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## Diversification of Sources of Funding for the General Budget, its Concept and Dimensions in the Gulf Countries

Latfe ALHUSSEINAWI<sup>1\*</sup>, Ileana ASHRAFZADE<sup>2</sup>,  
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### *Abstract*

*The countries of the world, especially the developing countries, including the Gulf countries, which suffer from imbalances in the diversification of sources of financing their public budgets, have realized their dependence on a single budget source. This fact comes from the existence of large natural wealth, primarily oil, which resulted in single-source budget financing. The danger of relying on this resource is linked to the prices of international markets, fluctuations in prices and the impact on the public budget in these countries, which prompted the International Monetary Fund to issue warnings for the diversification of sources of funding in the public budget in order to handle these imbalances. Therefore, many countries have sought to implement a strategy to successfully diversify sources of finance by adopting a package of reforms aimed at raising the contribution level of the economic sectors and improving the efficiency of these sectors, especially the manufacturing sector. It is important that in the efforts of diversifying the sources of funding in the public budget, all countries should rely on the expertise and competencies of their economy planners. Many countries have implemented such plans and thus achieved economic developments reflected in reaching an acceptable degree of diversification of sources of funding, to ensure continuity and sustainability of the public budget.*

**Keywords:** *general budget, Gulf countries, diversification, source of funding.*

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## 1. Introduction

The diversification in general aims to reduce dependence on a single budget source and move on to develop the industrial and agricultural sectors while creating a productive base. That means building a healthy national economy aiming towards self-sufficiency in more than one sector. [1]

The diversification of sources of funding is seen as "the process to the adoption of a group of sectors share the composition". The diversification of sources of finance can refer to the diversification of sources of gross domestic product (GDP), to the diversification of sources of revenue in the public budget, or the diversification of markets, such as domestic markets and foreign markets (export) [2].

In general, the diversification is associated with participation in production which goes "to the distribution of investment in different sectors of the economy in order to reduce the risk of over-reliance on a single resource, sector or very few sectors" [3].

The present study focuses on the single resource budgets of the Gulf States which rely on oil-producing sources. The economies of these countries depend mainly on oil production. The danger of dependence on this resource is connected to the oil prices, which makes Gulf economies heavily influenced by the decline in the oil prices, prompting the International Monetary Fund to issue warnings of diversification in the economies of the Gulf States. The importance of research highlights in particular the effects of the decline in oil prices on the economies of the Gulf States. It also highlights the need to seek other sources to diversify economies in the Gulf. The research aims to achieve diagnosis of the risks and problems of recurrent oil prices in Gulf economies and explains the importance of diversification of non-oil sources of income to meet the risks and problems of low oil prices.

## 2. Diversification of the Funding Sources of Gulf Countries

The total oil production of the Gulf countries is approximately 23% of the world's daily production, as well as the acquisition of approximately 484 billion barrels, representing 41.7% of the global oil reserves [4] and 23% of the world reserves of natural gas.[5] The Saudi market accounts for more than half of the oil reserves in all Gulf Cooperation Council (GCC) countries. The positive trends in oil prices led to the growth of Gulf Cooperation Council (GCC) oil revenues in 2010. In Saudi Arabia, the revenue grew by 53.3% and in Oman by 22.6% following an increase of 6% in 2010.

GCC economies have become the main interest for economists. They are generally characterized by open financial and trading systems for global financial markets. Despite the effects of the global crisis on these economies, the growth of oil revenues in the Gulf oil exporting countries in 2010 led to significant growth. Oil revenue is a term known as oil and natural gas revenues in public finance literature. The term "petroleum" refers to natural oil and gas in energy literature. The growth in natural gas prices contributed to this growth in most of the world markets in the same year. Oil revenues represent the main source of public revenue in oil-exporting countries. The contribution of oil to public revenues in Kuwait has exceeded (90%) in 2010. The contribution ranged from (82.76%) in Oman, Bahrain and the United Arab Emirates to between (66-61%) in Saudi Arabia and Qatar [6]. Oil is largely available in these countries and public budgets depend on it [4].

According to the economic report, these revenues are the main engine of growth. These revenues and surpluses of oil have been used to build and develop infrastructure and to provide employment and social well-being for the citizens [6]. Within this framework, we will attempt to highlight the qualitative impact of the analysis on local economic sectors.

### 3. Industrial Sector

The industrial sector consists of both extractive and transformational industries. Although diversification is related to the extraction of oil and the oil industry, its diversified impact appears in the industrial sector. The impact of surpluses and resources on the industrial sector is reflected in its impact on the oil-based and conversion industry. Despite the decline in the contribution of the transformational industry to GDP, the nature of the industry in the GCC countries, which are petrochemical industries, modern oil refineries, metal industries and chemical fertilizers, makes them more important than in other Arab countries.

Traditional industries such as food, spinning, clothing and shoes are the most important components of manufacturing industries. Subsequently, they are industries that aim to satisfy the needs of the domestic market unlike petrochemical industries, oil refineries and mineral industries that depend on the oil sector and are mainly directed to foreign markets. In addition to oil refineries and petrochemical production, there are other industrial projects such as iron, steel, aluminum and cement.[7]

Over the past decades, GCC countries have been striving to allocate large amounts of investment to the development of this sector. Total

investments in the industrial sector increased from 4.1 billion dollars in 1975 to 40.36 billion dollars in 1993. This resulted in an increase in the number of factories from 1,600 in 1975 to 5705. A factory employed about 369345 workers in 1993.[8] Thus, the role of the petroleum sector in developing this sector through high contribution of the manufacturing in GDP increased from 4.6% in 1980 to 10.5% in 1995. While the contribution of the extractive industry declined from 61.4% of GDP in 1980 to 19.1% in 1995.[7] The decline in the contribution of the extractive industry to this sector clearly indicates a specific tendency towards policy aimed at reducing reliance on single resource.

#### 4. Agriculture Sector

The allocation of oil surpluses to the agriculture sector is an urgent necessity consistent with the diversification strategy announced by the Gulf countries. This has given greater importance to the agricultural sector for diversification production, as it provides often for domestic consumption.

Despite the lack of water resources, which are the basis for the development of this sector, a large part of the financial surpluses were directed to the development of the agricultural sector, reflected in the size of the food gap of these countries [7].

The area of cultivated land is already estimated at more than 4.521.254 hectares and its proportion 8.5% for arable land with an area of more than 53.202.421 hectares. This area is not enough to produce what local consumption requires of the food products. The governments of the member countries have been working to expand the agricultural area and increase production and diversification to provide food to the population and to contribute to local agricultural production in the food security of these countries. As a result of this interest, the cultivated areas have increased, as well as the diversification of agricultural production. Generally, the total production of cereals, dates, vegetables, meat, eggs, milk and fodder in these countries has increased from. Also, fish and honey productions have developed, making agricultural production contribute to local food production and more to the national income than it has done in the past.[9] The average contribution of agriculture to GDP reached about 3.2% in 1985, rising to 4.7% in 1995 [7].

The evolution of per capita net agricultural imports in the GCC countries have decreased from 386 dollars a year in 1985 to 287 dollars a year in 1995.[10] Although, there is an increase in per capita net agricultural imports in these countries compared to other Arab countries. However, the

decline in 1995 compared with 1985 indicates that a large part of agricultural commodities became enough from domestic production. This development has affected investments in infrastructure for this sector as a result of the availability of fiscal surplus from the petroleum sector, despite the reservations of some economists of supporting the agricultural sector in these countries due to high production cost. The main objective of the strategy of economic diversification and sustainable development is to build, expand and diversify the production base by reducing the role of the petroleum sector in the national economies. The strategy aims to diversify sources of financing of the general budget [9], requiring construction of an advanced economic sector that is not based exclusively on petroleum.

The availability of surpluses during the past years has helped to invest in infrastructure such as dams and irrigation systems, which have played a role in the production of basic crops such as cereals, fodder and crops. This has encouraged industries to serve the agricultural sector. There has been integration between the agricultural and industrial sectors.[7]

Member States also took care of animal wealth and worked to improve, develop and protect them from diseases and epidemics, which resulted in increasing their numbers, improving their types and breeds and increasing their production.[9]

## 5. Services Sector

The services sector has started to play an increasing role in the GCC economy, especially after the rise in oil prices and then the increase in oil wealth in the mid-seventies. The proportion of services in GDP increased as well as the level of income and the development was reflected in the increase Government expenditure on services. The financial surpluses, the economic diversification and the development plans in these countries have led to an increase in expenditure on education, health and other services. Thus, expenditure on government services in the GCC countries increased from US \$ 25.8 billion in 1985 to US \$ 38 billion in 1994. These surpluses played a role in the emergence of a large commercial and service sector in the GCC countries. The oil revenues have created the need for a strong banking sector that manages the surpluses, manages international loans, makes international investments and gains expertise in foreign exchange trading, portfolio management and trading operations. The number of commercial banks operating in the Gulf States in 1993 was 117, of which 59 were national and 58 foreign. The eighties witnessed an increase in the share of the services sector in all GCC countries [7].

The important here is the effect of these surpluses and their ability to diversify the sources of the public budget. There are two effects: the first is directly related to raising the financial capacity of the GCC countries and thus their ability to rely on alternatives for oil wealth in the composition of GDP.

The second indirect effect is the effect of financial surpluses on raising the capacity of local investors who are very interested in investing their money in international financial markets, as well as real investments in America, Europe and other parts [5] as shown in Table 1. The flow of domestic financial surpluses abroad is lower than internal financial capacity. It is a necessary and objective pillar of the diversification policy. However, the expected profits from foreign investment must return and an important part should be used internally. This process indirectly stimulates internal demand and production. However, it is also impossible to determine the realization of this indirect impact in the public sector, which depends on the implementation of the diversification policy through a set of targeted policies. Governments in these countries should take into account the application of more transparent and realistic economic policies regarding economic growth and boom. The real challenge is to develop non-oil productive sectors and increase non-oil export revenues [11] in order to achieve the success of the public budget diversification strategy.

**Table 1:** Remittances of Gulf Cooperation Council External Countries to the World

Statement	2008	2009	2010	2011
Foreign transfers	52.9	60.4	65.6	74.5
External capital flows	38.6	16.0	20.9	42.7
Non-bank deposits (financial investments)	113.6	112.9	134.1*	

\* Deposits for the year (2010) include the third quarter.

Source: IMF, Regional economic outlook. Middle East and central Asia. Second printing, May 2011, Washington, page 16

The contribution of economic sectors (except for oil) is very slow, thus the policies oriented towards economic diversification had been affected by the recession during 2008-2009 and the global financial crisis, leading to declining interest in the level of institutional reform required to diversify the financing of the general budget sources [12]. This phenomenon was followed by the so-called Arab spring and follow by a wave of political

changes in some Arab countries, which had a significant impact on economic relations and then on financial flows. For example Saudi Arabia, Kuwait and the UAE, which had their investments wide and directly in Egypt, especially in the areas of telecommunications, real estate and other areas of investment, witnessed a decline. Despite the political changes, there is no doubt that there are significant effects on the level of demand for foreign investments. These conditions have led the International Monetary Fund to adopt a less optimistic outlook on growth rates in this region [13].

## **6. Diversification Evidence for Sources of Funding in the GCC Countries**

There are many indicators that can be relied on and guided in countries that aim to diversify the productive base. Given the GCC's particularity in being an economic bloc, we will consider important diversification indicators, which are consistent with these countries. This is illustrated by three indicators: the contribution of the non-oil productive sectors to the contribution of the oil sector to the composition of GDP, the concentration of exports and the level of intra-GCC trade.

## **7. Contribution of Economic Sectors (Excluding Oil)**

The contribution of non-oil sectors is the most common diversification evidence. Over the past 15 years, there have occurred important developments in the base of the productive and service industries of the GCC economies. The question in this case is whether these were the direct effects of the policies aiming to identify alternative revenue sources.

This is confirmed by the increase in alternative sources as oil revenues decline. During the period 2000-2010, the contribution of the oil sector in the GCC countries declined from 91% in 2000 to 88.1% in 2009, while the contribution of alternative economic sectors alternative to oil increased. On the other hand, the contribution of non-oil trade revenues and tourism in the GDP increased from 8.4% to 8.9% during the period 1998-2000. In this regard, the Gulf countries have been concerned with the tourism aspect with a view to increasing the level of diversification of their economies. The development of the tourism sector and promotion policies have resulted in an increase in the number of incoming tourists and increased returns. In Qatar, the number of tourists increased by an average of 20% during the period 2008-2010 and by approximately 10% in Oman in the same period, tourism was estimated to constitute 13% of the GDP of



Dubai in 2010, while Bahrain was the fastest growing tourist attraction before the turmoil in the internal political situation has increased. From the eighth place in 1986 it moved up to the third place in 2010 (in the Middle Eastern countries) in terms of the number of incoming tourists [15]. In Bahrain, for example, the contribution of trade and tourism increased from 1.6% to 12.4%. In the United Arab Emirates, from 9.4% to 13%, in Kuwait from 7.8% to 8.1% while remaining unchanged in Oman and Qatar. This percentage declined in Saudi Arabia from 7.8% to 7.2% in the same period.

The importance of manufacturing in the GCC countries, including the development of the manufacturing sector has also increased. The share of manufacturing sector in the GDP increased from 8% in 1992 to almost 9% in 2009 and is likely to increase to 16% in 2015, 19% in 2020 [14].

Bahrain has witnessed an increase in the contribution of manufactured goods to GDP during this period (from 16.3% to 31.6%), in the UAE (from 3.9% to 11.6%) and in Oman (from 0.6% to 5.3%). In Saudi Arabia, from 1.6% to 2.5%, while Qatar and Kuwait decreased from 5.4% to 3.8% and from 2.2% to 1.4% respectively during the period (2000-2010).[15]

### **7.1. Export concentration**

Diversification and concentration are the most important indicators that reveal and indicate the level of economic diversification in countries that adopt the diversification strategy, measured by the diversification index.[16] The deviation share of exports of the main commodities of a given country in its total exports exceeds the share of domestic exports of these major commodities in world exports, as follows:

$$D_j = \frac{\sum i=1/h_{ij} - h_i}{2} \quad (1)$$

where  $H_{ij}$  represents the export share of the commodity (i) of the total exports of the country (j);  $H_i$  represents the export share of the commodity (i) of the total world exports.

The index is between 1-0. The closer the value is to 0, the higher the diversification index is higher. When the result reaches 0, the structure of local exports corresponds to the structure of world exports. The concentration index corresponds to the diversification index and measures the major commodities exports concentration in total domestic exports. The value of the concentration index (which is the concentration index adopted in the calculation of export concentration in [16]) varies between (1-0) and 1 represents a complete concentration of domestic exports [16].

$$H = \frac{\sqrt{\sum (x_i - x)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}} \quad (2)$$

where  $x_i$  = exports of commodity (i) and (x) of total exports of goods to state (i) and (n) number of commodities. The above-mentioned concentration index also provides other formulas by which the commodity concentration of exports can be calculated (Hierfendall-Hirschmann) [17].

$$H = \frac{\sqrt{\sum_f^n \left(\frac{x_i}{x}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}} \quad (3)$$

The commodity concentration index measures the level of market concentration of a country's share of global exports and imports in a particular commodity or commodity group or its diversification between more than one commodity and a commodity group. The value of the index is between (1 - 0). When the value reaches 1, this indicates the lowest level of funding resource diversification in the public budget, but if the value is 0, this indicates the highest level of diversification of public budget funding sources.[18]

There are also two other formulas in which the value of this indicator can be calculated to determine the degree of concentration of exports and the degree of geographical concentration of exports. The Commodity Concentration Index for exports is calculated according to the following formula: Indicator = Exports of major commodities % / Total exports. The geographical concentration of exports is calculated as follows: Indicator = Exports to the two most important % / Total exports. [19] This calculation is used in order to infer the extent of dependence of some economies. This is the case of some oil countries that depend on exporting one commodity (oil), especially in case of sharp fluctuations in the prices of exported goods. The geographical concentration of exports refers to the phenomenon in which trade is limited to a number of partners. In this case, the exporting countries become more vulnerable to the economic and political decisions of the importing countries.[16]

In light of the above, the data in Table (2) indicate a rise in the export diversification index for 2007 compared to 2004 for the same period. Compared to the world average of diversification index (0.5), in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, the values indicate that the export structure of these countries is different from that of global exports.

It is worth to note that this indicator is approximate because it is calculated on the basis of major commodity groups that do not necessarily

reflect the diversity in the number of exported goods. As for the index of concentration that corresponds to the diversification index and the degree of concentration of commodity group exports in total domestic exports, an increase has been observed in the GCC countries for the same period, compared with the world average of the concentration index (0.5). In view of the significant increase in the relative importance of the exports of these oil countries, as a result of the rise in world oil prices, the rise in this indicator may mask the diversification developments which occurred in the degree of diversification of exports in non-oil goods to these countries.[19]

In the same context, the year 2010 compared to 2007 witnessed significant developments in the diversification of exports in the Gulf countries. We note from the data in Table (2) that the diversification index for exports decreased in 2010 compared with 2007 for all Gulf countries and that the index of export diversification in the UAE is closer to the world average, indicating the increase in the diversity of UAE exports compared to the diversity in the structure of global exports.

With regards to the concentration index, this index (2010) has decreased (compared with 2007) in Oman, Bahrain, Saudi Arabia, Oman and Qatar, but Kuwait has increased its export concentration index [18].

**Table 2.** Concentration index and commodity diversification of Export Gulf countries and other selected countries

Years	2004		2007		2010	
Countries	Concentration Index	Diversity Index	Concentration Index	Diversity Index	Concentration Index	Diversity Index
Emirates	0.425	0.626	0.486	0.599	0.435	0.585
Bahrain	0.516	0.467	0.406	0.721	0.441	0.705
Saudi Arabia	0.731	0.619	0.743	0.777	0.736	0.768
Oman	0.556	0.497	0.604	0.738	0.458	0.683
Qatar	0.722	0.640	0.502	0.801	0.486	0.796
Kuwait	0.858	0.675	0.688	0.817	0.723	0.807
Iraq	0.967	0.858	0.966	0.815	0.972	0.876
Malaysia	0.357	0.359	0.176	0.463	0.165	0.469
Singapore	0.400	0.370	0.250	0.480	0.266	0.491
South Korea	0.297	0.322	0.156	0.451	0.213	0.583

*Source:* Table by the researcher; (2004) Consolidated Arab Economic Report 2009, p. 146; (2007-2010) Consolidated Arab Economic Report 2012, p. 171

## 8. Gulf trade level

Foreign trade is of great importance to GCC economies. Despite the dependence of GDP on the oil sector, the role of trade is primarily in the export revenues of crude oil. Imports of various commodities in general fluctuated continuously due to fluctuations in global demand for oil, which made trade dependent on those changes [20].

Because the Gulf countries depend on oil for most of their exports, it is not reasonable to trade oil commodity with each other. Thus, the increase in the volume of GCC trade indicates an increase in exports of non-oil goods and an increase in alternative components [21].

The Gulf trade witnessed a clear growth, rising from \$ 11.1 million in 1993 to \$ 18 million in 2002, an increase of 63% for the entire period or 5% per year.

During the year 2003, the first year of the customs union, the volume of trade exchange increased by 19.5%, with trade reaching \$ 21.5 million, the highest value of the total trade volume among GCC countries achieved since the establishment of the Gulf Cooperation Council 1981. The rate of increase referred to in 2003 is more than three times the annual growth rate for the previous 10 years.[22]

In support of analyzing the developments in the size of the trade in the GCC countries and according to ASCO statistics, the total trade for 2001 was of \$ 10,482 million, representing 6% of the total GCC trade with the world countries.

The value of trade in the Gulf Cooperation Council (GCC) for the year 2001 reached about 162.530 million dollars. In 2010 it reached 52,549.5 million dollars and in 2011, 71,599.6 million dollars.

The value of exports in 2001 amounted to 91,463 million dollars. In 2010 it reached 27,540.2 million dollars, while in 2011 it reached 38,738.7 million dollars. The value of imports in 2001 was 71,067 million and then reached about 25,009.3 million dollars in 2010. In 2011, this figure was about \$ 32860.9 million, as in Table (3).

In the Gulf trade, import rates are higher than those of exports, except in the case of Saudi Arabia and the United Arab Emirates. Their exports are higher than imports, due in fact to the high volume of trade between these countries.[20]

**Table 3.** Trend of exports and sources of Gulf commodity imports for the years 2010-2011 (USD Million)

Year	Source Direction							Total
		Emirates	Bahrain	Saudi Arabia	Oman	Qatar	Kuwait	
2010	Exports		269.0	2201.7	4760.4	1425.5	686.6	9343.2
	Imports		391.4	1780.8	1850.0	433.9	340.0	4795.3
2011	Exports		366.7	2991.6	6419.3	2709.0	926.8	13413.4
	Imports		400.9	2100.0	2500.0	722.9	490.0	6213.8
2010	Bahrain							
	Exports	537.7		806.1	123.6	274.4	141.5	2813.2
2011	Imports	301.7		2682.8	47.1	78.6	39.5	4292.8
	Exports	728.1		1095.3	166.7	632.1	191.0	2813.2
2010	Imports	411.2		3656.8	64.5	106.5	53.8	4292.8
	Saudi Arabia							
2010	Exports	2960.8	3679.9		705.9	1049.8	1347.2	9743.6
	Imports	3540.5	1099.2		460.8	249.9	356.5	5706.9
2011	Exports	4009.3	4983.1		951.9	2043.4	1818.5	13806.2
	Imports	3290.8	1204.9		643.4	121.6	469.8	5730.5
2010	Oman							
	Exports	3581.6	42.8	426.7		230.0	80.9	4362
2011	Imports	4250.0	136.0	776.5		169.0	267.1	5598.6
	Exports	4909.5	58.7	584.9		427.1	111.0	6091.2
2010	Imports	5246.5	183.4	876.2		227.9	360.1	6894.1
	Qatar							
2010	Exports	655.1	96.5	110.2	207.4		43.8	1113
	Imports	1592.2	545.7	1220.1	234.2		141.0	3733.2
2011	Exports	657.2	96.8	110.5	207.2		44.0	1115.7
	Imports	2979.9	695.3	2247.8	469.8		188.9	6581.7
2010	Kuwait							
	Exports	386.9	35.9	314.3	242.8	115.2		1095.1
2011	Imports	545.3	155.6	1200.0	89.0	35.7		2025.6
	Exports	523.9	48.9	427.1	327.4	171.7		1499
2010	Imports	934.3	210.1	1833.1	122.1	48.4		3148
	Total Exports							27540.2
2011	Total Imports							25009.3
	Total Summation							52549.5
2010	Total Exports							38738.7
	Total Imports							32860.9
2011	Total Summation							71599.6

*Source:* The table prepared by the researcher depending on Consolidated Arab Economic Report 2011, p. 375, and the Arab Consolidated Economic Report for 2012, p. 41

## 9. Calculation of the Contribution of the Trade Directory

To determine the level of trade contribution to net exports in GCC countries, we can use the following method:

$$C_i = \left[ \frac{xgulf - Mgwf}{xtotal + Mtotal} \right] - \left[ \left[ \frac{xgulf + Mgwf}{xtotal + Mtotal} \right] \left[ \frac{xgulf - Mgwf}{xtotal + Mtotal} \right] \right] \quad (4)$$

whereas:

CI = Trade contribution of country i in total net exports.

Xgulf = exports to country i in millions of dollars.

Mgwf = imports of country i in millions of dollars.

Xtotal = Total exports of country i to countries of the world in millions of dollars.

Mtotal = total imports of country i from countries of the world in millions of dollars.

If the value is positive, it means that the country concerned has a real contribution to export within trad compared to its imports. The opposite is true when the value is negative, which means that the country has imports higher than exports. It is in fact a transit trade, and net exports show the real picture of trade in GCC countries.

Applying the formula to the GCC countries for 2003, depending on the data above from the 2004 Arab Consolidated Economic Report, the results were as follows:

Kingdom of Saudi Arabia

$$C_i = \left[ \frac{6381.4 \ 1683.2}{103657.6} \right] - \left[ \left[ \frac{6381.4 \ 1683.2}{103657.6} \right] \left[ \frac{1390.9 \ 32266.7}{103657.6} \right] \right] \quad (5)$$

$$C_i = 0.02$$

This equation means that Saudi Arabia has an export intensity in trade compared to its imports with other GCC countries.

United Arab Emirates

$$C_i = \left[ \frac{25801.1 \ 19109.9}{8873.2} \right] - \left[ \left[ \frac{580.1 \ 1910.9}{8873.2} \right] \left[ \frac{49596.5 \ 39135.5}{8873.2} \right] \right] \quad (6)$$

$$C_i = 0.001$$

Bahrain

$$C_i = \left[ \frac{539.8 \ 465.2}{10074.6} \right] - \left[ \left[ \frac{539.8 \ 465.2}{10074.6} \right] \left[ \frac{5368.9 \ 4705.7}{10074.6} \right] \right] \quad (7)$$

$$C_i = 0.001$$

Sultanate of Oman

$$C_i = \left[ \frac{25801.1 \ 1910.9}{16969.1} \right] - \left[ \left[ \frac{2580.1 \ 201.0}{16969.1} \right] \left[ \frac{11171.7 \ 5797.4}{16969.1} \right] \right] \quad (8)$$

$$C_i = 0.04$$

Qatar

$$C_i = \left[ \frac{711.7 \ 538.8}{15912.4} \right] - \left[ \left[ \frac{711.7 \ 538.8}{15912.4} \right] \left[ \frac{11031.6 \ 4880.8}{15912.4} \right] \right] \quad (9)$$

$$C_i = 0.02$$

Kuwait

$$C_i = \left[ \frac{515.3 \ 1101.9}{24283.4} \right] - \left[ \left[ \frac{515.3 \ 1101.9}{24283.4} \right] \left[ \frac{1546.2 \ 8877.2}{24283.4} \right] \right] \quad (10)$$

$$C_i = 0.03$$

These indicators were positive in Saudi Arabia (0.02), UAE and Bahrain (0.001) for the same year. Positive rates indicate that this group of GCC countries has intensity export with trade. That is, the group has a proportion of non-oil goods with a comparative advantage that are exported

to the group of countries with negative indicator results, meaning that the positive results group has had a positive effect in trade compared to its counterpart.

The group with negative indicator results includes Kuwait, Qatar and Oman indicating the imports intensity in trade relative to the group with positive results, as well as the intensity of imports from abroad. This ratio indicates almost complete dependence on oil or oil production goods. In other words, the industries in these countries are competitive industries in the positive group, so there is no demand for them within trade. This means that there is weakness in the non-oil industrial base in the negative group countries.[20]

## 10. Conclusions

The paper pointed out that diversifying sources of financing the public budget is necessary for the economic cooperation of the Gulf States and their role in economic development:

- Through the establishment of sovereign funds of oil surpluses and investment to diversify the sources of financing
- The public budget through attention and focus on the industrial sector and agricultural services (banks)
  - Encouraging the private sector and foreign investment
  - Attention to manufacturing industries such as construction, cement and others
  - Focusing on human resources
  - Focusing on professional schools and institutions and preparing advanced curriculum for this purpose.

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