# *GCC TARIFFS EN ROUTE TO A COMMON MARKET AND A CUSTOMS UNION*

A REPORT ON THE 20th ANNUAL
GCC HEADS OF STATE SUMMIT

by
John Duke Anthony

U.S.-GCC Summit Series Number Five
2000

U.S.-GCC Corporate Cooperation Committee
Washington, D.C.

TABLE OF CONTENTS

Executive Summary

Main Text

* Differing Perspectives
* Tariffs and Summits: Past and Present
  * Why the Delay?
* Ants and Elephants, Birds of a Feather or Something Different?
* Dubai: Business as Usual
  * TeeJay in the East
* Neither an Island nor an Isolationist
* Might the King – the Customers, the Companies and the Investors – Decide to Abdicate?
* Saudi Arabia: Infant Industry Protection within Liberalization
* U.S. Commerce Secretary Daley’s Visit
* The Continuity of Comfort
* Transition Amidst Tradition
* The Risks
* *Not tempted at all?*
  * But the Skeptics
  * …and the Optimists
  * Better Late than Never
  * The Complementarity, if not the Fusion, of Polar Opposites?
  * What Leading Policymakers Have to Say

EXECUTIVE SUMMARY

## GCC Tariffs En Route To A Common Market and a Customs Union

by
John Duke Anthony

The six member countries of the Gulf Cooperation Council (GCC) have taken a crucial step toward paving the way for the Arab world's first ever common market. At the 20th GCC Heads of States Summit held in November 1999, member-states agreed to unify their external tariff rates by March 2005.

***Unified Tariff Agreement Will Take Effect on Time***. All across the GCC, numerous economic, commercial and regulatory conditions are creating the necessary momentum to ensure that the unified tariff agreement will take effect on or before March 2005. While the new date certainly postpones a March 2001 deadline agreed upon at the 19th Heads of State Summit, several fundamental factors now reinforce the likelihood that the GCC this time will meet the deadline to put in place unified external tariffs on or before March 2005:

- All but two of the GCC members have joined the 135-member World Trade Organization (WTO). Oman and Saudi Arabia are expected to enter the WTO in the near term.
- Saudi Arabia, with the region's largest economy, is on the threshold of enacting liberal and far-reaching economic, commercial, regulatory and legal reforms.
- GCC member states currently are increasing their economic integration and real-time inter-communications by networking their banking, stock market and e-mail systems.

Phase-In Period Is Key to Successful Union. *The five-year deadline set for tariff unification will allow GCC members the time to adjust their economies to the new tariff levels. Two extremes exist. The Emirate of Dubai, within the United Arab Emirates, is a major commercial hub linking markets in the Gulf, Africa and Asia. Dubai has relied on low tariffs to fuel its economy and commerce, which rely on high volume, quick turnover and high transaction value. Highly industrialized Saudi Arabia, on the other hand, the repository of the greatest concentration of capital in the Middle East, is a high-tariff country that fears that lower custom duties resulting from unification would threaten jobs and industries that are now heavily protected.*

***Accord Will Force Reevaluation of Investment and Sales Strategies***. Both foreign and domestic investors and businesses will reassess their approach to the GCC countries, reexamining issues such as manufacturing, sales and distribution arrangements; location of production sites; and selection of entry points for the region's exports.

***New Dynamics to Result in "Complementarity" Within the GCC.*** Unified tariffs and other agents of regional integration – such as improved communications among members – will result in increased cooperation, gradually diminishing many of the economic and commercial issues that currently polarize GCC polities like Dubai and Saudi Arabia.

***More Money Likely to Stay in the GCC***. As economic and commercial accords progress, and as attractive incentives for business and investment continue to grow, more money will stay within the GCC region. Also enhancing this effort are recent decisions to open Saudi Arabia's mutual funds to multinational companies and other investors.

***Common Market Will Result in Substantial Economic Growth of GCC***. Today, the six GCC members comprise an export market valued at $50 billion per year. The size and value of a united GCC Common Market will grow very substantially.

***Conclusion: Tariff Pact Is First Move Toward Creation of Major Trading Area***. This accord increases the GCC's progress toward becoming a major, effective trading bloc, and will create new market leverage for negotiating future free trade agreements with the European Union and others. Over the next 10 years, it is likely that a GCC common market will become a core part of an even larger Arab Free Trade Zone representing most of the Arab world's gross domestic product.

MAIN TEXT - CLICK HERE

*************************

LAST LINES

*************************

Independent commentary provided in 'GulfWire' and materials contained in the linked Internet sites do not necessarily reflect the views of the National Council on U.S.-Arab Relations or the U.S.-GCC Corporate Cooperation Committee. News extracts and links contained in GulfWire have been reported in various media. GulfWire and the National Council on U.S.-Arab Relations/U.S.-GCC Corporate Cooperation Committee have not independently verified the accounts referred to and do not vouch for their accuracy or the reliability of Internet links.

Internet links were active the day of publication in GulfWire. Some hyperlinks are longer than one line of text and may not properly 'wrap around' in your email. You may need to cut and paste these links to your Web browser.

The 'GulfWire' is an information service of the National Council on U.S.-Arab Relations and the U.S.-GCC Corporate Cooperation Committee Secretariat. Please feel free to forward this edition of the 'GulfWire' to your friends and colleagues, and suggest additions to our mailing list. CLICK HERE

For more information on the National Council on U.S.-Arab Relations and the U.S.-GCC Corporate Cooperation Committee visit the web sites of the National Council on U.S.-Arab Relations and the U.S.-GCC Corporate Cooperation Committee or call (202)293-0801.

****************************************************************************

National Council on U.S.-Arab Relations
President and CEO: Dr. John Duke Anthony

U.S.-GCC Corporate Cooperation Committee
Secretary: Dr. John Duke Anthony
1140 Connecticut Avenue, NW
Suite 1210
Washington, DC 20036

PATRICK W. RYAN
Editor-in-Chief, GulfWire
mailto:gulfwire@ArabiaLink.com
C. R. TRISDALE
Deputy Editor, GulfWire
mailto:CRTrisdale@ArabiaLink.com

The GulfWire e-newsletter and Web site are developed, produced and maintained by Ryan & Associates.