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THE GULF CO-OPERATION COUNCIL'S CAUTIOUS APPROACH TO ECONOMIC INTEGRATION

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In recent years, there has been an increased realisation among the Gulf Cooperation Council (GCC) countries that their attempts toward economic integration were lagging, with little tangible progress made in integrating their economies. This has become a matter of great concern, leading them to agree to bring forward their plans for a GCC customs union. Specifically, new targets were set for unifying customs tariffs at 5 percent by 2003, and introducing a single GCC currency by 2010.

After examining the factors underlying renewed interest in integration, it is concluded that the tide of pluses and minuses associated with the formation of a customs/monetary union has shifted to the plus side. At the present time, a customs union would give the Gulf States greater leverage to attract foreign investors and accelerate economic reforms in the region to diversify and further stimulate their economies away from oil revenues.

1. INTRODUCTION

Interest in economic integration on the part of the Gulf Cooperation Council (GCC) countries has changed considerably over time. Initially, the Charter signed by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) in May 1981 was concerned primarily with strengthening the defense of the Arab Gulf region. Specifically, the main motivation behind the creation of the GCC was the threat posed to regional security by the Iran-Iraq war. Progress towards integration among the GCC States has been very slow and, until fairly recently, little hope was held for forward movement in this area. Recently, however, the situation in the region has heightened the importance of the Union (Allen, 2003). There seems to be a growing sense among the member States that the long-run economic viability, and thus the security of those countries, will be largely determined by their progress

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in reducing their heavy reliance on oil revenues. In turn, this will depend on how effectively the member countries are able to remove the many remaining hurdles in the way of setting up a customs union capable of facilitating efficient industrialisation and meaningful economic diversification. An examination of the GCC's track record and of recent trends suggests that the time may at last be ripe for economic integration among the Gulf States.

While economics were secondary in the formation of the GCC, the GCC Economic Agreement, passed in June 1981, did set out certain economic objectives for the fledgling organisation. As noted in the Charter; the objectives of the GCC are to effect coordination, integration and interconnection between member States in all fields in order to achieve unity between them; to deepen and strengthen relations, links and scopes of cooperation prevailing between their peoples in various fields; to formulate similar regulations in various fields including economic and financial affairs, agriculture, industry, commerce, customs and communications, education and culture, social and health affairs, information and tourism, and legislative and administrative affairs; to stimulate scientific and technological progress in various fields, to establish scientific research centres and implement common projects, and to encourage cooperation by the private sector.

These general guidelines translate into a series of specific actions:

- Implementing a free trade area with no barriers on regional products and common tariffs on foreign imports;
- Consolidating bargaining power in negotiations with external trading partners;
- Establishment of a common market that grants citizens the right to travel, work, own, and inherit in all member states;
- Harmonising development plans to promote integration;
- Adopting a common oil policy;
- Coordinating industrial policy, particularly with respect to petroleum based products;
- Promoting joint projects to coordinate chains of production;
- Adopting a common legal framework for regional trade and investment; and

- An intent to link transportation networks.

Economic and trade-related objectives were specified in the United Economic Agreement (UEA) signed in November 1981. These included free trade in all agricultural products, animals, industrial products, and natural resources that originated within the member States, the introduction of a common external tariff and trade policy, and the coordination of economic development within the GCC.

Since 1981, a number of subordinate bodies have been established to implement and achieve the goals of the GCC Charter. These include: (1) the Gulf Standards Organisation, established in November 1982, when the Saudi Arabian Standards and Measures Organisation was transformed into a body serving all GCC members; (2) the Gulf Investment Corporation, established in 1984, which has the goal of consolidating economic activities of the member countries with regard to agricultural, commercial, industrial, mining, and other investments; (3) the Patent Office of the GCC, established in December 1992, to implement patent regulation for member countries and for the authentication and publication of related data; and (4) the Commercial Arbitration Center, created in December 1993, to settle trade disputes between GCC citizens and between them and foreigners.

2. THE DECEMBER 2001 INITIATIVES

Since the end of the Iran-Iraq conflict in 1988, many observers sensed that the GCC had lost some of its sense of direction. Over time, many of the goals noted above were modified or sidelined because they impinge on national economic sovereignty (Dar and Presley, 2001). Still, member States' Foreign Ministers meet in a ministerial council every three months. The Heads of States hold annual summits.

All this seems to have changed with the most recent meeting, held in December 2001. Saudi Arabia's Crown Prince Abdullah set the tone in the opening session by lamenting the limited progress made by the GCC to date: "We are not ashamed to say that we have not been able to achieve the objectives we sought when we set up the GCC 20 years ago," he said. "We have not yet set up a unified military force that deters enemies and supports friends. We have not reached a common market, or formulated a unified political position on political crisis. Objectivity

and frankness require us to declare that all that has been achieved is too little and it reminds us of the bigger part that has yet to be accomplished… We are still moving at a slow pace that does not conform with the modern one.” And finally: “Our too great attachment to the traditional concept of sovereignty is the biggest stumbling block hindering unification efforts.”

These statements are certainly borne out by the data. After 20 years of operation, the share of intra-regional trade in the GCC has only increased from about five percent in 1982 to a little over seven percent by 2000. Typically, regional trading groups show intra-regional trade above 30 percent of total trade; in the case of the European Union (EU), it now exceeds 55 percent.

Apparently sharing his concern, the member States voted to bring forward their plans for a GCC customs union. Specifically, their agreement entailed unifying customs tariffs at 5 percent by 2003. In a significant step, it was also agreed to introduce a single GCC currency by 2010.

The decision on unifying customs tariffs at the 5 percent rate represents a speeding up of the process approved at the previous GCC annual summits. Meeting in Riyadh in 1999, the GCC leaders had agreed to postpone the introduction of common tariffs until 2005, a decision they confirmed in Bahrain at the end of 2000, when a proposal to bring the tariff reduction forward to 2003 was rejected. In effect, this tariff unification finally implements the initial economic integration agreement between the GCC members. Given the 20 or so years to reach this first step toward a customs union, the 2003 deadline facing the member countries is truly daunting.

The GCC Heads of States also agreed in principle that Yemen should eventually be allowed to accede to the Council. Actual Yemeni membership of the key GCC institutions remains very far away however. The idea has only become conceivable since Saudi Arabia and Yemen resolved their border dispute in 2000, and, for the time being, Yemen will only join GCC bodies involved with health, education, and labour and social affairs.

Finally, the members agreed to create a monetary union. This is to occur in three steps: pegging all national currencies to the dollar within a

year, drawing up a legislative framework by 2005, and launching a joint currency in 2010. Clearly based on the EU experience, this also presents a daunting task for the member countries.

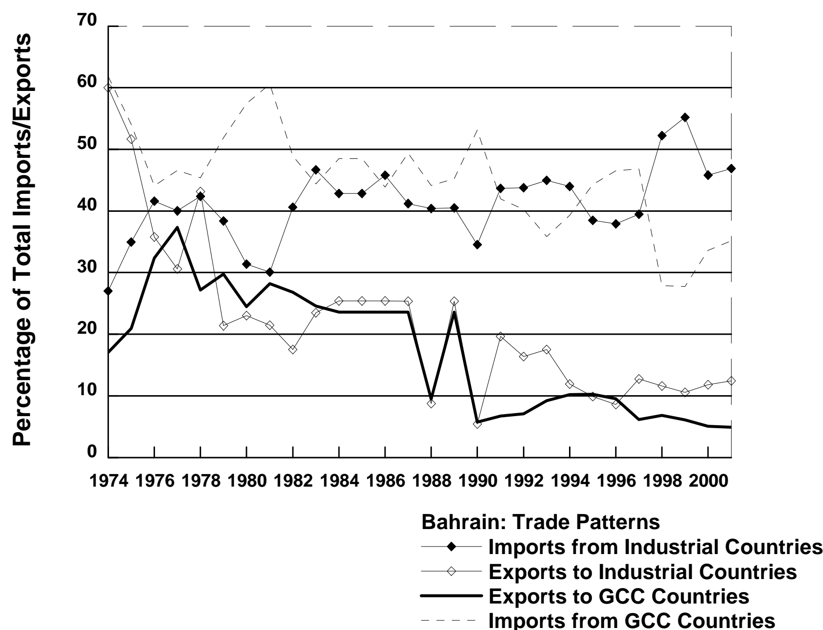
3. TRADE PATTERNS WITH INTEGRATION

Progress towards increasing trade between the GCC States has generally been limited with several distinct patterns emerging (Annex Tables 1, 2).

<u>Bahrain</u>

Bahrain actually experienced rapid increases in imports and exports to the GCC countries in the pre-Union period. However, in the post-Union

Figure 1
Bahrain: Trade Patterns



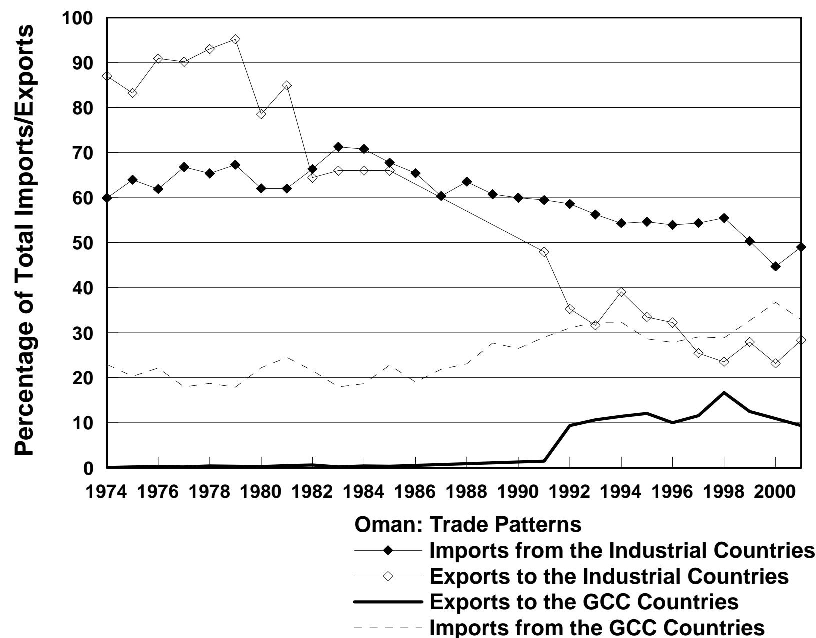
period the country has had negative growth in both imports and exports to the GCC countries. Because the country experienced healthy increases in overall imports and exports, the share of imports from the GCC countries fell dramatically from 52.74 in the pre-Union period to 37.47 percent by 1993-2001. Similarly, exports to the GCC countries fell from 27.16

percent in the pre-Union period to 7.58 during 1993-2001. Of the GCC countries, Bahrain's shift towards increasing imports from the industrial countries and away from the GCC is unique (Figure 1).

Oman

In contrast to Bahrain, Oman has had a considerable expansion in its trade with the GCC. In both the pre-and post-Union years, Oman's trade with the GCC has increased at a rate considerably above that recorded for overall imports and exports. As a result, there has been a marked percentage increase in the country's share of trade accounted for by the GCC, with exports to the GCC increasing from 0.27 percent of total to 11.68 percent by the 1990s. Most of this export growth, however, took place in the 1990s (Figure 2). In contrast, the share of imports from the GCC countries began increasing shortly after the Union, increasing from 20.83 pre-Union to 31.25 percent in the 1990s.

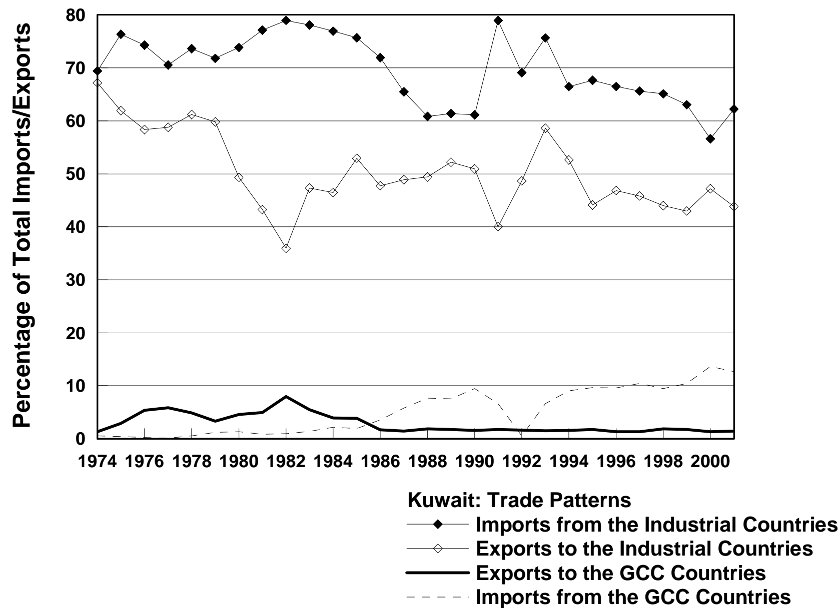
Figure 2
Oman: Trade Patterns



Kuwait

Kuwait presents a different trade pattern. Trade with the industrial countries has declined in importance slightly over time with import shares declining from 73.37 pre-Union to 65.42 percent in the 1990s. The corresponding figures for exports were 57.48 to 47.33 percent. Exports to the GCC countries, always small, have also declined in importance from 4.15 pre-Union to 1.56 percent in the 1990s. However, imports from the GCC countries have expanded relatively rapidly (Figure 3) at an average annual rate of 11.77 percent in the post-Union years. As a result, the GCC share in Kuwait's total imports increased from a negligible 0.66 percent pre-Union to 10.18 percent in the 1990s.

Figure 3
Kuwait: Trade Patterns

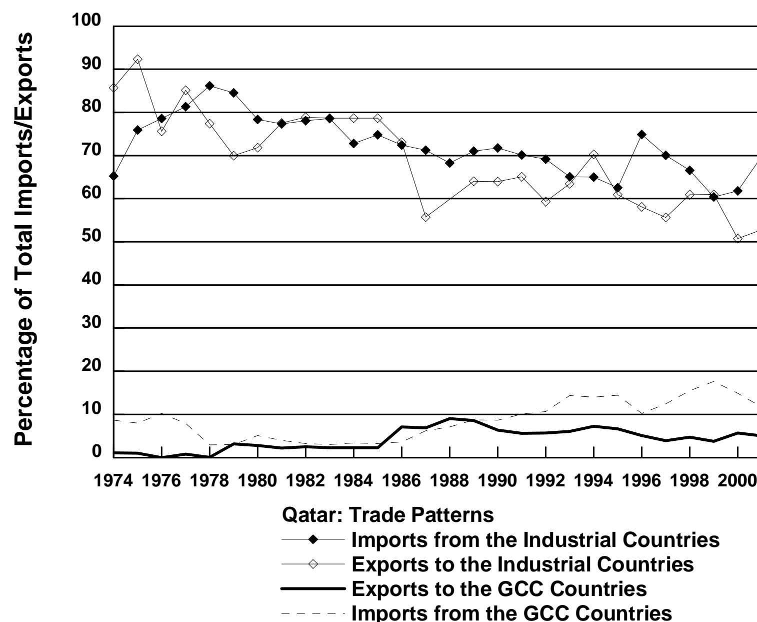


Qatar

Qatar's trade with the GCC countries has some resemblances to that of Kuwait (Figure 4). As with Kuwait, GCC trade still accounts for a relatively small share of overall imports and exports. Also as in the case

of Kuwait, there has been an increased share of imports coming from the GCC countries post-Union (6.22 percent post-Union to 13.90 percent in the 1990s). Exports to the GCC countries, while not declining, have maintained a fairly constant share in the post-Union period (5.26 percent during 1982-1992, and 5.34 percent over the 1993-2001 period).

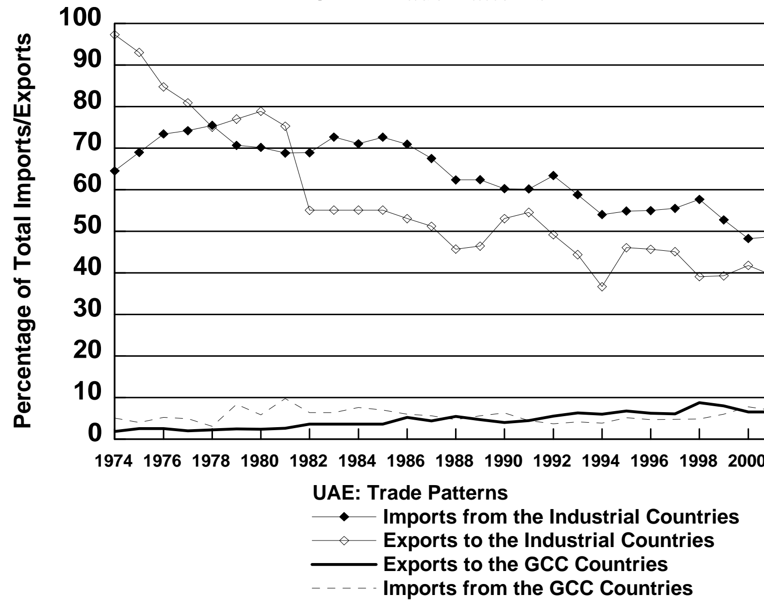
Figure 4
Qatar: Trade Patterns



UAE

The UAE has had a healthy expansion in trade with the GCC countries with imports and exports averaging an annual rate of growth of 10.14 and 10.63 percent, respectively, in the post-Union period. Ironically, these rates are lower than the corresponding 20.79 and 21.84 percent rates achieved in the pre-Union years. Because the country's overall rates of imports and exports were strong in the post-Union period, there has been only a marginal increase (Figure 5) in the shares accounted for by the GCC countries—exports increasing from 2.31 percent in the pre-Union years to 6.77 percent by the 1990s. Imports actually declined from 5.77 percent in the pre-Union period to 5.33 percent in the 1990s (after averaging 5.99 percent during 1982-1992).

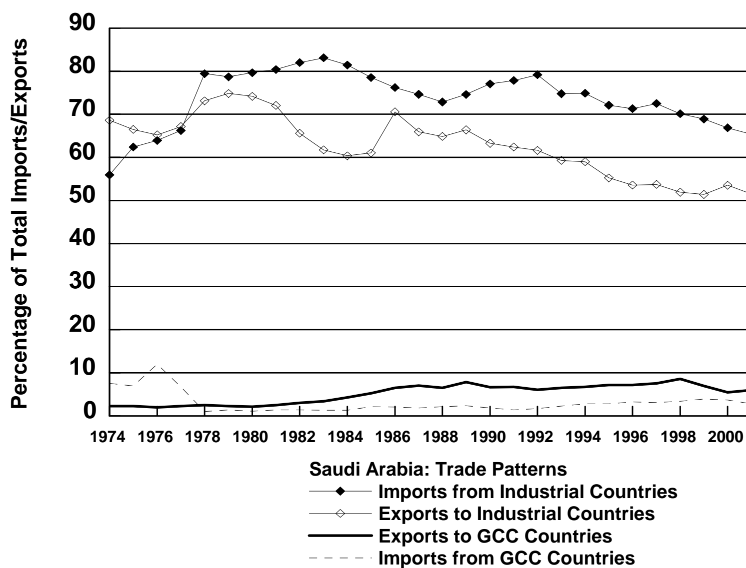
Figure 5
UAE Trade Patterns



Saudi Arabia

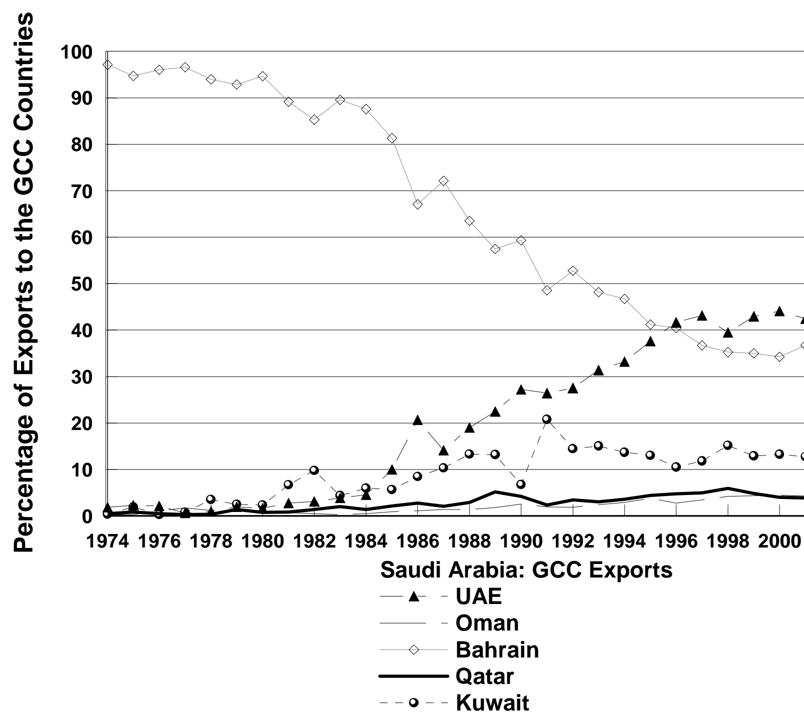
Saudi Arabia is by far the largest of the GCC countries, so its import/export patterns will go a long way in determining the overall

Figure 6
Saudi Arabia: Trade Patterns



amount of intra-group trade. Overall, Saudi trade patterns show a resemblance to those of the UAE (Figure 6 vs. Figure 5). Imports and exports with the GCC countries have maintained a relatively low share in overall trade, with a slight decline in the share of trade with the industrial countries. As with the UAE, Saudi Arabian trade with the GCC countries, while strong in the post-Union period, was actually lower than that experienced in the pre-Union days, with exports declining to 5.92 percent annual average growth (from 9.05 percent) and imports averaging 5.65 average annual growth in the post-Union period as compared to 10.05 percent annual growth in the pre-Union years. As a result, exports to the GCC countries increased slightly from 5.23 percent in the pre-Union days to 6.9 percent in the 1990s. The corresponding figures for imports were 2.88 percent of the total in the pre-Union period to 3.1 in the 1990s. The increase in Saudi exports to the GCC countries also presents an interesting pattern with most of the increases going to the UAE (and, to a lesser extent, Kuwait) at the expense of Bahrain (Figure 7).

Figure 7
Saudi Arabia: Exports to the GCC Countries



4. CAUSES OF THE SLOW PACE

Given the current enthusiasm for economic integration, it is a bit of a mystery just why the process has proceeded so slowly. Lack of significant integration among the GCC countries is commonly attributed to their heavy reliance on oil production and export. But the success of other commodity exporters, such as Chile, Malaysia, Morocco and Turkey, suggests that commodity production in itself does not condemn a country to low productivity and an inability to diversify.

Clearly however, members of the bloc are still facing several trade impediments. As Hassan and Antoine-Mehanna (2002, pp. 24-25) note:

> Gulf States have similar factor endowments, small market size and their comparative advantage falls in similar sectors. They also lack product complementarity among each other, and have similar cost and production structures along with a narrow export base focused mainly on oil, a volatile source of revenue. Gulf countries are located in a region full of political conflicts, and the large role of government in some GCC States (like Saudi Arabia), accompanied by certain restrictions on foreign ownership, places a burden on the private sector and hampers entrepreneurial initiatives as well as foreign capital inflows. All these fundamental constraints hinder trade.

Several additional factors have, no doubt, also impeded integration:

- The pursuit by key members of incompatible development strategies;
- A fear on the part of several or all of the countries that the gains from a customs union would be less than possible losses associated with economic integration;
- Fear of loss in sovereignty associated with the formation of a monetary union;
- Strong, established economic linkages with the EU, US, and Japan;

- Response to economic shocks; and
- An evolving public/private economic growth mechanism.

4.1. Incompatible Development Strategies

The first explanation stresses the fact that three of the key Gulf countries have been pursuing significantly different economic strategies. At one end of the spectrum, Saudi Arabia, by far the largest Gulf economy, has adopted an import substitution development strategy, i.e. the active encouragement by the government of selected industries capable of replacing imports and, hopefully, of one day developing competitive exports. To this end, the Saudi government has given numerous incentives to local producers. Not only has there been a wide range of subsidies available, but infant industries are entitled to up to 20 percent tariff protection on competing imports. Of the Gulf countries, Saudi Arabia is the only economy with a domestic market large enough for this strategy to make sense, albeit for a limited number of industries.

Because of its dwindling oil reserves, Bahrain's trade policy aims at eventually replacing 30 percent of its imports with domestic production. Here the government actively encourages local entrepreneurs to explore joint-venture arrangements with foreign investors to manufacture such products as plastic goods, tools, and pharmaceuticals.

At the other end of the spectrum, the UAE has historically followed a free trade policy; before 1994, tariffs on imports were minimal, at one percent, and even after 1994 the official tariff remained at four percent, much lower than most other GCC States.

In essence, cooperation over integration would entail Saudi Arabia agreeing to a significantly lower tariff for some of its key industries and/or the UAE agreeing to a higher rate of protection, thus hurting its re-export business to Saudi Arabia. The newly agreed 5 percent common tariff suggests that the Saudis are eager for integration to proceed and perhaps confident that their import-substituting industries are at the stage where less protection is required.

4.2. Possible Losses

While not much progress toward economic integration has been made to date, one still gathers that there has been a clear consensus among the member countries on the need for some cooperation or coordination to minimise the costs of economic change. One problem has been on deciding which integration path is optimal for the group as a whole. In this regard, there are two main forms of integration: a more general one, namely the customs union, and a more specific one, namely the joint-project approach to sectoral integration. Until recently, most activity had been of the joint-project type, with mostly verbal support to the customs union.

That a customs union has been hard to establish may be due to the fact that, unlike the joint-project approach, there could be some distinct costs borne by the member countries. In fact, in the short run it is not entirely clear that the countries as a group would achieve higher levels of income through the formation of a customs union. This stems from the fact that a customs union has both static (short-term) and dynamic (long-term) aspects. In the static sense, a customs union is beneficial if its trade creation (stimulation of trade between member countries) effects exceed its trade diversion (shifting of trade away from low-cost non-member countries). Until recently, it was not at all clear that domestic industries could be competitive enough to tip the balance in favour of trade creation. Diverting trade from low-cost European, Japanese, or U.S. firms to high-cost, local producers most likely would have reduced the income of the countries a whole, as has been recently documented in a World Bank study of the Latin American trading area Mercosur (Yeates, 1998). Some recent evidence from the GCC countries (Hassan and Antoine-Mehanna, 2002) suggests that trade creation has predominated over trade diversion for the GCC group as a whole.

In the long term, a customs union could be justified if at least one of the following arguments holds:

a) The public good argument: The development of an individual sector is assumed to have certain public good characteristics. It is regarded as essential, because health, education, and defence programmes for

the industrial sector indirectly contribute to economic development and the security of the country.

b) The economies of scale argument: By forming a customs union, the enlarged internal market could be captured by the most efficient producer who could lower prices even further because of the economies of large-scale production. In the case of the GCC, the economies of scale argument is not sufficient to justify economic integration unless transport costs and foreign tariffs prohibit exports to the rest of the world. The GCC States could produce for domestic as well as world markets and, thus, reap economies of scale, such as Korea, Taiwan and Singapore have been doing.

c) The terms of trade argument: A country could improve its terms of trade by imposing a tariff on its imports (and tax on exports) if it accounts for a sufficiently large portion of world trade to influence world prices. Alternatively, it might use its economic power to obtain more favourable deals in the economic bargaining process. The terms of trade argument is also weak because the GCC States are unlikely to be able to influence the world prices of their imports or non-oil exports to any significant extent.

d) The investment creation argument: There is a good chance that integration could increase the rate of return to physical capital (in addition to other primary factors of production such as the services of different types of skilled and unskilled labour). Thus, integration in the Gulf could possibly influence the magnitude and character of domestic and foreign investment in the member countries. The issue here is investment creation vs. investment diversion. That is the customs union might induce substantial new investments in the member countries as local firms and multinational enterprises seek to take advantage of newly-expanded markets (investment creation).

Potentially there might be benefits derived from all four factors noted above. However, of these, the public good argument appears to be the strongest, and this is in fact the one most frequently made by the GCC governments.

4.3. Loss of Sovereignty

Like a customs union, the creation of a monetary union entails potential costs and benefits. On the benefit side, the monetary union as currently

conceived would no doubt result in a reduction in foreign exchange transaction costs, promote pricing transparency, and, consequently, increased competition. It would, thus, reinforce the positive aspects noted above that are associated with the customs union.

As with the customs union, these benefits come with a cost. Specifically, those costs are associated with the loss of national sovereignty stemming from the relinquishing of independent control over domestic monetary, fiscal, and exchange-rate policy. Here, the costs are of two types: first, the psychological cost of not having your own currency; and, second, a possible net loss in income due to the lack of ability to pursue expansionary monetary and fiscal policy during periods of falling oil prices. Of these, the second would seem to represent the most serious impediment to economic integration.

As we have seen in Europe, the formation of a GCC monetary union would involve somewhat arbitrary restrictions on national budgetary policies. Conceivably, this could significantly infringe on member countries' control over their individual taxation and public spending programmes. The system would likely impose strict budgetary rules and constraints, because an excessive fiscal deficit in one individual member country could undermine exchange rate stability throughout the whole currency area. Saudi Arabia, for instance, might find that it could not expand expenditures during a recession to the extent it might prefer, because of the adverse effect it might have on, say, Bahrain and Oman.

In short, as the EU countries have found, a common currency requires fairly close economic similarities among the member countries. This uniformity does not really exist in the GCC. The question here is, are the differences between Saudi Arabia and, say, Bahrain so great that a common set of macro-economic constraints on both countries might not be in their economic interests?

4.4. Strong, Established Economic Linkages with the EU, US and Japan

As shown in figures, the GCC countries, while perhaps reducing over time the share of their trade with the industrial countries, still maintain

significant trading shares with these countries. In a detailed examination of trade linkages, Mohammad (1999) found a set of strong interactions between the GCC countries and their major trading partners, EU, US and Japan. Furthermore, these interactions between the GCC and its major trading partners are strongly influenced by oil prices and growth of GDP in the trading partner. The simultaneous-equation regressions presented by Mohammad also suggest that GCC imports from each trading partner are positively related to the GCC exports to the specific partner within a partial adjustment mechanism. The simultaneous equation model results also indicate that there are very significant feedback effects in GCC trade with US, EU and Japan. Mohammad speculates that these feedback effects may be due to the relatively large size of total GCC imports from and exports to each of these regions.

The nature of these linkages provides a strong pull away from intra-regional trade. These linkages have no doubt created a momentum that, everything else equal, has retarded intra-GCC trade. However, the declining shares of GCC-industrial country trade suggest that in time this momentum can be and has been overcome.

4.5. Economic Shocks

International economic shocks have had a contradictory effect on the Gulf integration process. “Although external economic pressures have likely provided a crucial impetus for cooperation, until recently, downturns have also hardened the members’ reluctance to forfeit control over national economic and trade policy” (Cammett, 1999). Typically, during these periods, economic reforms and liberalisation are put on hold as the governments attempt to preserve domestic jobs. On the other hand, with the creation of a joint currency as part of the formation of a monetary union, the GCC countries, because of their similarities, should be able to combat and neutralize external shocks more effectively (Popescu and Mustafa 200, pp. 35-36.)

4.6. Evolving Public-Private Economic Mechanism

Related to the external shock factor, the authorities in the GCC countries have usually been reluctant during periods of declining oil prices and revenues to cut spending because of their concerns regarding the

potential adverse effects on non-oil growth. However, when confronted with the need to cut spending in periods of declining oil revenues, they have often chosen to reduce first capital over current expenditures. An IMF study examined these patterns to determine whether there was any empirical evidence on the effectiveness of these expenditure patterns in stabilising the economy (Fasano and Wang, 2001). The main, somewhat counterintuitive finding was the lack of a strong causal relationship running from government spending to non-oil growth. Put differently, the governments in the GCC countries could, in principle, cut spending without negatively affecting non-oil growth.

No doubt this new public sector expenditure/private output relationship reflects structural changes that have been taking place in the GCC economies over the last several decades. In particular, it reflects the success that many of these countries have had in diversifying their economies. A manifestation of this success has been the observed weakened structural dependence of non-oil activities on government spending in such countries as Saudi Arabia (Looney, 2001).

These recent findings on the weakening links between government expenditure and non-oil output/private sector activity fundamentally change the way one looks at the growth prospects for the GCC countries. They also have significant implications for the integration process. Several years ago, the received conventional wisdom was that the non-oil economy simply mirrored the government’s fiscal policy, which in turn was supported by oil revenues and increased governmental debt.

Following this logic, the conventional wisdom for development in the post oil-boom years was quite pessimistic. Here, the focus was usually on budgetary cutbacks, the seeming inability of the government to push through economic reforms, increased public sector debt, the drying up of credit to the private sector, capital outflow, and declining rates of private sector capital formation. The conventional wisdom usually concluded that whatever growth occurred was ultimately tied in with dwindling government expenditures. Meager rates of non-oil private output simply reflected the limits on governmental expenditures. In short, the assumption was that loss of governmental borrowing capacity and the associated fiscal expenditures would result in a quick collapse of the non-oil economy.

5. FUTURE PROSPECTS

The shift over time from strong to weak or non-existent links between government expenditures and non-oil private sector activity in the Gulf countries no doubt goes a long way in explaining governmental attitudes toward economic integration in the region. Initially, government expenditures were viewed as indispensable in sustaining economic activity and employment. The costs of losing discretionary power over fiscal policy were viewed as extremely high, with the benefits of integration somewhat problematic. In recent years, the realisation seems to have set in that the old fiscal tools have lost much of their stimulus power (Dasgupta, Keller and Srinivasan, 2002) and the cost of their loss or restriction imposed by a customs or monetary union has become much less severe. At the same time, the increased viability of the private sector seems to have progressed to the point where it is capable of taking advantage of most of the opportunities opened up by the creation of a customs and/or monetary union.

In short, the tide of pluses and minuses associated with the formation of a customs/monetary union has shifted to the plus side. At the present time, a customs union would give the Gulf States greater leverage to attract foreign investors and accelerate economic reforms in the region to diversify and further stimulate their economies away from oil revenues. An added impetus for the formation of a customs union has come from the European Community (EC). As part of its policy to encourage the formation of regional trade blocks in the developing world, the EC has urged the Gulf States to implement a unified external tariff, making a comprehensive trade agreement with the Gulf States contingent on this action.

The losses associated with integration, while still present, are unlikely to offset these benefits. If this interpretation is correct, the push for economic union should be strong enough to overcome any remaining impediments.

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Annex Table 1. Growth of GCC Trade: 1974-2001
(average annual percentage growth)

	Pre-Union 1974-1983	Post-Union 1984-2001	Post-Union I 1984-1994	Post-Union II 1994-2001
Bahrain				
Total Exports	10.8	6.16	1.91	13.3
Industrial Countries	-0.17	1.79	-2.19	13.98
GCC	15.39	-3.19	-8.21	2.11
Total Imports	12.79	0.26	2.28	-0.3
Industrial Countries	19.84	0.79	2.46	0.61
GCC	8.71	-1.62	-1.11	-1.89
Oman				
Total Exports	15.69	5.84	3.53	9.26
Industrial Countries	12.2	0.71	-4.6	4.37
GCC	30.63	27.56	49.49	6.19
Total Imports	22.81	4.52	4.59	5.84
Industrial Countries	25.2	2.28	1.95	4.3
GCC	19.49	8.06	11.16	6.11
Kuwait				
Total Exports	1.24	2.49	-3.14	9.99
Industrial Countries	-2.63	2.14	-0.88	7.16
GCC	18.56	-3.24	-13.32	8.75
Total Imports	18.87	0.76	0.21	2.24
Industrial Countries	20.43	-0.48	0.02	1.28
GCC	28.56	11.77	13.5	7.25
Qatar				
Total Exports	13.97	6.39	-4.64	23.56
Industrial Countries	12.88	3.92	-5.58	18.62
GCC	24.25	11.51	8.06	17.28
Total Imports	20.54	7.56	5.56	10.54
Industrial Countries	23.04	7.3	4.25	11.67
GCC	7.11	15.77	24.12	7.79
UAE				
Total Exports	11.98	6.3	5.84	5.6
Industrial Countries	5.12	4.22	2.93	6.7
GCC	20.79	10.14	12.26	6.86
Total Imports	18.73	11.21	11.99	9.52
Industrial Countries	20.32	8.76	7.32	7.9
GCC	21.84	10.63	4.65	19.4

(continued)

Saudi Arabia				
Total Exports	4.36	3.78	1.37	7.45
Industrial Countries	3.14	2.81	-1.31	5.38
GCC	9.05	5.92	6.33	5.72
Total Imports	33.76	0.94	-1.96	7.81
Industrial Countries	39.78	-0.36	-2.88	5.72
GCC	10.05	5.65	4.18	7.77

Compiled from: International Monetary Fund, *Direction of Trade Statistics Yearbook*: 2002 (Washington: IMF, 2002), for 1995-2001; Arab Monetary Fund, *Foreign Trade of Arab Countries*, various issues for 1974-1994.

Annex Table 2. Patterns of GCC Trade: 1974-2001
(percent share of total imports/exports)

	Total Period	Pre-Union	Post-Union	Present
	1974-2001	1974-1981	1981-1992	1993-2001
Bahrain				
% Total Exports				
Industrial Countries	21.86	35.88	20.17	11.89
GCC Countries	17.28	27.16	19.13	7.58
% Total Imports				
Industrial Countries	41.20	35.71	41.91	44.99
GCC Countries	44.65	52.74	46.80	37.47
Oman				
% Total Exports				
Industrial Countries	49.45	87.85	41.93	29.43
GCC Countries	14.35	0.27	27.09	11.68
% Total Imports				
Industrial Countries	60.25	63.67	64.56	52.55
GCC Countries	25.33	20.83	22.81	31.25
Kuwait				
% Total Exports				
Industrial Countries	49.60	57.48	47.19	47.33
GCC Countries	2.93	4.15	3.15	1.56
% Total Imports				
Industrial Countries	69.80	73.37	70.92	65.42
GCC Countries	5.34	0.66	4.72	10.18
Qatar				
% Total Exports				
Industrial Countries	66.18	79.43	64.41	59.30
GCC Countries	4.31	1.38	5.26	5.34
% Total Exports				
Industrial Countries	72.45	78.41	72.90	66.23
GCC Countries	8.66	6.22	5.70	13.90
UAE				
% Total Exports				
Industrial Countries	56.13	82.76	52.42	41.92
GCC Countries	4.65	2.31	4.24	6.77
% Total Imports				

(continued)

Industrial Countries	63.67	70.77	66.88	53.92
GCC Countries	5.65	5.77	5.99	5.33
Saudi Arabia				
% Total Exports				
Industrial Countries	62.43	70.19	64.20	54.34
GCC Countries	5.23	2.27	5.70	6.90
UAE	20.26	1.76	15.13	39.55
Oman	1.98	0.91	1.22	3.61
Bahrain	65.80	94.37	71.17	39.37
Qatar	2.73	0.67	2.63	4.36
Kuwait	9.22	2.29	9.85	13.12
	100,00	100.00	100.00	100.00
% Total Imports				
Industrial Countries	74.24	70.82	77.82	70.74
GCC Countries	2.88	4.75	1.77	3.10
UAE	33.74	12.22	33.48	48.74
Oman	4.42	0.81	3.46	8.04
Bahrain	23.37	23.85	23.49	23.70
Qatar	12.05	9.24	15.06	9.74
Kuwait	26.42	53.88	24.51	9.78
	100.00	100.00	100.00	100.00

Compiled from: International Monetary Fund, *Direction of Trade Statistics Yearbook*: 2002 (Washington: IMF, 2002), for 1995-2001; Arab Monetary Fund, *Foreign Trade of Arab Countries*, various issues for 1974-1994.