

Speech of the Omani Economic Association

Delivered by

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For the inauguration ceremony of the Association's Fourth Conference

Opportunities and Challenges of Sustainable Development Within the Context of GCC Integration

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In the name of God the Merciful

Praise be to Allah, Lord of the Worlds and peace and blessings be upon His Messengers, our master Mohammad and his family and companions peace.

H.E Dr Yahya Bin Mahfoudh Al Manthri, Chairman of the State Council, Patron of the ceremony

Your Excellencies

H.E. Dr. Ali Mohamed Fakhro

H.E. Dr. Jassim Almannai, Director General and Chairman of the Board of the Arab Monetary Fund

Brothers and sisters, Chairmen and members of the Gulf Economic Associations, representatives of international and civil society organizations , media and representatives of sponsors

Honorable Guests, Ladies and Gentlemen

Peace, mercy and blessings of God,

We would like to welcome all of you to the fourth conference of the Omani Economic Association with the participation of the Gulf Economic Association, on Opportunities and Challenges of Sustainable Development within the Context of GCC Integration. It is well established that the GCC encounters various challenges which directly affect the performance of economies of member states including security, social and political challenges. However, we in this conference will focus on the hurdles of a developmental nature which

need to be understood and tackled in order to compliment the process of integration and development within the GCC.

We hope that this conference contributes towards proposing ideas on how to overcome the significant challenges facing GCC countries' economies and recommend alternative available solutions to achieve Gulf sustainable economic development.

The GCC was established in 1981 as a regional group of Arabian Countries, excluding Iraq, overseeing the Arabian Gulf following the Iranian Revolution in 1979 and Iran-Iraq war in 1981 which constituted an unprecedented regional threat necessitating the unification of lines and requiring greater cooperation and coordination among these states to confront its consequences. In the same year the Unified Economic Agreement was signed aiming at achieving economic integration among member states. This integration would be achieved by establishing a Free Trade Zone followed by founding Custom Union, and then Common Market in order to attain Monetary and Economic Union.

In 1983, the GCC member states agreed to establish a Free Trade Zone and decisions allowing GCC citizens to practice certain economic activities were taken. A new economic agreement to establish a Custom Union to come into force in 2003 was signed in 2001 following years of stagnancy. A programme to achieve the Monetary Union with a view to finally reaching a unified currency in 2010 was approved, as well as agreeing that the dollar would be the common peg for all member states' currencies.

The GCC Custom Union had positive impacts on GCC external trade. The volume of intra-GCC commercial exchange, though the Free Trade Zone Agreement came into force in 1983, began to double with the implementation of a unified custom tariff and some provisions of the Custom Union in 2003. The volume of intra-GCC commercial exchange increased to 34 billion dollars in 2005 compared to 15 billion in 2002 before the implementation of the

Agreement. In 2008 it reached 51 billion dollars and increased further to 91 billion dollars in 2009. These figures are clear and strong indications as to the extent of how the interests among GCC member states are deeply intertwined putting into account that the increment in figures occurred after the elapse of seven years of the Custom Union.

Meanwhile, the Custom Union failed to achieve the minimum levels of its objectives such as having a unified custom tariff towards the external world, unified custom systems and procedures, unified point of entry at which the unified Custom Fees were collected, movement of commodities without imposing customs or non custom restrictions, and the treatment of commodities produced in any state member ad national product. Moreover, there were disputes among some GCC members as some of these countries did not abide by putting into action decisions pertaining to customs union requirements, resolving issues of removing protection on local agents, and treating GCC merchants and local agents alike. Some intra-GCC Custom points are not fully committed to working around the clock, and hence enable easily damaged shipments to pass, soaring fees of loading and unloading at limited customs points and high service fees and charges imposed by some member countries on the entrance of laden trucks. Other points of disarray include not qualifying custom points' staff to understand the procedures and steps of Custom Union, merchants, along with importers and exporters having no access to sufficient information of the facilities and privileges provided by the Custom Union. Finally, there is no consensus on the mechanism of distributing customs revenues which stipulates collecting and sending customs revenues obtained from commodities passing the territory of a given country to another country after 2003, to the beneficiary country. Thus we find that the Custom Union is subject to significant challenges following deferring its final phase from the beginning of next year, 2011, to another 3 years which might lead to the withdrawal of some countries.

At the monetary level and, in spite of the Sultanate of Oman's withdrawal in December 2006 from the proposed GCC unified currency and Kuwait pegging its currency to a basket of currencies ,contrary to what was agreed upon among GCC countries, the agreement of the legislative and institutional frames of this scheme was ratified in December 2008. The Council also approved the Articles of Association of the Gulf Monetary Council. In December 2009, UAE withdrew from the scheme while Saudi Arabia, Bahrain, Qatar and Kuwait completed ratification of the Monetary Union Agreement at this time, paving the ground for establishing the Monetary Council which will assume the technical requirements of the monetary union, the preparation of founding the Central Bank and issuing a unified currency.

However, recent studies on the Monetary Union showed that the GCC countries region "does not satisfy any of the requirements of an ideal currency zone because Gulf economies lack an acceptable level of economic diversity due to the high contribution of oil as a single product in the production and exports of GCC countries, low intra-GCC commercial exchange rates compared to the gross commercial exchange volume of the GCC countries, and restriction of production factors elasticity movement within the region as compared to the high elasticity of external production factors movement. These factors render issuing a unified currency for GCC countries an infeasible matter. The best option for these countries would be to agree on a common peg for their currencies with a fixed exchange rate. This in turn would permit laying the ground for establishing a monetary union that would achieve all the benefits of the unified currency and spare them most of the costs that it might incur.

Your Excellency the Chairman ,

Our dreams are enormous and to avoid having such dreams turn into a mirage of a hot Gulf summer day, we have to change the current type of development prevailing in our countries to a development which focuses on citizens and meets the needs of the country; contrary to the unfeasible projects initiated by

foreigners to materialize their political and economic goals, planned and propagated by local agents, officials or merchants, to secure their commission and self interest. Unfortunately, the status quo of GCC countries development has become a reflection of warnings launched previously by some Gulf intellectuals which had classified the prevailing type of development as “oil development” being a natural consequence of the changes and fluctuations that have accompanied the oil era throughout the GCC countries, Such changes set these countries apart from benign types of development. Governments neglected the crucial issue of achieving a humane type of development that focuses on investing oil revenue instead of just consuming it. Therefore, the type of “oil development” fluctuates between “loss of development opportunities” and “development of loss” in some GCC countries which have began to lose its native language and Islamic-Arabic identity while facing an aggravated population imbalance to the extent that they are being pushed to encourage naturalization on a sole condition; linking the obtaining of permanent residence with buying real estate.

H.E the Chairman of the State Council, we would like to express our sincere gratitude and appreciation to you for patronizing this ceremony in spite of your numerous official duties.

We would also like to welcome our esteemed guests who may have incurred tedious travel to participate with us in this conference, specifically H.E. Dr. Ali Mohamed Fakhro and H.E. Dr. Jassim Al Mannai, Director General and Chairman of the Board of the Arab Monetary Fund

Further, we would like to thank our partners participating in this conference: the Gulf Economic Association, our brothers the Presidents and members of the Emirates Commercial and Economists Association, Bahrain Economists Association, the Saudi Economic Association and the Kuwait Economic Association.

Our thanks also go to presenters of papers in this conference

Dr. Ali Tawfik Al Sadik , Ramiz Mahmoud Alassar , Abdulaziz Alowaishiq, Mohamed Ebrahim Dito, Abdulrahman Alsultan, Mohamed AlHathloul , Said Alsiqri, Mahdi Muaidh Alsultan, Ibrahim Abdulla Abdulqader and Sawsan Allawati.

Special thanks are due to our colleague Dr. Ahmad Al Yoshaa, Chairman of the Gulf Economic Association, who has played an important role in the coordination and preparation of this conference.

Special thanks are also due to the sponsors of the conference and the sponsoring media.

Finally, I would like to state that the Association carries out its duties without employing a single person and pays no salaries or wages. The board of directors and members render their services on a voluntary basis with no financial compensation. They exercise their duties in a professional and academic manner within the context of the objectives of the Association as active partners of the country's comprehensive development.

I would like to extend my sincere gratitude and appreciation to my fellow colleagues, members of the Association's Board of Directors and all university students for their efforts to make this conference a successful one.

I also thank all the participants of this conference.

Our distinguished guests

We are very pleased to have you here with us in the Sultanate and we look forward to benefiting from your experiences and opinions on Opportunities and Challenges of Sustainable Development within the Context of GCC Integration. We hope that our endeavors will be successful.

Thank you very much