DOHA DATELINE
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Trade, investment: Pillars of GCC economic integration

Infrastructure development is part of strategy to ensure long-term growth

The UAE cabinet has approved a Dh46 billion budget for 2014, half of which is allocated for the development. — *KT file photo*

IN MAY 2014 THE Gulf Cooperation Council (GCC) celebrated its 33rd anniversary. The Article 4 of the charter of the GCC set the main goal as "to effect coordination, integration and connectivity between member states in all fields, leading to their unity." The GCC has reasons to celebrate this union. In economic matters, the GCC has moved from a free trade area in 1983 to a common market in 2008, bringing the six countries closer together. Intra-GCC trade has grown nearly forty-fold since its establishment and investment has grown by leaps and bounds, at double digits most years. Trade between the GCC countries was more than $90 billion in 2013. The GCC has built a system encompassing over a dozen organisations to integrate their efforts in education, health, labour, social development and the environment.

The rationale for greater economic integration is clear. It streamlines the flow of goods, labour, capital and services within those countries, and puts them into a stronger position vis-à-vis the rest of the world to negotiate trade agreements. Increased intra-GCC trade, investment and development in turn would leave hydrocarbon-exporting states less exposed to global economic conditions and resulting swings in oil prices. The case for integration is supported by the fact that the GCC nations share a common history and values, and feature similar economic structures such as ongoing reliance on hydrocarbons and expatriate labour. These gains were due to the standardisation of customs and border regulations, which facilitated the movement of goods, services and labour.

Establishing common laws and regulations for doing business in the GCC region has also become an area of focus to promote GCC economic integration. The GCC customs union unified their customs tariff at five per cent over a decade ago. But questions over revenues, dumping and protectionism have caused repeated delays. The GCC states agreed last month to resolve hurdles obstructing implementation of a long-delayed customs union and have set January 1, 2015 to implement the customs union. GCC's infrastructure development has gone towards fostering economic integration. Qatar's budget 2014-15 has planned QR75.6 billion on infrastructure development for the Fifa World Cup. Projects valued at an estimated QR664 billion are anticipated to be implemented during the next five years. Projects worth more than $72 billion is expected to be awarded in Qatar in 2014 out of which transport, water and construction are the major sectors which will witness activity. The UAE cabinet has approved a Dh46 billion federal budget for 2014, half of which is allocated for the development and social welfare sectors. The Saudi Arabia's budget 2014 includes SR 248 billion of capital expenditures on investment projects. Oman's budget for 2014 is estimated at OMR3.2 billion and also covers development projects.

$90b
trade recorded among GCC states in 2013

The infrastructure development is part of the GCC states' broader strategy to diversify away from hydrocarbons, transform themselves into knowledge economies and ensure long-term growth. The GCC electricity grid interconnection is a classic example of the GCC integration wherein the project has provided benefits to all member states by increasing efficiencies in the power sector and reducing investment requirements into new electricity generation capacity. The Dolphin pipeline, which transports natural gas from Qatar to the UAE and on to Oman is an example of how cross-border initiatives can create value for all GCC stakeholders. The GCC-wide railway network to connect the GCC, linking Kuwait to Muscat through Saudi Arabia, Bahrain, Qatar and the UAE, is estimated to cost more than $15 billion. This project has been pursued on account of its positive impact on the GCC trade and freedom of movement of citizens and expats. It would also encourage mutual investment among the member countries. It is expected to offer an unprecedented level of regional integration once completed, connecting the region's main cities and transportation centers, facilitating intra-regional and external trade, and offering environmental benefits. The trade, investment and infrastructure development are the pillars of GCC economic integration.

The writer is the group chief executive officer at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.