Membership in the WTO and Arab Regional Co-operation:
The Case of the GCC

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Introduction and summary

Since the establishment of the Arab League in 1945, efforts to free trade amongst Arab countries were considered vital steps on the way to realise economic (and ultimately political) unity. In spite of the impressive array of institutions and structures created within the League to promote economic integration it has become clear that most schemes in this regard, are considered failures. Many were created only to fall apart or become defunct or dormant (Council of Arab Economic Unity, Arab Co-operation Council, Union of the Arab Magreb, etc.). These failings have been, largely, due to three sets of factors: political-ideological, economic policies and economic structures.

A number of non-Gulf countries, especially those motivated (previously) by socialist ideologies, have followed inward looking policies and restrictive trade regimes, which were at variance with free trade. Trade among Arab countries (especially neighbours) has increased over time, but it remains low compared to their total trade. Moreover, most flows have proved to be trade diversions with little prospect for changing into growing sustainable trade creations. After the recession of socialist ideologies, most Arab countries are currently members, observers or applying to join the WTO. Moreover, since the beginning of the nineties, many Arab countries have been increasing their ties with other regions: Tunisia and Morocco and later Jordan and Egypt opted for association with Europe (and the USA) as a vehicle for more sustainable development.

Within the GCC, trade among Gulf countries also remains low compared to their total trade. Although their institutions, ideology and policies are similar, their economic/social (i.e. productive and population/employment) structures have, largely, hindered higher degree of integration. With high rentier incomes, their expenditure patterns have been geared towards products and services, which could not be produced, in quantity or quality, in these or other Arab countries. In the last decade even differences in the governance and polity systems have started to surface. The question, which this paper tries to answer: would membership in the WTO, and associated developments, promote regional integration in the GCC area? The main conclusion is that membership in WTO may not succeed in enhancing regional integration as long as economic/social structures remain as they are and political and governance differences persist amongst countries of the region.

Accession to the WTO[1]

By now 144 countries have acceded to the WTO and apart from Saudi Arabia all GCC countries are also members. To become a member an elaborate procedure has to be followed which in the end has important bearings on policies and institutions of the member country. Although important differences in economic, technological and cultural structures will persist, economic rules and conduct would tend to converge. The accession process requires different levels of negotiations and definite steps.

There are two kinds of negotiations, multilateral and bilateral. The multilateral negotiations concern such areas as the rules on goods, TRIPS (Intellectual Property) and rules on services. The bilateral negotiations relate to market access concessions in goods and commitments in the services sector. Commitments on agricultural domestic support and export subsidies are dealt with in plurilateral meetings conducted by the applicant with interested WTO members.

The steps in the process of accession ensure conformity to WTO rules and in the end free trade policies and institutions. The relevant steps are as follows:

(1) Fact-finding: a working party is formed by the WTO to look into a detailed account, usually prepared by the applicant. This account includes its foreign trade regime, current applicable tariff schedule and relevant laws and regulations. The working party's discussions aim at ensuring "*the conformity of the [trade] regime with the various requirements of the WTO Agreements*".

(2) Bilateral negotiations: concurrently, with the first step, bilateral market-access negotiations on goods and services in addition to other terms of accession commence. This is a critical stage of the accession process as interested WTO members insure that benefits they offer to the applicant in their markets are reciprocated.

(3) Concessions and commitments. Following the finalisation of the bilateral negotiations the schedule of concessions and commitments on goods and that on services are prepared and the applicant becomes a member.

Crude oil, oil products and regional co-operation under WTO

As a consequence of applying WTO's rules, accession to the WTO would have the following effects on oil and oil-related products in an oil producing economy:

(1) Tariffs and non-tariff restrictions on imports of oil and oil products should be lowered gradually to reach a minimum level. Oil producing countries are required to comply with rules governing other goods including the elimination of prohibitions and quota restrictions on the import of crude oil and oil products. However, given the forces prevailing in the international

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[1] See WTO, ACCESSION: (1) Technical Note: Negotiation of terms of accession, (2) The procedure, www.wto.org

market for crude oil, it is unlikely for an oil-producing country, in the Middle East, to face serious competition from another producing country. This is mainly due to the differences between the cost of production, in the producing areas, and price level in the petroleum market. Pricing of crude oil in the petroleum market is largely governed by oligopolistc behaviour, by OPEC, taking into consideration supplies from independent producers (outside OPEC). Prevailing prices over a reasonable length of time (save speculative periods) correspond to the most expensive area needed to meet demand. Given that such international price is taken by the WTO as the level that should also govern prices in the domestic markets an import tariff would suffice to stall imports of crude oil to a producing country. In the case of dumping in crude or oil products, which is also unlikely, countervailing measures can be resorted to.

In this respect it is worth looking into the case of Oman (acceded to the WTO in year 2000). Prior to its accession, Oman had applied a universal rate of 15% for most non-medicinal products. For Crude oil the rate was 20%, for liquid gas and other oil products15%. Other goods bear rates in the range 0-20%. Oman is planning to reduce its rate to 0-6.5% for a wide range of goods. For crude oil, oil-products and other goods no commitment has been made in this direction[2]. It is obvious that Oman is trying to preserve its right to use the tariff as a form of protection in two kinds of industries:

   i. Food and consumer goods where Oman is aiming to build a base in this regard (including some petrochemical products).

   ii. Crude oil and oil products.

(2) Subsidies ought to be phased out. In this regard exports of petrochemicals may be affected, especially middle petrochemicals[3]. The definition of subsidies usually depends on the claims raised by competing countries. Cheap power, free or cheap raw materials (e.g. natural gas), etc. all can be considered subsidised inputs. Their abolition could become an issue in WTO's multilateral relations. If approved by the WTO, competitors could be granted the use of countervailing measures (including anti-dumping measures).

Can membership in the GCC help in this respect? Specifically protecting against countervailing measures and other exposures. As a general rule, with the observed mushrooming of blocks in the world (mainly free trade areas, custom unions or common markets) the formation of a block is considered useful. Regionalism within the context of WTO is seen as a transitory means of protecting the members' interests[4]. The groups' negotiating power as part of a region is stronger than that of its individual

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[2] By 2004 Oman is planning to phase out the rate to 0-6.5% for most goods apart from wood and cork (10%). However, Omani intentions are kept open and not defined before hand on the base rate on existing raw materials, competitive products, crude oil, gas and oil products (digits 0-2.7 5 and 6 and rubber products in digit 4). See WTO: www.wto.org, OMAN, Schedule CXLX-Sultanate of OMAN.

[3] See also Al. Sahlawi (2000).

[4] For the role of regional arrangements within the WTO, in general, see the papers presented to a WTO conference on Regionalism listed in the references at the end of this paper.

members. Strong position within WTO is more likely to succeed in protecting the member against claims of non-compliance. The blocks' transitory nature, however, emanates from the fact that ultimately the WTO's rules should apply to all members. When fully abided by, all blocks within the WTO become redundant. However, full compliance may not occur within the foreseeable future[5]. The GCC can protect its members especially with regard to petrochemical industry. The main tool is indirect, that is its power in oil industry. The influence of oil in international trade gives GCC an important say in OPEC and hence in world trade and indirectly in WTO negotiations.

The transition period, referred to above, can take a long time. Countries may tend in their practices to uniformity but only after a long time. That is evident in trade in services. A glance at the commitments of various countries (the so-called sector-specific commitments[6]) shows their disparate attitudes especially in banking service, tourism and the like. For instance, the Gulf countries do not insist on the training of nationals employed by the locally established foreign tourism companies while the Egyptians do. Foreign ownership clauses in the banking sector also differ between countries. The share of non-Egyptians in the capital of JVBs and private banks may exceed 49 per cent of the issued capital while the share in onshore banking in Bahrain cannot[7]. In Tunisia foreign ownership in the Bank Nationale is restricted to less than 10%, etc.[8]

Convergence of economic policies and institutions

At the inception of the GCC in 1981, its charter envisaged an economic and in the end a political union. To achieve this goal various forms and steps of integration ranging from a free trade area to a custom union and in the end economic union are to be taken. Indeed recent announcements include the intention to unify the import tariff rates by year 2003 and a common currency by 2010 in addition to such coordinating factors as the converging practices in tax rates, public tenders, etc. However, though such arrangements are necessary to speed up economic integration other fundamental factors could facilitate or impede this process, mainly uniformity of policies, regulations and institutions on the one hand and economic and social structures on the other.

We would look here into the hypothesis that economic and institutional policies could be converging in the GCC area especially as a result of membership in the WTO (and economic reforms), therefore facilitating

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[5] It is worth noting that the fact that the WTO made accession agreement with the European Union as an entity by itself was a precedent to accept memberships in both the WTO and in a specific regional grouping.
[6] These are commitments stated in the accession agreements for each country and spelled out in tabulated form. They apply mainly to trade in services.
[7] In Bahrain foreign banks may establish as local subsidiaries or branches. Foreign ownership of locally incorporated banks is restricted to 49% if business is to be undertaken "onshore" Bahrain (i.e. with residents of Bahrain). 100% foreign ownership is permitted if business is to be undertaken "offshore" Bahrain (i.e. with non-residents of Bahrain).
[8] See the WTO Web site for the commitments of the countries mentioned in the text.

integration, but structural rigidities would most likely impede the process. The first part is taken up in this section, the second in the next.

Concerning macro economic policies, unlike the EU or even some African regional economic communities[9] no convergence criteria were set for the members to promote their economic integration. The usual convergence criteria comprise such variables as inflation, interest rates, rate of exchange, the deficit in the budget, the government debt, etc. The Maastricht treaty, for instance, laid down five criteria for a member to meet before joining the Euro. The criteria relate to price stability, rates of interest, exchange rate stability and the sustainability of government financial positions. Each was attached a numerical measure to meet (a ratio to the GDP, apart from the exchange rate and inflation)[10]. Taking these variables, as the main indicators for macro economic policy stance in the GCC countries we find that, though converging, the main driving force in their development is external.

(1) Due to the fact of the almost strict alignment[11] of the national currencies of all GCC countries with the US $ (table 1) one expects that monetary policy is mainly governed by developments in the rate of interest in the USA. Indeed, deposit and lending rates in Kuwait and Saudi Arabia are very close to those in the USA (table 1). The rates of other countries though deviating from these rates, they are still close to them. The deviation is more surprising in the case of Oman with its peg to the US $. It has been suggested that this deviation could be more a result of underdeveloped financial markets and financial intermediation, coupled with government finances than independence in monetary policy. Further financial reforms and integration with international financial system would narrow down the difference[12].

(2) The budgetary situation is mainly tied to oil revenues. However, more independent stance is exercised in budgetary policies compared to monetary policy. It is observed that a lower deficit (to GDP) is achieved in 2000 than in 1995 in all GCC countries (table 1), mainly due to higher oil prices. Average deficit for the period 1995-2000 hovered around a range of –3.5%-4.7% for Saudi Arabia, Bahrain, Qatar and Oman, which is close to the mark of –3% deemed reasonable (e.g., by Maastricht criteria). Kuwait realised a surplus of 8.1% of GDP during this period while UAE was an outlier with an average deficit of 10%. UAE's deficit is the more surprising in the light of its continuous current account surplus during this period.

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[9] See, UN: Economic Commission for Africa, **Annual Report on Integration in Africa (ARIA) 2002-Overview**, www.uneca.org.
[10] The five-point criteria together with their associated numbers are attached to table (1).
[11] The currency of Oman has been officially pegged to the US Dollar since 1986. The currencies of Bahrain, Qatar, Saudi Arabia and UAE are officially pegged to the SDR. The Kuwaiti Dinar is pegged to a basket of currencies. However, it is obvious from table (1) that for the last 15 years all the GCC members (except Kuwait) observed strict parity of their currencies with US $. Even for Kuwait the fluctuations in its exchange rate with the US $ has been limited to a band of ±1.6% only during this period.
[12] Mansur, A. and V. Treichel (1999).

But although budgetary measures were exercised throughout the region, to control public expenditure, these measures were of course moderated by the social requirements to appease the populace. Thus to compensate for lower (oil) revenues, expenditure cuts were moderated by liquidation of foreign assets. When representation and financial obligations are not the basis of governance appeasement is necessary.

(3) Consumer price developments have also followed, closely, developments in the international market. This is a direct consequence of the strict rate-of-exchange regimes, on the one hand, and open-trade system on the other. From table (1) it is clear that developments in consumer price index were more or less in line with the movements of the import prices. Import price index (represented here by the industrial countries' export price index, as a proxy) has been, on average, constant during the period 1990-1995 (table 1). Consumer price increases averaged 2.1% annually in the GCC area but with high variability among members. The annual rate ranged from 0.8% in Oman to 5.3% in UAE. This is mainly explained by the budgetary measures in UAE to increase indirect taxes. In 1995-2000 the import price index *declined* by about 1% annually. Consequently average consumer price increases declined in all GCC (except Qatar) compared to 1990-1995; annual price increases averaged 1.1% for the GCC as a whole during this period (table 1). However, variability remains high among the members.

(4) As a result of the decline in (nominal and real value of) oil revenues during the period 1985-1995 (see chart, P. 14) most of the GCC government resorted to deficit financing which resulted in accumulated public debt. The bigger borrower was Saudi Arabia. Furthermore, in addition to domestic borrowing, Oman has borrowed from external sources. The decline in oil revenues and long term deficit in the current account at the time when public expenditures were not cut in tandem explains the mounting of debt. But in spite of these developments public debt ratio to GDP remains in all GCC countries within the accepted level (60%, again by Maastricht criteria). Moreover, with the exception of Saudi Arabia, the high oil revenues of 2000 have motivated all countries, to reduce their domestic debt burden (Table 1).

(5) The observed decline of the real value of oil revenues between 1983 and 1999 has also resulted in the continuing deficit in the current account of the balance of payments in Saudi Arabia and the smaller Gulf emirates. These countries were obliged to draw on their foreign assets in order to face inadequacy in exports' proceeds. Kuwait and the UAE were spared this outcome due to the size of their oil exports in relation to the generated demand on imports. However, at the year 2000 all countries realised surplus in their current account, due to higher oil exports prices, of course.

It is clear that apart from limited budgetary measures, international developments (in the oil market) usually determine the course of the main variables. In this regard one cannot speak strictly of compliance with convergence criteria to judge internal policies. The situation in the GCC can be

contrasted with the European Union. Before joining the unified currency, the Euro, the Maastricht Treaty obligated members to meet bounds set for the five policy variables, referred to above (table 1). In the GCC area countries have already observed strict alignment to the dollar (which is synonymous to a unified currency) without having to meet definite convergence criteria. Contrary to the European Community, integration of the GCC countries, thus, cannot end with the unification of their currencies (as it is already there, but in name) or convergence of their policies. The convergence of policies would be achieved, first by international developments, especially in the oil market, and secondly as a result of membership in the WTO. The GCC members are expected to enhance their liberal trade regimes in goods and services in conformity with the requirements set by the organisation.

The main hurdles to regional integration are structural, mainly rigidities in production base, labour market and, potentially, civic and governance institutions. This is the subject of the following section.

Rigidity of economic and social structures

In addition to their traditional trade culture, the GCC economies are open to free trade due mainly to two factors: oil revenues and small productive base. Moreover, the stability of the rates of exchange in their currencies has largely, eliminated exchange-related transaction costs in trade among them[13]. Yet, trade and integration between them have remained at low levels, and may continue so in the foreseeable future, despite membership in the WTO. This is due mainly to the following rigidities:

- Narrow productive base.
- Segmented labour markets.
- Differences in politics, governance and social order.

Let us take these factors in turn.

The production base

The rising income from oil and the demand that it generated (over he last two decades and a half) could not have been met by local production from GCC or even Arab countries. During the seventies and eighties Western Europe, Japan and USA were the main suppliers. Increasingly Asian and to a lesser extent Latin American countries had also raised their share, since. By the year 2000 only 9.5% of GCC's total imports has emanated from Arab countries. From this 7.1 points were inter-GCC trade (table 3). This by itself is a slight

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[13] Of course fluctuations of the rates of exchange of the US $ and other major currencies have been wide at times. The GCC countries face a problem in this regard. Their main revenues from exports are in US $ at the time when their main import bills are paid in other currencies. This has motivated some to opt to tie their currencies to the SDR or other baskets. Evidence of desirability of such action should depend on weighing benefits and costs. To design a basket of currencies that imparts stability on the current account of the balance of payments in response to change in rates of exchange entails continuous change in the constituents of the basket. This is to be weighed against such factors as the credibility of the exchange stance, the impact of exchange rate volatility on market structure; stability in foreign exchange markets and transactions costs arising from exchange rate volatility. See Zuhair Iqbal and S. Nuri Erbas (1997).

improvement on inter-Arab or inter-GCC exchanges in the past. However, they are still very low. Moreover, some of the inter-GCC exchanges are related either to crude oil refining arrangements or to re-export arrangements (UAE)[14].

The production base and structure, defined here as the size and variety of goods and services produced to meet demand, have expanded appreciably in the GCC countries. One way to measure this is to compare the effective (or potential) demand generated by oil revenues and size of available 'productive capacity' (goods and services) to meet this demand. In this paper the potential demand generated from oil revenues can be measured by deflating oil revenues by the import price index[15]. We call them real oil revenues. The measure of the size of production base is taken to mean non-oil GDP excluding government services, measured in constant prices. This, we call, the real side of the economy.

From table (5) we can see that, as a trend, the ratio of real oil revenues to the real side of the economy has, on average, declined during the last decade and a half, indicating growing size of the production base in the GCC area. Though the time span is not uniform, in the table, for the GCC countries the data are indicative. For Saudi Arabia, the largest of the GCC (55% of the whole real side of the GCC in 1997), the ratio declined from 352% in 1975/1980 to 105% in 1995/2000. This is quite a dramatic change. True, this is partly due to the fall in oil revenues in the nineties compared to that in the seventies (see chart, P. 14) but in terms of meeting demand the indicator still shows a large change. For other GCC countries table (5) shows the change over a shorter period, due to lack of data. Moreover, the fall in these countries is smaller. For Bahrain it fell from 267% in 1985 to 159% in 1997, in Oman from 188% to 123%, in Qatar from 221% to 134%, respectively during the same period. In UAE it fell from 187% in 1985 to 156% in 1999. For Kuwait a rise is observed, instead, from 161% in 1985 to 185% in 1997. However a solid trend can be figured out, the production base has expanded in all GCC countries (save Kuwait!) to meet local demand in goods and services.

Moreover, compared to earlier times, the influence of oil revenues on the non-oil economy, and the demand generated thereof, though still very important, has been declining. Some statistical estimates for the relationship between government spending and non-oil private GDP growth for Saudi Arabia show decreasing dependence" *real non-oil private GDP was strongly and positively correlated with government expenditure. However when the time period was subdivided ... into two sub-periods, 1969-82 and 1983-97, the results ... showed no clear statistical evidence of a relationship between the*

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[14] The shares in the text do not include imports for re-export. From table (4) it is obvious that exports from GCC countries are bigger than the imports (table 3). The difference is, mainly, the re-exports. The major re-exporter in the GCC is UAE.

[15] This measure, as is clear, concentrates on goods and limited set of services. It does not include the non-tradable services. Using consumer price index, instead, could rectify this; limitation of data however, justifies our usage.

two variables during the second sub-period, suggesting increasing autonomy of the non-oil economy"[16, 17].

Therefore, the emerging facts suggest that the production base across the GCC area has been expanding, relatively fast. The main thrust of this expansion, however, has been in the development of inward looking activities, mainly to meet local demand rather than directed towards exports. This same phenomenon has been observed across most of the other Arab countries. In these countries, this development was mainly a result of designed policies and activities carried out mainly by the public sector during much of the sixties, seventies and eighties (Syria, Iraq, Algeria and Egypt). In the GCC area, by contrast, policies were more liberal in terms of exchange and the role of the private sector. Yet the productive system, due to its initial narrow base and the limitations in the labour market, has not developed in response to export demand. This can be amply demonstrated in the composition of the exports in the GCC. Table (6) indicates that non-oil based manufactured goods have, in most GCC countries, formed between 2-8% of total exports during 1995-2000. In Oman and Bahrain a somewhat different development is observed. In Saudi Arabia non-oil based manufacturing exports formed between 2-3% of total exports during the period without a noticeable upward trend. In Kuwait, Qatar and UAE the share has even declined after 1985. In Bahrain and Oman an upward shift is noticeable. In Bahrain the share of non-oil based manufacturing exports rose from 12% of total exports to 30% in 1993 to fall to 22% in 2000. In Oman the share rose from 1% to 19% to fall to 14% during the same period. It seems that in these least oil-dependent members of the GCC more efforts were taken to diversify a bit more beyond meeting the local demand.

Notwithstanding noticeable shifts in Bahrain and Oman, all GCC countries are branded as specialising in a major commodity: oil and oil related products. The general narrow base of exports of all GCC, with the relatively wider base of Bahrain and Oman, can also be seen from the following figures for the so-called Balassa's specialisation index (for 1999/2000):

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[16] Kieryev, A.: *Government Spending and Economic Growth in Saudi Arabia, Journal of Economic Development*, vol. 22, No. 2, quoted in U. Fasano & Q. Wang (2001).

[17] This result may stand for the non-oil private GDP but for the relationship between real public spending and total non-oil GDP, Merza's (2001) calculations show increasing dependence during the second sup-period. However, these opposing estimates may be the consequence of using different deflators or different sophistication in the estimation methods. It is to be noted that the relationship between government spending and no-oil growth has been the subject of intensive estimation and analysis. The results are contradictory so much so that one estimate (Fasano and Wang) has reached the conclusion that more public investment leads to less non-oil output! It turns up that the negative coefficient (in the estimation linking the two variables) is the result of the continuation of non-oil growth in spite of declining public investment. This result was symmetrically taken to imply the reverse situation, i.e. when public investment increases non-oil output decreases!

Table (1) Balassa's Specialisation Index

	Products having specialisation index more than 1	No. of product groups
Bahrain	Minerals, Basic manufacturing, Textiles, Clothing	4
Kuwait	Minerals	1
Oman	Minerals, Transport Equipment, Processed Food	3
Qatar	Minerals	1
Saudi Arabia	Chemicals (oil, oil products & petrochemicals), Basic Manufacturing	2
UAE	Minerals	1

Source: Taken from UN Website www.un.org. Specialisation index (Balassa's) compares the share of a given sector in national exports with the share of this sector in world exports. Values above one indicate that the country is specialised in this sector.

From all these results it is obvious that the narrow base and size of production have limited the ability of the GCC countries to increase the flow of trade among them. The non-tariff measures, laws of property and other restrictions could have played a part in this limitation but the production base is a main limiting constraint.

Now, looking into the future it seems that despite recent economic reforms and declarations of a custom union by 2003 and one currency (by 2010?) this same structural factor will limit the expansion of trade and further integration among GCC countries. Moreover, membership in the WTO would lead to more liberalisation of trade between each of the GCC members and traditional outside partners but inter-GCC integration would languish or proceed slowly until and when the production base is expanded, diversified and oriented toward exports. This is quite unlikely in the foreseeable future as the production base is closely related to other sets of limiting factors, mainly population size /labour force and availability of such resources as water and raw materials. The labour force constraint is a formidable obstacle to export-oriented activities, which are necessary for higher flows of trade among countries. This is the subject of the next section.

The labour markets

The composition and nature of the supply of and demand for labour in the GCC area could be an equally formidable impediment to economic integration, on a par with the structure of production. The main feature of the market is the fact that the overriding majority of the labour force is that of the expatriates. Data about the labour markets and population, in the region, is both scanty and sometimes confusing. Available estimates are to be taken with caution. With this in mind, table (7) indicates that, on average, in 1995 only 26.4% of the

employed were indigenous in the GCC area. This share ranges from 12% in UAE to 17% in Kuwait to 29% in Saudi Arabia and up to 36-40% in Oman and Bahrain. Comparable figures for 2000 are not available except for Kuwait. The share of nationals stood at 19% in 2000[18]. Such dependence on expatriates has at least two corollaries. First, it would take a long time to redress the situation, i.e. to increase the share of the nationals to a majority. The second, which has been in place for the last half a century, is the heavily regulated system of hiring expatriates. This system has resulted in constrained labour mobility and the segmentation of the labour market, both detrimental to regional integration.

Segmentation of the labour market refers here to the segregation of public (mainly administrative, i.e. civil service) and private sectors. In the entire Gulf countries public sector employment is mainly reserved for the nationals offered high wages and salaries. This usually sets a reservation level (a reservation wage rate) for the wages leading to less supply of nationals for the private sector.[19] In contrast, high wages in the private sector are offered to high skills largely possessed by foreigners. This creates major obstacles to mobility among occupations, sectors and member countries.

Labour mobility in an integrating economic area is an important factor to compensate for the weakening of monetary policy, itself a consequence of unified currency or strict alignment of currencies (as the case of effectively tying the GCC currencies to the US$). In this case labour mobility is considered the main factor in resolving cost differentials among regions in the integrating area. Low mobility in the GCC area is a consequence of two interrelated factors: the prevalent segmentation of labour markets in each of the GCC countries and existing laws, regulations and practices for hiring, employing and monitoring the aliens. For the GCC we have a dilemma here. Higher mobility calls for fewer regulations and restrictions, but the dismantling of these regulations runs deep against the main pillars of security in these countries. This is one major hurdle that would slow-down integration in the area.

The appearance of unemployment among nationals in recent years has complicated the picture and could generate pressures to reduce segmentation. As referred to above, indigenous labour supply in the GCC area is far below demand (table 7). From the table it is clear that total demand in each of GCC countries is more than indigenous labour's supply, implying availability of work for job seekers. However, due to the segmentation of labour markets and reservation level on the one hand and fall in the public expenditure, on the other, open unemployment among the nationals, in the midst of substantial

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[18] The change in Kuwait could have been due to change in the source of data.
[19] In other word the reservation wage rate is the opportunity wage rate that a national (usually with a university degree) sets as a floor for his earnings.

number of foreign workers, have been growing in recent years. Annual registered job seekers are estimated at 8870 in Kuwait (year 1998), 74000 in S. Arabia, 41000 in UAE and 6160 in Bahrain (year 2000)[20]. The unemployment rate is not accurately known. Some estimates put it at 17.8% of the national labour force of the GCC[21]. Under present structure of labour markets in the Gulf it is not possible for a Saudi national to compete with a Qatari for a government job in Qatar or with a foreigner in Qatar for a job in the private sector[22].

A concerted policy to increase the share of nationals in total supply and employment at the same time when segmentation is reduced and mobility enhanced is an option. However, attaining both objectives could prove elusive. Given the small base of indigenous population the share of nationals can only be increased by serious change in working habits, social attitudes and population growth. The following are helping factors in this direction:

(1) Higher participation rate. Compared to other countries, in the Middle East and North Africa, the participation rate in the GCC averaged 35% in 1997. Male's rate stood at 52% and the female's at 12%. The lowest rate is observed in Oman at 27%, the male's is 43% and the female's 9%. The highest in Qatar 54%, with the male's at 72% and the female's 22% (table 7). Thus in addition to raising participation rate in general, female's rate could be enhanced to compensate for the general shortage in labour supply.

(2) Acceptance of lower wages. This can only be realised through a reduction in the segmentation of labour markets in the GCC countries, a task that is difficult to attain in the foreseeable future.

(3) Acceptance of socially lower-status jobs.

(4) Higher skills.

(5) Higher indigenous population growth.

All these factors would increase the indigenous share in the labour market, but the importance of the expatriate element would persist. Our projections presented in table (7) in conjunction with other projections indicate that in the light of (very?) optimistic assumptions[23] based on realising the

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[20] Figures for Bahrain, Kuwait and UAE are from ILO's Web site (July 31, 2002); the figure of Saudi Arabia is from M. Girgis (2000), P. 5.

[21] M. Girgis (2000), P. 5.

[22] It is interesting to note that solutions offered to this problem have not yet touched on the nature of the labour market. Some proposals to increase employment opportunities to the nationals run in line with existing segmented structure. For instance it is suggested that the increase in the costs of work permits for the foreigners would push wages up and could attract nationals to private jobs. See E. Ruppert (1999).

[23] The assumptions include the following: (1) A rise in the participation rate from a current average, for the GCC area, of 35% to about 50% in year 2020. (2) Keeping up current indigenous population

above factors, the share can be increased appreciably from 26.4% in 1995 to 36% in 2010 to 41.5% in 2020. After that the situation can only be changed very slowly. However, notwithstanding the possibility of increasing the indigenous share in the labour force, these calculations, simple as they are, indicate that the labour market would persist in its current form of expatriate majority. A consequence of this is the continuation of segmentation and low degree of mobility unless serious efforts in each GCC country and across the area are taken to change the current regulations of the labour market. This is unlikely, given the security considerations. In other word, albeit softening, the restrained labour market would largely retain its impeding effect on the integration of the region.

Politics, governance and social order

From the outside, the Gulf countries seem as a set of homogeneous members of a club of rich oil nations. In a way this has some resonance of truth. With similar social structures: paternalistic, wealthy and with common outside threats, these countries have some degree of coherence. Moreover, the GCC itself was formed to gather them in one loose defence pact against regional threats. But the slow pace of economic and political integration itself is a sign of divergent interests and deep-seated differences. The differences emanates from the following:

(1) Border disputes: in this respect outstanding disputes existed between many of the GCC members, Saudi Arabia and each of the other members, Kuwait, Qatar, UAE and Oman. The dispute between Qatar and Bahrain has only been recently resolved. The dispute between UAE and Iran and the ambivalent position of the Saudis about the issue is an indication of opposing political strategies and interests. However, steps to resolve these disputes have been increasing recently, which minimises the influence of this factor.

(2) The system of governance: the entire Gulf countries are ruled by similar systems of extended royal/sheikhdom families. However, the so-called governance system does vary among them and in comparison with the rest of the Arab world. Their polity range from the strict royal family power as in Saudi Arabia to a looser grip as in Qatar & Kuwait. The differences have translated, especially after the Second Gulf war, into different social and political developments. Apart from Saudi Arabia tangible developments have taken place in terms of form of government, freedom of press, participation in civic societies, right of women, etc, even in some form of limited accountability. The following indicators concerning a range of

growth rate. (3) Meeting some of the factors enumerated in the text (higher skills, lower reservation wages, acceptance of currently socially rejected jobs, etc.).

factors relating to the governance and accountability for the year *2000/2001* are relevant here. Due to the subjective elements in their collection, compilation and interpretation they should be considered with caution.

Table (2) Governance and Accountability

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	**Average**
Qatar	-0.54	1.40	0.82	0.38	1.00	0.57	**0.60**
Oman	-0.50	1.00	0.85	0.60	1.06	0.44	**0.57**
Kuwait	0.08	0.64	0.13	-0.13	1.10	0.59	**0.40**
UAE	-0.51	1.09	0.60	0.39	1.12	0.13	**0.47**
Bahrain	-0.96	-0.04	0.62	0.78	0.42	0.04	**0.14**
Saudi Arabia	-1.07	0.51	0.00	-0.11	0.19	-0.35	**-0.14**
Average GCC	**-0.58**	**0.76**	**0.50**	**0.32**	**0.81**	**0.24**	**0.34**
Non-GCC	*-0.95*	*-0.36*	*-0.47*	*-0.52*	*-0.28*	*-0.44*	*-0.50*
All Arabs	*-0.78*	*-0.07*	*-0.07*	*-0.13*	*0.05*	*-0.20*	*-0.20*
West Europe	*1.43*	*1.25*	*1.57*	*1.05*	*1.54*	*1.64*	*1.41*
World	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Source: The first six columns: collected and grouped/averaged for regions from data on individual countries in: Kaufmann, D., A. Kraay and P. Zoido-Lobaton, (2002). For other regions see table (9).

Notes: (1) The figures in this table are standardised scores on the standardised normal distribution (with a mean of zero and standard deviation of one). The world represents 147 countries. Each figure in the table is interpreted as a multiple of the standard deviation from the world's mean.

(2) For each constituent (column) in this table (including the average) a higher score implies a higher ranking. A positive score indicates a better situation compared to the world's mean or to a country with a lower value. By the same token a negative score indicates a worse situation compared to the world's mean. Moreover, normal distribution tables can be used to situate a country with a positive score (negative score) at the top (bottom) of a percentage of countries achieving higher (lower) score than the world's mean.

From the figures in the table it is obvious that the Gulf countries divide into three groups. The first can be called the relative liberals, mainly Qatar, Oman, Kuwait and UAE. The second is the average, which contains Bahrain; the third can be called the strict, which contains Saudi Arabia. Countries in the first group also differ amongst themselves. Kuwait seems by far the most accountable of the GCC countries in its political system. Its standardised score in voice and accountability surpasses the world's average, a little, but of course falls far short of that of the European and other countries (see also table 9). The rest, in this respect, all have poor record of accountability (compared to the world's average) with varying

degrees, of course. In Saudi Arabia each constituent compares badly with the other GCC members.[24]

This difference in governance and polity system would create continuous tension and would slow down the speed of economic integration. Here again a comparison with the EU may be relevant. The EU is a club of similar countries in terms of economic and political institutions. By contrast membership in the GCC started, as referred to earlier, as, largely, a nucleus of an economic and political union. But more integration would be affected by the convergence, or lack of it, in political and institutional structures as much as in economic policies and structures. Further integration from the point of view of the Saudis would be tempered by the expected influence such integration imparts on the Saudi society from other Gulf countries. It is true that the size of Saudi Arabia outweighs all the rest in terms of population, GDP and oil exports. This makes it more able to withstand influence from minor partners. However, these same partners would like more transparent regime similar to theirs for further integration. Such transparency would increase their knowledge of the intentions of their powerful neighbour.

(3) Religious differences and threats. Most Gulf countries are, in general, of the same religious sect. However, relationships with other sects in Saudi Arabia and in Bahrain have been creating tensions within these countries. On the other hand the Islamic movements could, in general, pose more serious threats. These somewhat opposing factors could act as unifying forces for the GCC countries to close ranks, as they represent danger of instability from within.

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[24] The average in the table in the text is a simple average implying equal weights given to the six constituents of human welfare. Other sets of weights (i.e. different value judgement) could change the position of each country and, hence it's rank. For instance if the all-important current issue in the Arab world of voice and accountability is given 50% of the weights and the other 50% divided equally between the other five constituents then the ranking among the GCC would change as follows:

	Weighted Average
Kuwait	0.27
Qatar	0.15
Oman	0.14
UAE	0.08
Bahrain	-0.30
Saudi Arabia	-0.51
Average GCC	**-0.03**
Non-GCC Arabs	*-0.68*
All Arabs	*-0.43*
West Europe	*1.42*
World	**0**

In this system of weighting Kuwait is pushed up to the top while Qatar, Oman and UAE are pushed down but still above 0. Bahrain and Saudi Arabia's averages would fall far below zero. Still compared to the simple average case the position of Saudi Arabia relative to the other GCC countries remains almost the same.
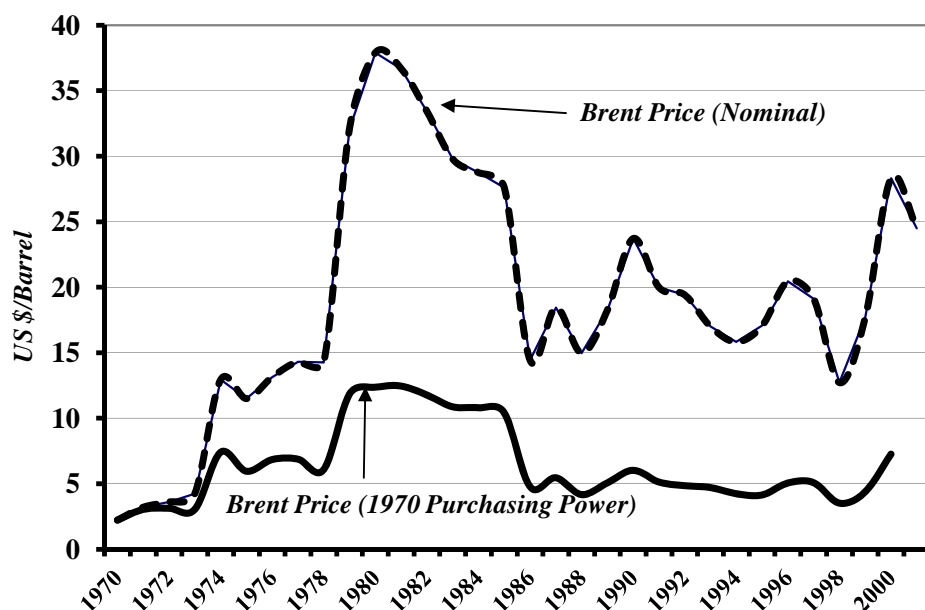
Brent Price at 1970 Purchasing Power: *Nominal Brent price deflated by the industrial countries' export price index (1970=100)*

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Table (1)
Indicators on Convergence in GCC Countries

| | Consumer Prices | | Interest Rate, % | | Rate of Exchange | | Ratios to GDP, % | | | | | | | |
| | Annual Rate of Change, % | | Average Quarters I - III 2001 | | (2001/2002) | | Budget Deficit | | | Domestic Public Debt | | Current Account | | |
	1990-1995	1995-2000	Deposit	Borrowing	Local currency units for one US	At this level since	1995	2000	1995-2000	1999	2000	1995	2000	1995-2000
Bahrain	1.3	0.7	3.2	11.1	0.376	*1981*	-5.8	-5.3	-4.3	14.5	12.3	4.1	1.4	-1.4
Kuwait	2.0	1.7	4.7	8.2	0.301 ± 1.6%	*1989*	-8.3	26.4	8.1	47.1	34.3	18.9	39.3	23.4
Oman	0.8	-0.2	6.3	9.6	0.385	*1986*	-9.0	-1.5	-4.7	32.6	24.4	-5.8	17.0	-0.6
Qatar	1.8	2.7	6.5 (2000)		3.640	*1981*	-4.2	1.3	-4.6	40.0	35.1	-26.5	21.8	-0.3
Saudi Arabia	1.6	-0.4	4.4		3.745	*1987*	-5.7	3.2	-3.5	58.9	62.6	-4.2	7.6	-0.3
UAE	5.3	2.1			3.672	*1981*	-12.5	-2.8	-10.1			9.4	17.5	9.9
USA			4.2	7.5										
Export price index of industrial countries	0.0	-0.9												
Maastricht Criteria for the euro membership	*Price stability:* *Price change ≤ ± 1.5%* of the average of the three best-performing EU countries		*Long term interest rate:* *Interest rate ≤ ± 2%* of the average of the three lowest-scoring EU countries		*Exchange rate stability:* Exchange rate within the ERM *(Exchange Rate Mechanism)* band, for at least 2 years		*Sustainable government financial position :*							
							Budget deficit ratio to GDP: **≥ -3%** of GDP			*Public debt ratio to GDP:* **≤ 60%** of GDP				

Sources *(see also sources of table 2):*
Consumer Prices, Interest Rates, Rate of Exchange (2001), Industrial Countries Export Index and US interest Rate, IMF, IFS Yearbook 2000 and January 2002.
GCC's Rates of Exchange 2002: The Economist Web site (August 10, 2002).
Maastricht Criteria : The Economist May 31-June 6, 1997
Notes: Shares are calculated on the basis of table (2).

Table (2)
Background Figures for the Indicators on Convergence in GCC Countries

18 - 25

	GDP (Market Prices)						Current Account					
	1995	1996	1997	1998	1999	2000	1995	1996	1997	1998	1999	2000
Bahrain	2.20	2.29	2.39	2.33	2.49	3.00	0.09	0.10	-0.01	-0.29	-0.13	0.04
Kuwait	7.93	9.30	9.06	7.74	9.08	11.59	1.50	2.13	2.41	0.68	1.54	4.56
Oman	5.31	5.87	6.09	5.42	6.00	7.56	-0.31	0.13	-0.03	-1.15	-0.14	1.29
Qatar	29.62	32.97	41.12	37.33	44.40	52.68	-7.86	-4.54	-6.11	-1.66	7.90	11.49
Saudi Arabia	478.65	590.75	617.90	546.65	603.59	706.66	-19.95	2.55	1.15	-49.24	1.54	53.62
UAE	157.18	176.15	187.95	178.08	201.80	242.77	14.72	22.84	19.56	0.53	12.81	42.57

Continued Table (2), Billion Units of National currency

	Budget Deficit						Domestic Public Debt	
	1995	1996	1997	1998	1999	2000	1999	2000
Bahrain	-0.13	-0.05	-0.13	-0.12	-0.05	-0.16	0.36	0.37
Kuwait	-0.66	1.03	1.05	-0.46	0.39	3.06	4.27	3.98
Oman	-0.48	-0.26	-0.04	-0.38	-0.42	-0.12	1.95	1.85
Qatar	-1.24	-2.66	-3.36	-1.90	-2.35	0.66	17.74	18.47
Saudi Arabia	-27.45	-19.03	-15.77	-48.45	-36.39	22.74	355.47	442.10
UAE	-19.61	-22.60	-8.20	-28.75	-29.52	-6.89		

Sources:

(1) Domestic Public Debt: Unified Arab Economic Report 2001, Secretariat of Arab League, Arab Fund for Economic and Social Development, Arab Monetary Fund, OAPEC.
For Oman, the figures refer to domestic and external public debt.
(2) GDP: IMF, IFS January 2002 and Unified Arab Economic Report 2001, except for Saudi Arabia. For Saudi Arabia the national sources are used instead of IMF figures. The IMF figures
` seem to have adjusted GDP estimates after 1996 to reduce the bias introduced by the change in the E&W and dwelling coverage and methods of estimates.
(3) Budget Deficit: IMF, IFS January 2002 and Unified Arab Economic Report 2001 except for Saudi Arabia where www.Sama.gov.sa figures are used.
(4) Current Account: IMF, IFS January 2002 and Unified Arab Economic Report 2001 except for Saudi Arabia where www.Sama.gov.sa figures are used.

Table (3)

Inter-GCC Trade: Imports, 2000

	Million US $					% of total				
	UAE	Other GCC	GCC Countries	Other Arab Countries	Total Arab Countries	UAE	Other GCC	GCC Countries	Other Arab Countries	Total Arab Countries
UAE		2615	2615	645	3260		5.1	3.2	0.9	2.1
Other GCC	1310	1985	3294	2433	5727	4.1	3.9	4.0	3.5	3.8
GCC Countries	1310	4600	5909	3077	8987	4.1	9.0	7.1	4.4	5.9
Other Arab Countries	419.2	1562	1981	4570	6551	1.3	3.1	2.4	6.6	4.3
Other World	30197	44673	74870	62063	136933	94.6	87.9	90.5	89.0	89.8
Total	31926	50834	82760	69711	152471	100.0	100.0	100.0	100.0	100.0

Source: Calculated from: Arab League, Arab Development Fund, Arab Monetary Fund, OAPEC,**Unified Arab Economic Report**, September 2001

Notes:

(1) Imports by GCC from itself constitutes 7.1% of its total imports, its imports from other Arab countries, 2.4%. In other words imports by GCC from itself and other Arab countries is 9.5% of its exports to the world.

Imports by other Arab countries from GCC is 4.4% of its total imports and from itself 6.6, a total of 11% of its imports is from GCC and itself

Imports by Arab countries from itself is 10.2% (5.9%+4.3%).

(2) It is clear that exports by GCC to itself (upper panel) is not equal to imports of GCC from itself (lower panel). The same applies to other inter regional flows. This is largely due to the fact that some exports (mainly to UAE) are re-exported to regions outside the GCC area. Thus they are not considered as imports by UAE.

Table (4)
Inter-GCC Trade: Exports, 2000

	Million US $						% of total					
	UAE	Other GCC	GCC Countries	Other Arab Countries	Other World	Total	UAE	Other GCC	GCC Countries	Other Arab Countries	Other World	Total
UAE		1237.4	1237.4	1179	40878	43295		2.9	2.9	2.7	94.4	100.0
Other GCC	3227.1	4105.8	7332.9	3043	114090	124465	2.6	3.3	5.9	2.4	91.7	100.0
GCC Countries	3227.1	5343.2	8570	4222	154968	167760	1.9	3.2	5.1	2.5	92.4	100.0
Other Arab Countries	379.3	1229	1609	3511	70434	75553	0.5	1.6	2.1	4.6	93.2	100.0
Total Arab Countries	3606.4	6573	10179	7733	225402	243313	1.5	2.7	4.2	3.2	92.6	100.0

Source: Calculated from: Arab League, Arab Development Fund, Arab Monetary Fund, OAPEC,**Unified Arab Economic Report**, September 2001

Notes:

Exports of GCC to itself constitutes 5.1% of its exports, its exports to other Arab countries, 2.5%. In other words exports of GCC to itself and other Arab countries is 7.6% of its exports to the world.

Exports of other Arab countries to GCC is 2.1% of its total exports and to itself 4.6, a total of 6.7% of its export is directed to GCC and itself.

Exports of Arab countries to itself is 7.4% (4.2%+3.2%).

Table (5)
Real Oil Revenues and Real Side of the non-oil Economy in the GCC Countries
Billion US $, in 1992 Prices

	Bahrain		Kuwait		Oman		Qatar		Saudi Arabia		UAE		Total	
	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)	Exports of goods & services	GDP (excl C. Oil & gov)
1970			8.4		0.8				16.2	11.2				
1975	2.9		19.8		2.6				66.5	18.9	16.6			
1980	4.9		27.0		4.4		7.6		128.4	36.5	30.4			
1982	6.1		16.3		5.6		6.5		82.6	43.0	27.5			
1983	5.2		17.9		5.6		5.1		65.2	44.5	24.2			
1985	5.6	2.1	17.8	11.1	6.8	3.6	4.8	2.2	45.6	45.8	23.7	12.7	104.3	77.4
1986	4.0	2.1	10.8	11.1	3.8	3.6	2.7	2.2	30.4	44.6	13.7	13.0	65.3	76.5
1990	5.0	2.4	8.3	6.9	5.6	4.0	4.0	2.5	49.8	49.6	22.7	14.5	95.4	79.9
1995	4.7	3.1	14.1	9.1	5.9	5.4	3.5	3.0	54.3	53.9	28.9	20.0	111.3	94.5
1996	5.3	3.2	16.6	9.4	7.3	5.8	3.9	3.1	62.8	55.7	33.9	21.7	129.8	98.9
1997	5.3	3.4	17.6	9.6	8.1	6.6	4.3	3.2	69.1	57.8	37.3	23.8	141.8	104.4
1998	4.4		13.1		6.1				48.2	60.4	34.6	24.7		
1999	4.8		14.2		7.2				55.6	62.9	39.5	25.3		
2000	6.7		23.2						84.5	66.6				

Notes: (1) Exports in 1992 prices: The exports of goods and services are deflated by the import price index (base 1992) in order to measure the worth of exports in
in terms of imports . Here we use a proxy for the import price index, which is the industrial countries' export price index.
(2) GDP (excl. C. Oil & gov) = GDP at factor costs - value added in crude oil - government services.
For Saudi Arabia value added in electricity and water and dwellings are also deducted.
(3) For each country the rate of exchange of 1992 is used to convert values in terms of its currency, 1992 prices to the US $, 1992

Ratio of Real Oil Revenues to Real Side of the non-oil Economy, %

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Average
1970					144		
1975					352		
1980					352		
1982					192		
1983					146		
1985	267	161	188	221	100	187	*135*
1986	193	98	106	123	68	105	*85*
1990	209	120	140	157	100	157	*119*
1995	152	154	110	116	101	144	*118*
1996	165	177	126	126	113	156	*131*
1997	159	185	123	134	119	157	*136*
1998					80	140	
1999					88	156	
2000					127		

Shares are calculated from the respective columns of the previous table

Sources and Method of Calculations

GDP Figures:

Saudi Arabia: Figures for GDP (1970 prices) and implicit deflators taken from
www. sama.gov.sa, the basis is changed from 1970 to 1992.

UAE   1985-1997: Calculated from two series for GDP taken from ESCWA: National
Accounts Studies of the ESCWA Region, 1993 and 1997.

1998 and 1999: IMF Sources.

Other Countries 1985-1997: Calculated from two series for GDP taken from ESCWA: National
Accounts Studies of the ESCWA Region, 1993 and 1997.

Exports of Goods and Services (1992 Prices): Calculated as follows:

(1) figures for Exports (of G&S) in current prices are collected from the following sources:

Saudi Arabia: figures from, www. sama.gov.sa,

Other Countries IMF: IFS Yearbook 2000, IFS January 2002.

Arab League, Arab Development Fund, Arab Monetary Fund, OAPEC,**Unified Arab Economic Report**, September 2001

(2) The price index for industrial countries' exports (1992=100) is used to deflate exports in current prices. Figures of the index are taken from IMF, IFS Yearbook 2000 and IMF, IFS

Table (6)
Export composition in GCC Countries
Million US $

11-Aug-02

Code No.		Bahrain			Kuwait			Oman				Qatar			Saudi Arabia				UAE	
		1985	1993	2000	1985	1993	1999	1985	1993	1999	2000	1989	1993	1999	1985	1993	1999	2000	1985	1993
Agriculture & non-oil minerals		*6*	*49*	*238*	*126*	*62*	*87*	*63*	*125*	*225*	*261*	*9*	*13*	*12*	*155*	*598*	*528*	*512*	*259*	*172*
0	Food and Live Animal	3	37	24	94	26	47	58	111	201	228	1	8	3	96	434	420	403	222	111
2	Raw Materials and Minerals	3	13	214	32	36	41	5	13	24	33	9	4	9	60	164	108	109	37	61
Oil-based		*2443*	*2527*	*4131*	*9525*	*9830*	*11706*	*4627*	*4276*	*5644*	*9045*	*2538*	*3165*	*6776*	*26705*	*40825*	*45979*	*75276*	*11338*	*18357*
3	Crude oil & Oil Products	2439	2439	3992	9348	9729	11003	4624	4252	5563	8952	2205	2858	6363	25936	38612	42644	71088	11269	18215
5	Chemicals	5	88	139	177	101	702	3	24	82	93	334	307	414	769	2213	3335	4188	70	141
Non-oil-based manufacturing		*332*	*1113*	*1254*	*825*	*356*	*347*	*282*	*970*	*1362*	*1546*	*139*	*264*	*271*	*619*	*972*	*1455*	*1419*	*1191*	*1145*
1	Tobacco & Beverages	2		2	1	3	3	4	125	111	142	0		0	12	17	31	27	22	47
4	Animal and vegetable oils and fats		35	13	2	3	5	1	12	24	29	0	0	0	1	16	17	21	2	22
6-9	Other manufactured goods	330	1078	1239	822	350	339	278	833	1227	1375	139	264	271	607	939	1407	1371	1167	1076
	Total	**2782**	**3689**	**5623**	**10476**	**10248**	**12140**	**4972**	**5371**	**7231**	**10852**	**2687**	**3442**	**7059**	**27480**	**42395**	**47962**	**77208**	**12788**	**19673**

Sources: 1985-1993: ESCWA: External Trade Bulletin of the ESCWA Region, N. Y. 1996

1996 & 2000: Calculated from detailed data on trade in : www.un.org, in turn taken from the COMTRADE database of the United Nations

For UAE similar data are not available. For 1996 and 2000

For Bahrain 1996 data from the UN site does not include exports of crude oil and oil products. In this table they are estimated using data in Bahrain page in IMF, IFS Yearbook 2000.

Export composition in GCC Countries
%

Code No.		Bahrain			Kuwait			Oman				Qatar			Saudi Arabia				UAE	
		1985	1993	2000	1985	1993	1999	1985	1993	1999	2000	1989	1993	1999	1985	1993	1999	2000	1985	1993
Agriculture & non-oil minerals		*0.2*	*1.3*	*4.2*	*1.2*	*0.6*	*0.7*	*1.3*	*2.3*	*3.1*	*2.4*	*0.3*	*0.4*	*0.2*	*0.6*	*1.4*	*1.1*	*0.7*	*2.0*	*0.9*
0	Food and Live Animal	0.1	1.0	0.4	0.9	0.2	0.4	1.2	2.1	2.8	2.1	0.0	0.2	0.0	0.3	1.0	0.9	0.5	1.7	0.6
2	Raw Materials and Minerals	0.1	0.3	3.8	0.3	0.4	0.3	0.1	0.2	0.3	0.3	0.3	0.1	0.1	0.2	0.4	0.2	0.1	0.3	0.3
Oil-based		*87.8*	*68.5*	*73.5*	*90.9*	*95.9*	*96.4*	*93.1*	*79.6*	*78.1*	*83.4*	*94.5*	*92.0*	*96.0*	*97.2*	*96.3*	*95.9*	*97.5*	*88.7*	*93.3*
3	Crude oil & Oil Products	87.7	66.1	71.0	89.2	94.9	90.6	93.0	79.2	76.9	82.5	82.0	83.0	90.1	94.4	91.1	88.9	92.1	88.1	92.6
5	Chemicals	0.2	2.4	2.5	1.7	1.0	5.8	0.1	0.4	1.1	0.9	12.4	8.9	5.9	2.8	5.2	7.0	5.4	0.5	0.7
Non-oil-based manufacturing		*11.9*	*30.2*	*22.3*	*7.9*	*3.5*	*2.9*	*5.7*	*18.1*	*18.8*	*14.2*	*5.2*	*7.7*	*3.8*	*2.3*	*2.3*	*3.0*	*1.8*	*9.3*	*5.8*
1	Tobacco & Beverages	0.1	0.0	0.0	0.0	0.0	0.0	0.1	2.3	1.5	1.3	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.2
4	Animal and vegetable oils and fats		0.9	0.2	0.0	0.0	0.0	0.0	0.2	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
6-9	Other manufactured goods	11.9	29.2	22.0	7.8	3.4	2.8	5.6	15.5	17.0	12.7	5.2	7.7	3.8	2.2	2.2	2.9	1.8	9.1	5.5
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table (7)
Indigenous and Expatriate Employment in the GCC
Thousand Persons

		Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Total GCC
1975	Indigenous	38	55.4	155	11.7	1438.9	44.6	*1743.6*
	Expatriate	22	249.2	70	57	484.8	234.2	*1117.2*
	Total	*60*	*304.6*	*225*	*68.7*	*1923.7*	*278.8*	*2860.8*
	Indigenous /Total	**63.3%**	**18.2%**	**68.9%**	**17.0%**	**74.8%**	**16.0%**	**60.9%**
1985	Indigenous	71.8	95.9	177.9	23.5	1619.6	65.1	*2053.8*
	Expatriate	98.8	574.5	191.1	76.7	2722.5	460.2	*4123.8*
	Total	*170.6*	*670.4*	*369*	*100.2*	*4342.1*	*525.3*	*6177.6*
	Indigenous /Total	**42.1%**	**14.3%**	**48.2%**	**23.5%**	**37.3%**	**12.4%**	**33.2%**
1995	Indigenous	90.7	174.9	240	39	1869	111.2	*2524.8*
	Expatriate	135.8	876.6	430.3	179	4581	843.9	*7046.6*
	Total	*226.5*	*1051.5*	*670.3*	*218*	*6450*	*955.1*	*9571.4*
	Indigenous /Total	**40.0%**	**16.6%**	**35.8%**	**17.9%**	**29.0%**	**11.6%**	**26.4%**
2000	Indigenous		225.2					
	Expatriate		972.7					
	Total		*1197.9*					
	Indigenous /Total		**18.8%**					
Projections		172.8	1049.7	619.1	347.8	5280.9	1362.4	8832.8
2010	Indigenous	145.8	473.2	478.1	67.4	3648.3	202.2	5015.0
	Expatriates	172.8	841.4	619.1	284.8	5693.3	1285.8	8897.2
	Total	*318.6*	*1314.6*	*1097.3*	*352.2*	*9341.5*	*1488.0*	*13912.2*
	Indigenous /Total	**45.8%**	**36.0%**	**43.6%**	**19.1%**	**39.1%**	**13.6%**	**36.0%**
	Rate of Growth of indigenous population	2.4%	3.5%	3.0%	3.5%	3.0%	3.5%	3.0%
	Participation Rate (of the 15-64 age-bracket), %	50.5	60.4	34.2	56.6	40.8	54.1	44.4
	Growth rate of indigenous labour supply	3.2%	6.9%	4.7%	3.7%	4.6%	4.1%	4.7%
	Growth rate of expatriates' labour supply	1.6%	-0.3%	2.5%	3.1%	1.5%	2.8%	1.6%
	Growth rate of total labour supply/Employment*	2.3%	1.5%	3.3%	3.3%	2.5%	3.0%	2.5%
2020	Indigenous	208.5	751.5	720.1	109.0	5558.6	348.3	*7696.1*
	Expatriates	203.3	729.7	783.4	333.1	7241.5	1556.5	*10847*
	Total	*411.8*	*1481.2*	*1503.5*	*442.1*	*12800.1*	*1904.8*	*18543.5*
	Indigenous /Total	**50.6%**	**50.7%**	**47.9%**	**24.7%**	**43.4%**	**18.3%**	**41.5%**
	Rate of Growth of indigenous population	2.4%	3.5%	3.0%	3.5%	3.0%	3.5%	3.1%
	Participation Rate (of the 15-64 age-bracket), %	57.2	68.0	38.2	64.9	46.3	66.0	50.8
	Growth rate of indigenous labour supply	3.4%	6.0%	4.5%	4.2%	4.5%	4.7%	4.6%
	Growth rate of expatriates' labour supply	1.6%	-1.4%	2.4%	1.6%	2.4%	1.9%	2.0%
	Growth rate of total labour supply/Employment*	2.6%	1.2%	3.2%	2.3%	3.2%	2.5%	2.9%
Participation Rate %, 1997								
Males		62.5	49.4	42.9	72	50.3	67.3	52.2
Females		20.6	24.7	8.6	22	10.4	18.9	12.1
Both		44.6	37.4	26.9	54.9	32.6	49.8	35.2

Sources:

1975-1995: M. Girgis, I**ndigenous Versus Migrant Workers in the GCC:***Coping With Change* , Submitted t Mediterranean Development Forum Labor Workshop, Cairo March 5-8, 2000

2000: ILO Web site, July 31, 2002, Immigrant labour.
Participation rate 1997: UNDP, **Arab Human Development Report 2002.**

Notes: In the projections of this table the following steps are used:

(1) Projections for total employment for 2010 and 2020 are calculated by assuming moderate employment growth in the region of 2.5% annually up to 2010 and 2.9% annually afterward.. The resulting figures are checked against the projected number of labour force (between the age of 15-64 years) in table (8) for each country.

(2) The growth of indigenous employment is set equal to the growth rate of indigenous population plus growth in the participation

(3) Therefore, the employment of the expatriates is set as a residual.

* Extrapolating trends 1985-1995, with lower rates.

Table (8)
Population and Labour Force in the GCC in the GCC
Million Persons

0   *11-Aug-02*

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Total GCC
2000							
Indigenous	*0.39*	*0.71*	*1.95*				
Expatriates	*0.25*	*1.2*	*0.59*				
Total	**0.64**	**1.91**	**2.54**	**0.56**	**20.35**	**2.61**	**28.6**
Aged 15-64	0.43	1.31	1.68	0.39	13.47	2.02	19.3
2010							
Total	0.73	2.22	3.55	0.65	28.31	2.95	**38.4**
Aged 15-64	0.51	1.6	2.05	0.48	16.5	2.22	23.4
2020							
Total	**0.83**	**2.49**	**4.15**	**0.72**	**32.89**	**3.21**	**44.3**
Aged 15-64	0.61	1.82	2.75	0.54	22.08	2.33	30.1
Annual rates of growth							
2000-2010							
Total	**1.3%**	**1.5%**	**3.4%**	**1.5%**	**3.4%**	**1.2%**	**3.0%**
Aged 15-64	1.7%	2.0%	2.0%	2.1%	2.0%	0.9%	1.9%
2010-2020							
Total	**1.3%**	**1.2%**	**1.6%**	**1.0%**	**1.5%**	**0.8%**	**1.4%**
Aged 15-64	1.8%	1.3%	3.0%	1.2%	3.0%	0.5%	2.6%

Sources:

UNDP: **Arab Human Development Report (AHDR) 2002**

The division of population between indigenous and expatriates for Bahrain, Kuwait and Oman for 2000 is based on figures from ILO Web site concerning data on immigrants. Note that total population for the three countries differ between the ILO figures and AHDR 2002.

Note:

The AHDR 2002 does not elaborate on the method of the projections, other than reporting two scenarios. But total population in the GCC countries is closely tied to the need for expatriate labour. Therefore, economic factors are as much important as demographic factors in determining the size of population. Moreover, the projections of AHDR 2002 avoid the division of population between indigenous and expatriates.

Table (9)

Human Welfare : Freedom and Institutional Constituents of Well-Being Standardized Indicators for the GCC Countries, 2000/2001

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Qatar	-0.54	1.40	0.82	0.38	1.00	0.57
Oman	-0.50	1.00	0.85	0.60	1.06	0.44
Kuwait	0.08	0.64	0.13	-0.13	1.10	0.59
UAE	-0.51	1.09	0.60	0.39	1.12	0.13
Bahrain	-0.96	-0.04	0.62	0.78	0.42	0.04
Saudi Arabia	-1.07	0.51	0.00	-0.11	0.19	-0.35
Average GCC	***-0.58***	***0.76***	***0.50***	***0.32***	***0.81***	***0.24***
Non-GCC Arabs	***-0.95***	***-0.36***	***-0.47***	***-0.52***	***-0.28***	***-0.44***
All Arabs	***-0.78***	***-0.07***	***-0.07***	***-0.13***	***0.05***	***-0.20***
Asia (excl. China)	*-0.62*	*-0.37*	*-0.48*	*-0.54*	*-0.54*	*-0.58*
Sub-Saharan Africa	*-0.36*	*-0.55*	*-0.53*	*-0.33*	*-0.49*	*-0.38*
Latin America	*0.24*	*0.15*	*-0.13*	*0.24*	*-0.24*	*-0.10*
West Europe	*1.43*	*1.25*	*1.57*	*1.05*	*1.54*	*1.64*
World	***0***	***0***	***0***	***0***	***0***	***0***

Source: collected and grouped/averaged for regions from data on individual countries in: Kaufmann, Daniel, Aart Kraay and Pablo Zoido-Lobaton: **Governance Matters II: Updated Indicators for 2000-01,** World Bank Policy Research Department Working Paper, January 2002.

Note: The figures are standardized scores on the standardized normal distribution (the mean is zero and the standard deviation is unity).