of larger ships despite the pandemic and its impact on global demand.²² Ultra large container vessels are calling at five ports in the region.²³

Looking at third-quarter data for 2019 and 2020 (figure 9), liner shipping connectivity levels have improved compared to the same period in 2019 for almost all ESCWA member States, with the exception of Kuwait, Lebanon, Mauritania, the Syrian Arab Republic and Tunisia, which continued to record declines. Improved connectivity levels may be indicative of some recovery on the East-West Asia-Europe containerized trade lane.

Figure 8. LSCI in ESCWA member States, Q2 2019 – Q2 2020

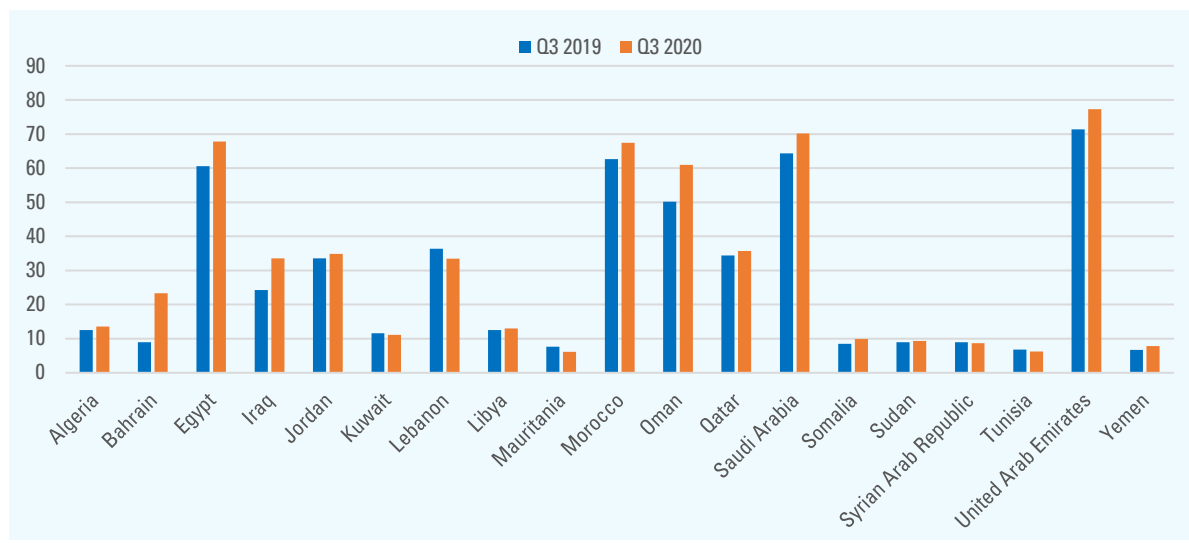


Source: Calculations based on UNCTAD data sourced from MDS Transmodal (www.mdst.co.uk).

²² UNCTAD, COVID-19 and maritime transport: Impact and responses, 2020.

²³ Drewry Maritime Research, Ports & Terminals Insight, Third Quarter, 28 August 2020.

Figure 9. LSCI in ESCWA member States, Q3 2019 – Q3 2020



Source: Calculations based on UNCTAD data sourced from MDS Transmodal (www.mdst.co.uk).

C. Air and land transport

COVID-19 has had a significant impact on air transport, with the Arab region witnessing a sharp decline in the number of passenger flights. As shown in figure 10, passenger flights dropped by 53 per cent in the first six months of 2020 compared with the same period in 2019. Meanwhile, the total number of cargo flights increased by 5.6 per cent to compensate for the reduced cargo capacity usually provided by belly-holds of passenger air transport. Air passenger seats in the region fell by 53 per cent, while cargo seats dropped by 1.8 per cent in the first half of 2020 compared to the same period in 2019.²⁴

In 2020, the total number of air passengers to, from and within the Arab region is expected to drop by 52.7 per cent to around 154 million, taking the

number of passengers back to the 2009 level.²⁵ Air travel is not expected to return to 2019 levels before 2023.²⁶ Total revenue losses of airline companies in the Arab region are estimated at \$38 billion in 2020.

Regarding land transport, some land borders were entirely closed while others remained open for trade in all goods. In most countries, the opening of land borders was limited to trucks transporting basic commodities and goods. Many countries introduced safety measures such as changing trucks and drivers, sterilizing goods and imposing quarantine measures upon arrival. Moreover, in some countries, truck drivers are put under quarantine when entering the country and replaced by local drivers. Road freight transport turnover is expected to decline by 22 per cent in 2020, over the 2019 levels, owing to the pandemic.²⁷

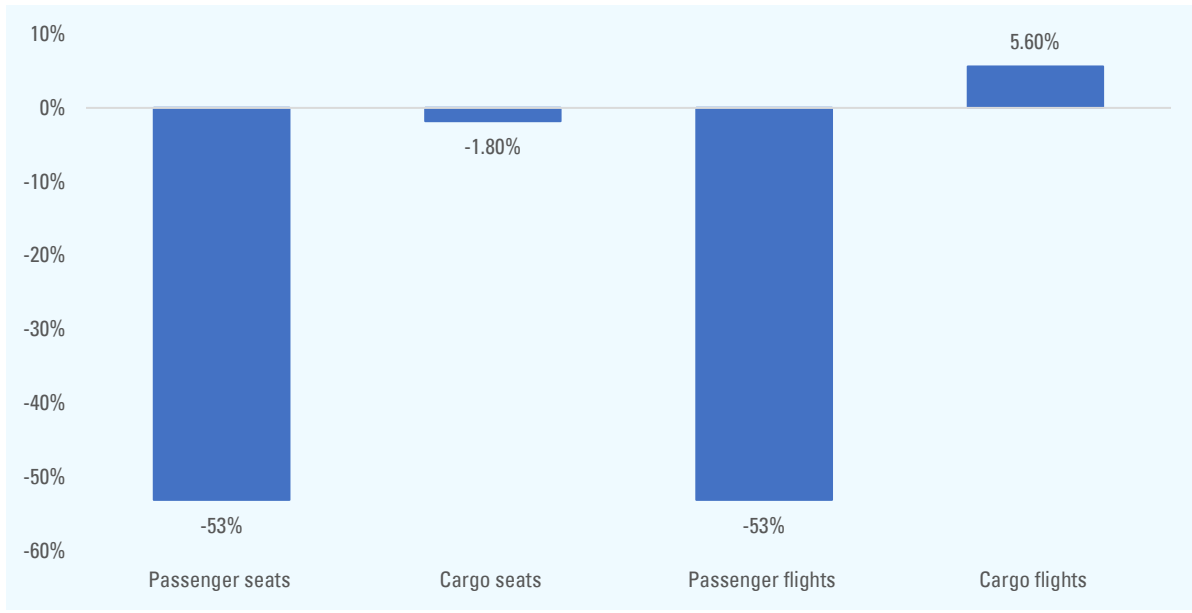
²⁴ Arab Air Carriers Organization (AACO), The effects of COVID 19 on Global and Arab Air transport, 2020.

²⁵ Ibid.

²⁶ International Air Transport Association (IATA), Recovery delayed as international travel remains locked down. Press release No. 63, 2020. Available at www.iata.org/en/pressroom/pr/2020-07-28-02.

²⁷ International Road transport Union (IRU) (2020). Covid-19 Impacts on the Road Transport Industry Executive Summary. <https://www.iru.org/membership/become-member>.

Figure 10. Air transport activity in the Arab region (*Percentage change, H1 2020 – H1 2019*)



Source: AACO, State of affairs of travel and tourism and what is needed for a smooth recovery, 2020.

II. Way Forward

The COVID-19 pandemic has proven to be a game changer for the transport and logistics sector globally and in the Arab region. The disruption has already significantly impacted the region's transport sector and is expected to have long-lasting implications, especially for the aviation industry. Almost all Arab Governments have introduced policy measures to support various economic and social aspects.²⁸ However, the success of these measures in propelling a sustainable recovery while addressing existing challenges (political tensions, conflict), and mitigating the effect of collapsing oil prices, remains to be seen.

Some priorities for the region were recently emphasized in a joint statement signed by eight United Nations agencies,²⁹ including UNCTAD and ESCWA, reaffirming the contribution of international trade and supply chains to sustainable socioeconomic recovery.

Policy recommendations

- Arab Governments should implement support measures and packages that enable the recovery of the transport and logistics sector. Such measures may include financial support, implementing subsidy programmes, tax rebates, other duties exemptions, waivers, advancing payment for future government purchases of transport services, and subsidizing workers' salaries and training;
- Governments are encouraged to pursue collaborative efforts to identify and remove any unnecessary regulatory obstacles to a post-pandemic recovery, and to facilitate transport and trade in these difficult times and beyond;
- Governments should strengthen international and regional collaboration for coherent and concerted action in response to the pandemic and its impact on transport and logistics. This is crucial in times of crises and includes sharing information and mutual recognition of certificates and compliance documents. Making use of regional platforms such as ESCWA, the League of Arab States and its regional transport professional unions should be encouraged;
- Arab countries should support the resilience building process, including through investment in risk assessment and preparedness for shocks and disruptions. Lessons learned from COVID-19 should serve as guidance to inform the future-proofing of transport and logistics systems in the region;
- Arab countries should promote digitalization, dematerialization and standardization of operations and processes. Efforts should enable enhanced efficiencies and productivity in transport and trade, and contactless operations and procedures when required (in case of sanitary threats, for example);
- Arab countries should leverage trade and transport facilitation measures to ensure business continuity during disruption, and enhance processes and procedures taking advantage of digitalization and automation. Promoting customs automation through the Automated System for Customs Data (ASYCUDA), for example, and adopting

²⁸ ESCWA, COVID-19 Stimulus Tracker, 2020. Available at <http://covdata.unescwa.org/RPT/RPTDSH1.aspx>.

²⁹ United Nations, Joint statement on the contribution of international trade and supply chains to a sustainable socioeconomic recovery in COVID-19 times, 17 September 2020.

contactless procedures in transport, such as the eTIR and eCMR, are vital to contain the pandemic while keeping goods flowing across borders;

- Arab countries should encourage border management coordination. Single windows enable traders to communicate electronically with all agencies involved. Moreover, international standards for data exchange, such as those developed by

UN/CEFACT, can reduce physical contact and further streamline processes;

- Governments and relevant national and local authorities should recognize transport sector workers and more specifically, seafarers and marine personnel, fishing vessel personnel, and service personnel at ports, as 'key worker' that provide essential services, regardless of their nationality, and should thus exempt them from travel restrictions when in their jurisdiction.



