Gcc Market Overview And Economic Outlook 2017 A

This issue discusses economic developments in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP), which continue to reflect the diversity of conditions prevailing across the region. Most high-income oil exporters, primarily in the GCC, continue to record steady growth and solid economic and financial fundamentals, albeit with medium-term challenges that need to be addressed. In contrast, other countries—Iraq, Libya, and Syria—are mired in conflicts with not only humanitarian but also economic consequences. And yet other countries, mostly oil importers, are making continued but uneven progress in advancing their economic agendas, often in tandem with political transitions and amidst difficult social conditions. In most of these countries, without extensive economic and structural reforms, economic prospects for the medium term remain insufficient to reduce high unemployment and improve living standards.

Global economic activity is gaining momentum. Global growth is forecast at 3.6 percent this year, and 3.7 percent in 2018, compared to 3.2 percent in 2016. Risks around this forecast are broadly balanced in the near term, but are skewed to the downside over the medium term. The more positive global growth environment should support somewhat stronger oil demand. With inflation in advanced countries remaining subdued, monetary policy is expected to remain accommodative. GCC countries are continuing to adjust to lower oil prices. Substantial fiscal consolidation has taken place in most countries, mainly focused on expenditure reduction. This is necessary, but it has weakened non-oil growth. With the pace of fiscal consolidation set to slow, non-oil growth is expected to increase to 2.6 percent this year, from 1.8 percent last year. However, because of lower oil output, overall real GDP growth is projected to slow to 0.5 percent in 2017 from 2.2 percent in 2016. Growth prospects in the medium-term remain subdued amid relatively low oil prices and geopolitical risks. Policymakers have made a strong start in adjusting fiscal policy. While the needed pace of fiscal adjustment varies across countries depending on the fiscal space available, in general countries should continue to focus on recurrent expenditure rationalization, further energy price reforms, increased non-oil revenues, and improved efficiency of capital spending. Fiscal consolidation should be accompanied by a further improvement in fiscal frameworks and institutions. The direction of fiscal policy in the GCC is broadly consistent with these recommendations. Policies should continue to be geared toward managing evolving liquidity situations in the banking system and supporting the private sector’s access to funding. While countries have made progress in enhancing their financial policy frameworks, strengthening liquidity forecasting and developing liquidity management instruments will help banks adjust to a tighter liquidity environment. Banks generally remain profitable, well capitalized, and liquid, but with growth expected to remain relatively weak, the monitoring of financial sector vulnerabilities should continue to be enhanced. Diversification and private sector development will be needed to offset lower government spending and ensure stronger, sustainable, and inclusive growth. This will require stepped-up reforms to improve the business climate and reduce the role of the public sector in the economy through privatization and PPPs. Reforms are needed to increase the incentives for nationals to work in the private sector and for private sector firms to hire them. Increasing female participation in the labor market and employment would benefit productivity and growth across the region. Where fiscal space is available, fiscal policy can be used to support the structural reforms needed to boost private sector growth and employment.

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy’s long ascent back to pre-pandemic levels of activity remains prone to setbacks.

The Gulf Cooperation Council (GCC) is comprised of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Possessing a significant share of the world's oil and gas reserves and including some of the world's fastest growing economies, the GCC is a significant regional grouping. As with the Association of Southeast Asian Nations (ASEAN), the Council has made significant progress towards economic integration. Seeking to draw out lessons applicable to ASEAN, this report looks at the structure and evolution of the GCC. This includes the context within which the Council was established, its rationale, and economic importance. It then follows the organization's development over time, paying particular importance to its progress from Customs Union and Common Market towards Monetary Union. The report then sets out the key challenges ahead for the Council, and concludes by highlighting the structural, organizational, and political lessons that resonate with ASEAN and its membership.

Strong economic performance across the Middle East and Central Asia is examined against the background of high prices for energy and other commodities. Common economic trends are presented, while prospects and policies are reviewed for the coming year in light of the global economic environment. This latest REO includes boxes treating specific regional topics, such as financial sector reforms and integration in Maghreb countries; economic developments in oil-exporting countries in response to changes in petroleum prices; and the growth boom in the Caucasus and Central Asia.

Raising the Middle East and Central Asia’s long-term growth prospects is critical for meeting the region's pressing need for jobs and higher living standards.

This book delves into the climate surrounding the economic development of the six Gulf Cooperation Council (GCC) countries, with a spotlight on Qatar given recent political developments. Since the 1960s, the GCC states have harnessed their potential to exploit the wealth accrued from the oil boom to build their infrastructure and grow their economies. But, the high level of dependency on oil as the primary source feeding their Gross Domestic Product also made their economies volatile and vulnerable to fluctuations in the global oil price. The decline in oil price and the threat of depletion of this natural resource has presented subsequent challenges in the economic, environmental and social spheres in the Gulf. Consequently, the GCC countries have realised the importance of diversifying their economies following the need to move away from dependency on oil. This book presents a variety of recommendations for ways in which these states can achieve economic diversification in shifting towards a non-hydrocarbon environment and a knowledge economy. With a growing need for stronger allegiances in this turbulent region, particularly so in the wake of the Qatar diplomatic crisis, cooperative relations between the GCC countries in economic, socio-cultural, political and, to a certain extent, military domains have become more pressing. The book discusses related challenges facing policymakers, investors, and other stakeholders in the region, and analyses the alliances between the region and its international partners, specifically Turkey and India.

The member states of the Gulf Cooperation Council (GCC), namely; the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates (UAE) have been moving towards more economic integration while taking practical steps in the direction of market opening and liberalisation. Over the past ten years, the GCC has evolved into a more integrated economic zone with agreed common policies that are coordinated through its Secretariat. With respect to service utilities, the GCC Interconnection Grid - nearing completion in 2011 - is considered a milestone in the direction of integrating GCC electricity markets. The objective of this research is to suggest a GCC-wide policy to support reform of GCC electricity markets.

The suggested policy would include new market structure(s) as well as institutional changes supported - when required - by sector specific laws and regulations. Further to the study's academic contributions, the research is primarily intended to advance the further development of the economies of GCC member states. The study presents a model that we believe could contribute to expediting the process of developing the GCC zone as a common market by advising policy makers on the applicable elements of GCC electricity market structure, governance and performance. This study provides a comprehensive review of the theoretical aspects of electricity sector restructuring and examines different options for reform and restructuring based on worldwide experiences. The study adopts a case study research method to analyse the GCC situation in order to arrive at the recommended policy or 'model'. The research specifically emphasises reforms that have already taken place in the Sultanate of Oman - for which an empirical social cost benefit analysis is carried out - and the Emirate of Abu Dhabi (UAE). Oman and Abu Dhabi are believed to be at more advanced stages of electricity market reform compared to other countries within the region. The study concludes that while some GCC member states have already taken the initial steps to restructure their respective electricity markets, other members are expected to follow. The study recommends a set of common steps or 'rules' that are presented in the form of a 'model' for restructuring GCC electricity markets. The proposed model for reform takes into consideration the nature of member states' economies as well as the restrictions imposed by market size limitations and some other considerations that are a feature of prevailing policies in the region - such as commitments to subsidise consumer electricity tariffs. Since not all GCC member states are on an equal footing in terms of economy-size and preparation for structural reform, the suggested model allows for a transition mechanism. The study recommends that the electricity markets are unbundled before embarking on any further privatisation programmes. Further measures of wholesale competition may be then introduced allowing for a mix of both private and state-ownership through the use of a single-buyer model. Subsequently, activities that have natural monopoly characteristics such as transmission and distribution are to be separated and subject to incentive based regulation. The study recommends that the role of the GCC Interconnection Authority be restricted to transmission and system operations only and that each member state should have its own independent regulator. The study suggests that the GCC Secretariat play a co-ordination role between the different regulators while a separate power-exchange instrument be introduced to facilitate cross-border electricity trading between GCC member states.

We estimate the elasticity of private-sector employment to non-oil GDP in the Gulf Cooperation Council (GCC) for GCC nationals and expatriates using a Seemingly Unrelated Error Correction (SUREC) model. Our results indicate that the employment response is lower for nationals, who have an estimated short-run elasticity of only 0.15 and a long-run response of 0.7 or less. The elasticity is almost unity for expatriates in the long run and 0.35 in the short run. We interpret low elasticities as indirect evidence of labor market adjustment costs, which could include hiring and firing rigidities, skills mismatches, and reluctance to accept private sector jobs. Forecasts suggest that, absent measures to reduce adjustment costs, the private sector will only be able to absorb a small portion of nationals entering the labor force.

"Financial systems in the GCC have developed significantly over the last couple of decades, but there appears to be further room for progress. The development of bank and equity markets has been supported by a combination of buoyant economic activity, a booming Islamic finance sector, and financial sector reforms. As a result, financial systems have deepened and, overall, the level of financial development compares well with emerging markets. However, it still lags advanced economies and, other than for Saudi Arabia, appears to be lower than would be expected given economic fundamentals, such as income levels. Financial development in the GCC has relied to a large extent on banks, while debt markets and nonbank financial institutions are less developed and access to equity markets is narrow. The non-bank financial institutions—pension funds, asset management and finance companies, and insurance—remain small. Domestic debt markets are underdeveloped. While equity markets appear to be well developed by market size, they are dominated by a few large (and often public-sector) companies. GCC countries have made progress on financial inclusion, but gaps remain in some important areas. Access to finance for SMEs, women, and youth, in particular, appears relatively low. This may partly reflect social norms, low levels of participation of women in the labor market and private sector activity, and the high level of youth unemployment. Further financial development and inclusion is likely to be associated with stronger economic growth in the GCC countries. While there is uncertainty surrounding the empirical estimates in the paper, further progress with financial development and/or inclusion is likely to go hand-in-hand with stronger growth. The growth benefits, however, are likely to vary across countries depending on the current level of financial development and inclusion. To realize these growth benefits, reforms to strengthen access to finance for SMEs, women, and youth are needed. Addressing institutional weaknesses and promoting financial sector competition would help boost access to finance for SMEs. Reforms to enhance financial literacy and improve SME governance structures and insolvency frameworks are critical. Other reforms encouraging female and youth employment and the use of emerging technologies in finance also appear promising. Additional reforms to foster financial development should focus on developing debt markets and making stock markets more accessible to a larger pool of companies and investors. To grow domestic debt markets, the authorities should develop a government yield curve, seek to increase market liquidity through secondary market trading, and ensure requirements for private issuance are not onerous. Stock market reforms should focus on enhancing corporate governance and investor protection, removing restrictions on foreign ownership, and encouraging financial market competition. The latter would also help the development of non-bank financial institutions."

The formation of human capital--the knowledge, skills, and health that people accumulate over their lifetimes--is critical for the six Gulf Cooperation Council (GCC) countries. Human capital contributes not only to human development and employment but also to the long-term sustainability of a diversified economic growth model that is knowledge based and private sector driven. This approach is critical, given that income from oil and gas will eventually decline and that the nature of work is evolving in response to rapid technological changes, in turn demanding new skill sets. The GCC governments have demonstrated their strong political will for this shift: four of them are among the first countries to join the World Bank’s Human Capital Project—a global effort to improve investments in people as measured by the Human Capital Index. The GCC countries face four main challenges: • Low levels of basic proficiency among schoolchildren • A mismatch between education and the labor market • A relatively high rate of adult mortality and morbidity • A unique labor market , in which wages in the public sector are more generous than in the private sector and government employment of nationals is virtually guaranteed To address these challenges, this report outlines four strategies in a“whole-of-government†? approach: • Investing in high-quality early childhood development • Preparing healthier, better educated, and skilled youth for the future • Enabling greater adult labor force participation • Creating an enabling environment for human capital formation These strategies are based on best practices in other countries and feature some of the GCC countries’ plans, including their national “Visions,†? to take their economies and societies further into the twenty-first century. With the COVID-19 pandemic, the GCC countries face additional challenges that may worsen some preexisting vulnerabilities and erode human capital. In response, the GCC governments have taken multiple measures to protect their populations’ health and their economies. Any country’s decision to reopen its economy needs to closely consider public health consequences to avoid a resurgence of infections and any further erosion of its human capital. The COVID-19 crisis underscores that the need to accelerate and improve investment in human capital has never been greater. Once the GCC countries return to a “new normal,†? they will be in a position to achieve diversified and sustainable growth by adopting, and then tailoring, the strategies presented in this report.

This open access book questions the stereotype depicting all Gulf (GCC) economies as not sustainable, and starts a critical discussion of what these economies and polities should do to guarantee themselves a relatively stable future. Volatile international oil markets and the acceleration of the energy transition has challenged the notion that oil revenues are sufficient to sustain oil economies in the near to medium term. But what is the meaning of economic sustainability? The book discusses the multiple dimensions of the concept:

economic diversification, continuing value of resources, taxation and fiscal development, labor market sustainability, sustainable income distribution, environmental sustainability, political order (democracy or authoritarianism) and sustainability, regional integration. The overarching message in this book is that we should move on from the simplistic branding of the Gulf economies as unsustainable and tackle the details of which adaptations they might need to undertake. Giacomo Luciani teaches at the Graduate Institute of International and Development Studies in Geneva, and at the Paris School of International Affairs, Sciences Po in Paris. His edited book The Rentier State (1987, with H. Beblawi), is frequently cited as reference for the concept. His latest edited book, Combining Economic and Political Development (2017), discusses economic policies to support democratic transitions and is available in open access. Tom Moerenhout teaches at Columbia University's School of International and Public Affairs and is a scholar at SIPA's Center on Global Energy Policy. He is involved as a practitioner on energy sector and structural reforms through his work as a consultant for the World Bank, International Institute for Sustainable Development and Bill & Melinda Gates Foundation, among others

The world economy is experiencing a very strong but uneven recovery, with many emerging market and developing economies facing obstacles to vaccination. The global outlook remains uncertain, with major risks around the path of the pandemic and the possibility of financial stress amid large debt loads. Policy makers face a difficult balancing act as they seek to nurture the recovery while safeguarding price stability and fiscal sustainability. A comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances environmental sustainability, ultimately putting economies on a path of green, resilient, and inclusive development. Prominent among the necessary policies are efforts to lower trade costs so that trade can once again become a robust engine of growth. This year marks the 30th anniversary of the Global Economic Prospects. The Global Economic Prospects is a World Bank Group Flagship Report that examines global economic developments and prospects, with a special focus on emerging market and developing economies, on a semiannual basis (in January and June). Each edition includes analytical pieces on topical policy challenges faced by these economies.

This is the United Nations definitive report on the state of the world economy, providing global and regional economic outlook for 2020 and 2021. Produced by the Department of Economic and Social Affairs, the five United Nations regional commissions, the United Nations Conference on Trade and Development, with contributions from the UN World Tourism Organization and other intergovernmental agencies.

The six member states of the Gulf Cooperation Council (GCC)-Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (UAE)-have laid out a path to a common market by 2007 and monetary union by 2010, based on economic convergence. To monitor convergence and support economic and monetary policy, comparable economic data for member countries and data for the region as a whole will be essential. What is the most efficient way to produce these data? The authors survey the statistical institutions in the GCC countries and present the case for creating "Gulfstat"-a regional statistical agency to operate within a "Gulf States System of Statistics." Valuable lessons can be learned from regional statistical organization in Africa and the European Union-Afristat and Eurostat.

This book assesses the effectiveness of free trade agreements (FTAs) in unlocking international business opportunities in member states of the Gulf Cooperation Council (GCC). It takes an institutional perspective in explaining the existence and effects of non-tariff barriers and how FTAs can address these barriers to attract foreign investors.

An original and empirically grounded analysis of the Gulf monarchies and their role in shaping the political economy of the Middle East.

The Arab Spring holds the promise of improved living standards and a more prosperous future for the peoples of the Middle East and North Africa region. At the same time, the region is witnessing uncertainty and economic pressures from domestic and external sources, which will likely be exacerbated by the recent worsening of the global economy. The main challenge in the short term will be to manage expectations while maintaining economic stability. To that end, better-targeted subsidies and transfers will help free up resources for investment in infrastructure, education, and health. Policies aimed at fostering inclusive growth will also help cement the longer-term benefits of the ongoing changes in the region. In the Caucasus and Central Asia, the economic outlook is broadly positive. Exports and remittances--key growth drivers in 2010--are continuing to grow solidly, helping the recovery gain firm momentum. At the same time, uncertainties over the robustness of the global recovery constitute a downside risk to the growth outlook. Key challenges facing the region over the medium term are to create jobs and foster high and inclusive growth.

Part I of this report discusses the short- and medium-term growth prospects for countries in the Middle East and North Africa (MENA). The region is expected to grow at a subdued rate of 0.6 percent in 2019, rising to 2.6 percent in 2020 and 2.9 percent in 2021. The growth forecast for 2019 is revised down by 0.8 percentage points from the April 2019 projection. MENA’s economic outlook is subject to substantial downside risks—most notably, intensified global economic headwinds and rising geopolitical tensions. Part II argues that promoting fair competition is key for MENA countries to complete the transition from an administered to a market economy. Part II first examines current competition policies in MENA countries and to promote fair competition calls for strengthening competition law and enforcement agencies. It also calls for corporatizing state-owned enterprises, promoting the private sector and creating a level-playing field between them. Any moves to reform MENA economies would be aided by professional management of public assets, which could tap into a new source of national wealth.

The Middle East and Central Asia is undergoing a remarkable transformation driven by rapid GDP growth and high oil and non-oil commodity prices. The report presents common economic trends and reviews prospects and policies for the coming year in light of the global economic environment. This latest REO includes boxes treating both regional topics--such as growth in the Maghreb countries; developments in the oil markets; the boom in the GCC countries, and the impact of the recent global credit squeeze on the region--and country-specific reviews, of Kazakhstan, Armenia, Egypt, Pakistan, and the UAE.

This paper examines real and financial linkages between Saudi Arabia and other GCC countries. Growth spillovers from Saudi Arabia to Bahrain are found to be sizeable and statistically significant, but those to other GCC countries are not found to be significant. Equity market movements in Saudi Arabia are found to have significant implications for other GCC countries, while there is no evidence of co-movements in bonds markets. These findings suggest some degree of interdependence among GCC countries.

The already sluggish global recovery has suffered new setbacks and uncertainty weighs heavily on prospects. The euro area crisis intensified in the first half of 2012 and growth has slowed across the globe, reflecting financial market tensions, extensive fiscal tightening in many countries, and high uncertainty about medium-term prospects. Activity is forecast to remain tepid and bumpy, with a further escalation of the euro-area crisis or a failure to avoid the “fiscal cliff” in the United States entailing significant downside risk.

This issue focuses on the ongoing adjustment to cheaper oil and subdued economic activity for oil-producing countries, as well as the weak and fragile recovery in the Caucasus and Central Asia region. It also discusses global spillovers from China’s rebalancing and the growth of fiscal deficits.

The Gulf Cooperation Council (GCC), made up of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates (UAE), is one of the most resilient sub-regional organizations in the world, and the most successful in the Arab world. it has been the forum through which much security cooperation in this volatile sub-region has taken place, as well as the main representative for the UAE's territorial dispute with Iran over the Abu Musa and tunbs islands. the organization aims to enhance defence cooperation between its member states. it also has significant potential to foster economic integration and to present an alternative form of leverage over the international oil markets. Very little is known however about how the organization really works: how decisions are actually taken, as opposed to how this process is formally articulated in its charter, and what the GCC's real impact on member states, the gulf and international relations is.Drawing on cutting-edge ir theoretical perspectives as well as unique firsthand access to GCC decision-makers, Matteo Legrenzi explains the mechanisms of Gulf cooperation - and its limitations - in the context of economic globalization, diplomatic regionalization and the rise of Iran. Combining historical context, primary source investigations and theoretical analysis, this is a comprehensive guide to the GCC and an indispensable resource for anyone concerned with the Gulf and the Middle East.

"This book provides an analysis of the structural strengths and weaknesses of the Gulf stock markets and the appropriateness of policies implemented. It examines the effect of the 2006 correction on financial stability and economic growth and explains the differences in performance of some regional markets. This research integrates for the first time under a homogenous methodology the systematic analysis of all stock markets in the Gulf, identifies common trends and causes for differential behaviour and constitutes a key contribution toward the understanding of the functioning of the Gulf stock exchanges by domestic and foreign investors."--BOOK JACKET.

Uncertainty about the export earnings accruing to a country (sometimes referred to as export instability) is an important source of macroeconomic uncertainty in many developing countries. Theory predicts that countries should react to increases in this form of uncertainty by increasing their level of savings. The resulting asset accumulations would then act as the country's insurance against the greater riskiness in its income stream. The paper tests this implication for a large sample of developing countries. In general, the results suggest that developing countries have indeed responded to increases in export instability by building up precautionary savings balances.

This volume comprises two separate papers on key structural aspects of the reform process in the Gulf Cooperation Council countries. The first paper addresses issues related to financial intermediation and reform in the context of the evolving economic environment in the GCC countries. The second discusses the labor market challenges and policy issues in the GCC countries and their implications for the Middle East and North Africa (MENA) region.

As in other regions in the world, countries in MENAP and CCA regions are exposed to tightening in global financing conditions and ongoing global trade tensions. The former has already begun to impact several emerging market economies in MENAP and could have more severe implications should financial market sentiment suddenly deteriorate. Escalating global trade tensions will have a limited direct and immediate impact on these regions but could impart significant strains over time through negative effects on trading partners and through market confidence effects.

The GCC growth model has delivered substantial improvements in living standards over several decades. Access to foreign labor has supported rapid growth in the non-oil sector and price stability in the region. It has also resulted in positive spillovers to the migrant-sending countries through large remittance flows. At the same time, governments have increased public-sector employment and have helped raise standards of living. However, the growth model has involved costs: the public-sector wage bill is relatively high, there is limited employment of nationals in the private sector, labor productivity has declined or stagnated, and there is limited progress on economic diversification

This volume focuses on the role of the private sector in diversifying the economics of Gulf countries in the post-petrodollar era, when fluctuating and declining oil prices are negatively impacting national expenditures. It explores current policies of countries in the Gulf Cooperation Council and their efforts to shift their economies away from heavy dependence on hydrocarbons. The structural changes will create favorable conditions for the private sector to flourish, shift production dependence from public to private sector, and allow for more efficient resource allocation. Such changes will also allow local banks to provide financial support to small and medium enterprises, boost entrepreneurship for job creation, and strengthen organizational structure and efficiency. This is the first volume in Economic Diversification in the Gulf Region.

The 'Arab Spring' of 2011 has affected the countries of the region to varying degrees, including the Gulf Cooperation Council (GCC) members, comprising Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Oman and Bahrain. The GCC has become a significant regional bloc playing a vital economic and political role far beyond its shores, given its geopolitical strategic location, a preponderance of global energy reserves and a major international player through the use of accumulated financial reserves. A new Gulf is rising, one that is more self assertive, looking to expand its membership to other Arab countries such as Jordan and Morocco, while at the same time strengthening the bloc's relationship with current and emerging trading and strategic partners in Europe, USA and Asia. Regional and

international realities, especially the uncertainties unleashed by the 'Arab Spring', are forcing Gulf leadership to initiate new policies involving closer cooperation amongst GCC countries to address emerging challenges. This volume brings together thirty renowned academics and specialists to examine a range of multifaceted social, political and economic issues facing the GCC in key areas such as: · Diversification from a high dependency on a narrow hydrocarbon base · Social transformation, youth employment and effective gender participation · Outward and inward foreign direct investment flows · Prospects for education reforms and e-learning. · Sustainable security in oil, renewable energy (including nuclear) and food · Corporate governance, transparency and enhancing the private sector's operating environment · The role and governance of Gulf Sovereign Wealth Funds in investing their surpluses. The volume also offers insights for challenges facing the GCC in monetary union, expanding the regional debt market and Sukuk issuance, GCC intellectual property rights application, detailed assessments of individual GCC country risk analysis, as well as the sustainability of long term government fiscal stimulus programs at the expense of private sector involvement.
This paper presents an overview of the unprecedented economic and social transformation witnessed by the member countries of the Cooperation Council of the Arab States of the Gulf (GCC)-Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates-over the last three decades.
Growth in the near term remains subdued for oil exporters in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, amid volatile oil prices, precarious global growth, elevated fiscal vulnerabilities, and heightened geopolitical tensions. In addition, declining productivity is dampening medium-term growth prospects. To reduce dependence on oil prices and pave the way for more sustainable growth, fiscal consolidation needs to resume, underpinned by improved medium-term fiscal frameworks. In parallel, structural reforms and further financial sector development would boost foreign direct investment (FDI) and domestic private investment and foster diversification, thus contributing to improved productivity and potential growth.
Abstract: The economies of the six Gulf Cooperation Council (GCC) countries are heavily reliant on oil. Greater economic diversification would reduce their exposure to volatility and uncertainty in the global oil market, help create jobs in the private sector, increase productivity and sustainable growth, and help create the non-oil economy that will be needed in the future when oil revenues start to dwindle. The GCC countries have followed many of the standard policies that are usually thought to promote more diversified economies, including reforms to improve the business climate, the development of domestic infrastructure, financial deepening, and improvements in education. Nevertheless, success to date has been limited. This paper argues that increased diversification will require realigning incentives for firms and workers in the economies—fixing these incentives is the "missing link" in the GCC countries' diversification strategies. At present, producing non-tradables is less risky and more profitable for firms as they can benefit from the easy availability of low-wage foreign labor and the rapid growth in government spending, while the continued availability of high-paying and secure public sector jobs discourages nationals from pursuing entrepreneurship and private sector employment. Measures to begin to address these incentive issues could include limiting and reorienting government spending, strengthening private sector competition, providing guarantees and financial support for those firms engaged in export activity, and implementing labor market reforms to make nationals more competitive for private sector employment.
If there has been a gap in the knowledge of the GCC, this book now fills it. This volume presents the essential information schematically, with sound comment by the author, and includes a rich collection of documents.